



Andrew Junkin, CFA, CAIA
Managing Director & Principal

October 6, 2015

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

Re: Global Fixed Income Policy Revisions

Dear Mr. Jones:

Overview

As part of the ongoing policy review project, Staff is bringing forward revisions to the Global Fixed Income Policies. Wilshire has reviewed the Policies, discussed with Staff, and made several minor suggestions. Wilshire believes that the Investment Committee (IC) should provide additional feedback to Staff, but that the proposed Policies are suitable and appropriate as drafted.

Investment Beliefs and Discussion

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; speak directly to the need for strong governance in the form of robust policies and procedures.

Wilshire has discussed the proposed changes with Staff. It should be noted that the IC-proposed modifications to the Global Equity Policies (presented in September and for a second reading in October) that affect the body of the Policy have been included. These changes specifically call out the existence of the Investment Beliefs in the Total Fund Policy and note the existence of other over-arching Policies that should be read in conjunction with this Policy.



Most of Wilshire's discussion with Staff centered on clarifying or correcting language. As the Policy revision project progresses and prior feedback from the IC, Wilshire, and Staff is incorporated into later rounds of revisions, we would expect the first readings to more closely reflect the final versions, subject to additional feedback.

Conclusion

Wilshire believes that the proposed Policies, when combined with Staff procedures documents and regular testing by Compliance, provide a robust, holistic approach to governance for the Global Fixed Income Program.

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. ...'.