



November 28, 2017

Mr. Henry Jones, Chairman
Investment Committee
California Public Employees' Retirement System
Sacramento, California 95814

Re: Strategic Allocation Recommendation

Dear Mr. Jones,

The purpose of this letter is to provide the Investment Committee (IC) with Pension Consulting Alliance's (PCA's) opinion regarding Agenda Item 5a for the December Investment Committee meeting. In summary, PCA supports the Staff's recommendation of adopting Candidate Portfolio C (Portfolio C) among the four alternative portfolios being considered.

Discussion

Item 5a is a continuation and culmination of the CalPERS Asset Liability Management process, where the primary objective has been to select an appropriate strategic allocation mix for the overall CalPERS asset portfolio. As discussed in Staff's memo, PCA concurs that Portfolio C: (i) is appropriate for meeting CalPERS' longer-term 7% assumed rate of return, (ii) was developed utilizing a process that incorporated several key CalPERS investment beliefs, and (iii) is a cost-effective solution when compared to the other alternatives.

We look forward to addressing any questions or comments on these matters at the Investment Committee meeting.

Respectfully,

A handwritten signature in black ink, appearing to be "A. Emkin".

Allan Emkin