

Julia Bonafede, CFA
President of Wilshire Consulting

September 30, 2015

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

Re: Revision of Global Equity Policies – Second Reading

Dear Mr. Jones:

In response to suggested changes from members of the Investment Committee (IC) at the September 15th meeting and in conjunction with the ongoing project to streamline all of CalPERS' investment policies, staff has modified the proposed Investment Policy for Global Equity (Policy) to increase clarity.

The goal of this update is to better align the policies with the CalPERS' Investment Beliefs and provide consistency with the Total Fund Policy and current management guidelines for the Global Equity Program.

As we noted in our prior opinion letter, the Policy is being streamlined into the new policy format. All language considered to be duplicative, aspirational or editorial has been removed and procedural language has been moved to the Policy Procedure document. As noted previously, in addition to the reformatting of the Policy, there are two meaningful updates to the Policy that better reflect the actual management practices of the Global Equity Program.

- The forecast tracking error is being changed from 25-50 basis points to 0-50 basis points.
- The language defining limits to the use of leverage in the Global Equity portfolio has been moved to the Total Fund Investment Policy in accordance with the procedures planned for changes to the other asset programs. The original language has been preserved.

Wilshire believes the suggested changes offer further clarification to the Policy and we support the new language as well as the revisions offered in the initial review.

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

Wilshire Associates

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Best regards,

A handwritten signature in blue ink that reads "Julieak Brnafale". The signature is written in a cursive style with a large initial 'J'.