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President, Wilshire Consulting

December 7, 2015

Mr. Henry Jones
Chair of the Global Governance Ad Hoc Subcommittee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Fourth Reading of the Global Governance Principles

Dear Mr. Jones:

Overview

The Global Governance Ad Hoc Subcommittee and Staff have worked diligently to clarify and condense CalPERS' Global Governance Principles. This fourth reading of the proposed Principles shows how significant this task has been and how meaningful the progress made to date is.

Wilshire has provided opinions on the Principles for as long as they have existed. As markets, the regulatory environments, and the political environments in which CalPERS operates and invests have changed over the last decade, and as Staff's and the Investment Committee's knowledge bases have grown and developed, the Global Governance Principles have grown in length and complexity to the point that navigating them is challenging. The proposed edits in the fourth reading clarify and simplify the presentation of CalPERS' Global Governance Principles as they stand today.

The Principles address a number of key areas that are critical for the success and sustainability for CalPERS as a global investor and the nation's largest pension plan: corporate governance and related aspects; efficiently functioning markets and regulatory effectiveness; political stability; and long-term risks such as environmental practices.

CalPERS' Investment Beliefs are included by reference and many are directly or indirectly affected by the successful implementation of the Global Governance Principles. While it may be challenging, if not impossible, to directly attribute and quantify an improvement in the returns of CalPERS' investment portfolio to any particular proxy vote or other governance

issue, it is evident that CalPERS' multi-faceted risk is influenced by a holistic approach to risk, as is presented by the Global Governance Principles.

While the Principles are written to be comprehensive, they can never be exhaustive nor will they ever be "finished." Future revisions will address additional issues that come to the forefront as markets and CalPERS' role in them evolves. Wilshire recommends that the Global Governance Ad Hoc Subcommittee discuss the appropriateness of becoming a permanent Subcommittee of the Investment Committee – one that meets periodically to help the Principles evolve to continue to meet the needs of CalPERS as an organization and its mission to provide the benefits promised to its beneficiaries in a responsible and sustainable way.

Conclusion

Wilshire believes that this iteration represents a meaningful step forward in the evolution of CalPERS' Global Governance Principles, that the Global Governance Ad Hoc Subcommittee should approve the revisions, and that the Investment Committee should review them as appropriate. Furthermore, as noted above, Wilshire recommends that the Subcommittee discuss its ongoing work in guiding future changes to the Principles.

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 "Alan J. J. J.", is positioned below the text "Best regards,".