

*Andrew Junkin, CFA, CAIA
President, Wilshire Consulting*

November 24, 2015

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

Re: Real Assets Policy Revisions

Dear Mr. Jones:

Overview

As part of the ongoing policy review project, Staff is bringing forward revisions to the Real Assets Policies. As the Investment Committee's Forestland Consultant, Wilshire is opining on the Forestland portions of the proposed policy, but has reviewed the entire document. In this case, Staff is simply moving the limits that currently exist in Delegated Authority into the Real Assets Policy. This plan was discussed in the August Investment Committee meeting, where Wilshire opined favorably.

Investment Beliefs

As we have noted in our other policy reviews, 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.

Conclusion

Wilshire believes that this limited set of revisions is appropriate and in line with what Staff has communicated to the Investment Committee. The full migration of this Policy to the new format will be brought forward to the Investment Committee with the 2016 Strategic Plan. As



we noted during the August meeting, for a period of time, these limits will exist in both Delegated Authority and the Policy.

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. ...'.