



Memo

To: Members of the Investment Committee
California Public Employees' Retirement System

From: StepStone Group

Date: February 16, 2016

Subject: Proposed Revision to the Real Assets Policy - Second Reading

In our role as the Board's Infrastructure Consultant, StepStone Group was asked by the Real Assets Unit ("RAU") to review and opine on a proposal to incorporate the limits and constraints in the current Real Assets Delegation Resolution ("Delegation") as an attachment ("Attachment D") to the Real Assets Policy ("Policy"). This was presented as a first reading item to the Investment Committee in December 2015. The Investment Committee did not have comments on the proposed changes at that time.

As was communicated to the Investment Committee in December, a complete review and revision of the Policy will be conducted as part of the 2016 Real Assets strategic planning process. Therefore, the proposed incorporation of the limits and constraints that are presently included in the current Delegation into the Policy as Attachment D is only an interim step intended to create alignment with the Total Fund Policy. In our previous memo to the Committee, StepStone noted that the requirements, limitations and other terms of the Delegation as they relate to the Infrastructure Portfolio or other sections of the Policy will remain unchanged.

StepStone believes that current efforts to reduce complexity and standardize investment policies, including the proposed changes to the Policy, should strengthen the governance of the Infrastructure Program. We will continue to work with the Real Assets Staff on the strategic planning process this year, and will keep the Board informed about future proposed revisions to the Policy.