

Andrew Junkin, CFA, CAIA
Managing Director & Principal

January 30, 2014

Mr. Henry Jones
Chair of the Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Global Fixed Income – Proposed Changes to Delegated Authority

Dear Mr. Jones:

You requested Wilshire's opinion with respect to Staff's proposed changes to the Delegated Authority for Global Fixed Income. These changes are being proposed to align the Delegated Authority with changes in policies, to provide clarity, and to permit Staff to select external managers.

Opinion

Wilshire believes that the three changes proposed are appropriate and should be adopted by the Investment Committee.

Background

Staff is proposing three changes: 1) eliminating references to the Barclays Aggregate Program and its policy; 2) to clarify that Staff may make use of derivatives beyond commodities derivatives; and 3) to allow Staff to hire external managers. We will address each of these items separately.

First, the Investment Committee recently approved the repeal of the Barclays Aggregate policy as there are no longer any assets managed internally within the Barclays Aggregate Program. As a result, it is appropriate to eliminate the references to this defunct Program and repealed Policy from the Delegated Authority Resolution.

Second, Global Fixed Income Staff makes use of derivatives beyond commodity derivatives within the Global Fixed Income Program (e.g., treasury futures to manage the duration of the overall portfolio). Thus, this proposed change aligns the Delegated Authority with the investment management practices of Staff. Therefore, Wilshire supports this change.

Last, Staff is proposing to add the ability to “select” external managers for the program, pursuant to public contracting procedures. As this is in alignment with the Board Governance Policy and with the activities of other asset classes, Wilshire believes this an appropriate change.

Conclusion

Wilshire recommends that the Investment Committee adopt the proposed changes to the Delegated Authority for Global Fixed Income. The changes are appropriate and supportive of Staff’s ongoing management of the Global Fixed Income Program.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read 'Ann J. ...'.