Wilshire

Julia K. Bonafede, CFA
President of Wilshire Consulting

September 22, 2014

Mr. Henry Jones
Chairman of the Investment Committee
California Public Employees' Retirement System
400 P Street, Suite 3492
Sacramento, CA 95814

Re: Revision of Affiliate Funds Policies

Dear Mr. Jones:

At the September 2014 Investment Committee (IC) meeting, Staff reviewed modifications to the proposed statements of investment policy for the following Affiliate Funds:

- California Employers' Retiree Benefit Trust (CERBT)
- Legislators' Retirement Fund (LRS)
- Judges' Retirement Fund (JRS)
- Judges' Retirement II Fund (JRS II).

As an additional enhancement to the modifications proposed at the September IC meeting, the policy for the JRS fund reflects the potential for the financial structure to migrate from a pay-as-you-go system to pre-funding the liabilities. If this change should occur then the policy appropriately mandates that an asset allocation study be initiated by staff to invest the pre-funded assets.

New language has also been proposed for the CERBT funds to strengthen the commitment to continue to minimize tracking error around the policy benchmark for each fund.

Recommendation

Wilshire supports the proposed investment policy modifications for the Affiliate Funds and we are always available to answer any questions you may have.

Sincerely,

Wilshire Associates
1299 Ocean Avenue, Suite 700 Santa Monica, CA 90401 TEL 310.451.3051 FAX 310.458.0520 www.wilshire.com