



Date: February 13, 2017

To: Henry Jones, Chairman, Investment Committee

From: Pension Consulting Alliance, LLC

RE: Proposed Revisions to Total Fund Investment Policy

Pension Consulting Alliance, LLC ("PCA") has been asked in its capacity as Board Consultant for Private Asset Classes Private Equity and Real Estate to opine on the revisions of the CalPERS' Total Fund Investment Policy submitted to the Investment Committee for a first reading on February 13, 2017.

A detailed description of the proposed revisions is incorporated in staff's introduction to Agenda Item 8a. The proposed revisions are part of the Investment Office's work in conforming several separate policies into an integrated Total Fund Policy.

As contrasted with publicly traded assets, certain provisions of the Governance and Sustainability Strategy which relate to the private asset classes of Private Equity and Real Estate are aspirational rather than prescribed. It is projected that their adoption by managers and other service providers are expected to occur over periods ranging up to five years. Specific necessary procedures, metrics and evaluation thresholds have not yet been developed or approved, and PCA reserves its final opinion on the adequacy and appropriateness of those until they can be reviewed.

At this stage, PCA supports the revisions to the Total Fund Investment Policy as presented by Staff and believes that the agenda item accurately describes the background and history of the items under consideration.