



September 22, 2014

Mr. Henry Jones, Chairman
Investment Committee
California Public Employees' Retirement System
Sacramento, California 95814

Re: October IC Agenda Item 6a – Revision of Affiliate Fund Policies

Dear Mr. Jones,

The purpose of this letter is to provide the Investment Committee with Pension Consulting Alliance's (PCA's) opinion regarding Agenda Item 6a for the October Investment Committee meeting. In summary, PCA supports the final recommendations for the respective statements of policy for each of the four affiliate funds under review. PCA also believes that staff and the Investment Committee have conducted a thorough process and applied assumptions that have been consistent with the process and assumptions utilized under the earlier comprehensive policy review of the PERF portfolio. The final set of recommended policy portfolios and the updated statements of policy provide appropriate risk/return profiles for each of the respective affiliate funds. This opinion follows our review of the predecessor topic, Item 6a, on the September 2014 IC agenda.

The final recommendations for the affiliated fund statements of policy are reasonable and prudent. PCA notes that the allocation policies for the different funds can vary widely due to the unique objectives and risk tolerances of each respective fund.

Given the above context and the various tradeoffs the affiliated funds face, PCA believes that the Committee can accept the recommended policy language for each of the funds on the basis of the information provided in this agenda item as well as previous IC agendas.

We look forward to addressing any questions or clarifications on this matter at the Investment Committee meeting.

Respectfully,

A handwritten signature in black ink, appearing to read "Allan Emkin".

Allan Emkin