

Andrew Junkin, CFA, CAIA
Managing Director & Principal

March 2, 2015

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

Re: Preliminary Review of the Investment Committee Delegation Resolution

Dear Mr. Jones:

Overview and Recommendation

Staff is recommending that the Investment Committee Delegation Resolution, which lists activities that the Investment Committee may undertake with respect to governing the investment activities of CalPERS, remain unaltered after review. This item is intended to be review-only with action to be taken at the April Board meeting.

Wilshire has reviewed the item and believes that the existing delegation is appropriate and permits the Investment Committee appropriate authority to effectively govern over the investment activities of CalPERS. Therefore, Wilshire recommends no changes to the item.

Investment Beliefs

Wilshire believes that CalPERS' Investment Belief #9 – Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error; and Belief # 4 – Long term value creation requires effective management of three forms of capital: financial, physical and human. This capital directly influences the delegation of authority within CalPERS.

The 18 delegations listed in the Resolution help CalPERS manage certain risks by placing decision-making authority with the Investment Committee. Maintaining these delegations will continue to support the strong risk-controlled environment in which the organization operates.

Discussion

As no changes are recommended, the Investment Committee's current Delegated Authority would continue intact. While we will not discuss all 18 items listed in the Delegation Resolution, a few are worth highlighting. First, the Investment Committee is charged with setting investment beliefs, which is an area the Committee continues to emphasize on a monthly basis and one that Wilshire works with Staff on, in terms of incorporating CalPERS' Investment Beliefs into actionable items. Wilshire believes that the ongoing Portfolio Priority work falls under this delegation.

Other noteworthy delegations include setting the asset allocation, approving investment policies, approving and overseeing asset class strategic plans, overseeing the ESG program, and effectively setting the agenda of the Investment Committee meetings, which gives the Committee broad latitude in how it functions. Overall, Wilshire believes that the delegated authority is significant in terms of the level of power the Investment Committee can appropriately exert on the investment matters of CalPERS and provides proper governance tools for the Committee.

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. ...'.