



April 21, 2015

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

Re: Long Term Care Fund Asset Allocation Review and Policy Revision

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 [XX] for the May Investment Committee meeting. In summary, PCA supports the staff's recommendations for maintaining the Long Term Care (LTC) Fund's current allocation policy. In addition, PCA has reviewed the proposed revisions to the LTC Fund Investment Policy and Total Fund Investment Policy and are comfortable with Staff's recommended revisions.

Discussion

Staff is recommending that the LTC Fund maintain its current asset allocation policy. The rationale for this recommendation is that the LTC Program is well-funded and participation in the Program continues to evolve. Altering the allocation policy before the Program reaches a more mature stage might prove disadvantageous and incur unneeded transition costs. PCA concurs with this rationale.

Staff is also seeking to align the timing of LTC Fund allocation policy decision with those of the Total Fund allocation policy. PCA believes this rationale makes sense, in that CalPERS is moving toward integrating the strategic decisions of all its major investment programs.

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

Respectfully,

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

Allan Emkin