



MEKETA INVESTMENT GROUP

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December 18, 2017

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

RE: STRATEGIC ASSET ALLOCATION

Dear Mr. Jones:

Meketa Investment Group has been asked in its capacity as Board Consultant for Private Equity (the "Program") to opine on the proposed adoption of Candidate Portfolio C ("Portfolio C") as the Policy Portfolio for the Strategic Asset Allocation. The Policy Portfolio guides and defines the strategic asset allocation across the Portfolio for the next four years and should reflect a balance between the market opportunity set and the conditions of the Plan. The development and recommendation of the Candidate Portfolio C is a result of the CalPERS Asset Liability Management review process conducted over the past several months and was most recently discussed at the November Board meeting during the ALM Workshop. The Strategic Asset Allocation and Candidate Portfolio C as proposed by Staff are described in Item 5a.

Meketa Investment Group participated in several discussions with Staff and other CalPERS' consultants in this process, with our particular focus on the private equity asset class. We note that all candidate portfolios provide for an 8% allocation to the private equity asset class. Overall, we support the Staff's recommendation to adopt Candidate Portfolio C.

Sincerely,

Stephen P. McCourt, CFA
Managing Principal

Steven Hartt, CAIA
Principal

SPM/SKH/nca