

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

October 24, 2017

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

Re: Total Fund Investment Policy Revisions

Dear Mr. Jones:

Staff is proposing revisions to CalPERS Total Fund Investment Policy. This item is the second reading following the first reading in September.

In September, Wilshire raised several issues during the first reading, which Staff has now addressed. Wilshire had concerns about internal ratings for the Low Duration Fixed Income Program superseding ratings from outside rating agencies. Wilshire also preferred not to remove the words "Fixed Income" from the title of the Low Duration Fixed Income Program so as to not confuse external readers. Staff has removed the implied rating language from the first reading and reinserted "Fixed Income" as appropriate and has, therefore, addressed our concerns on these points.

In addition to the changes that the Investment Committee saw in the first reading, Staff has added a duty for the General Pension Consultant – to annually review the Opportunistic program. Wilshire believes this is an appropriate addition to the annual review process and supports the change.

Wilshire has reviewed the proposed changes to the Total Fund Investment Policy. Subject to additional input from the Investment Committee, Wilshire supports the adoption of the proposed updated Total Fund Investment 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. ...'.