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October 24, 2017

Mr. Henry Jones  
Chairman of the Investment Committee  
California Public Employees' Retirement System  
400 P Street, Suite 3492  
Sacramento, CA 95814

**Re: Financial Analysis of CalPERS' Divestment Programs**

Dear Mr. Jones:

In accordance with CalPERS' Total Fund Investment Policy, Wilshire provides the Investment Committee with financial performance analysis of CalPERS' active divestment activities<sup>1</sup> on an annual basis. This report, which provides that analysis through the 2017 fiscal year, does not attempt to assess the broader societal or environmental net impacts from CalPERS' divestment activities.

Wilshire is working with Staff on a review of the broader divestment process for presentation to the Investment Committee in 2018.

**Analytical Changes**

Wilshire has made some changes to its methodology for determining the financial performance of CalPERS' divestment activities and presentation of its findings. The purpose of these changes is to provide the Committee with more clarity on the timeframe for calculating the financial gain/losses and clearly distinguishing between inactive and active divestment programs. Further to the decision to review each

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<sup>1</sup> The Appendix contains financial analysis of CalPERS' inactive divestment programs as well as inception-to-date estimates for active programs.

divestment program every 5 years, we now calculate the financial impact from the date of the last affirmation of each program rather than from each program's inception date.

Due to its July 1, 2017 effective date, Wilshire will include further details on the financial gains/losses from the Committee's decision taken at the April 2017 meeting to divest from pre-selected thermal coal securities in our FY 2018 divestment analysis.

### Summary of Findings

The following table summarizes Wilshire's estimates of the transaction cost and return impacts from divestment activities.<sup>2</sup> The present value figures below have been calculated to show the estimated impact on the total fund through June 2017, whereby prior period gains and losses are carried forward at the PERF's total return. The percent (%) impacts express these present value dollar amounts against the PERF's June 2017 market value of \$323.5 billion.

#### Active Divestment Programs (Last Affirmation to FY 2017)

	Present Value Estimate		Program Affirmation	Estimates Begin in Calendar Qtr.
	\$MM	% PERF		
Tobacco	(137)	(0.0%)	Yes	1Q 2017
EM Principles	554	0.2%	Pending	1Q 2008
Iran/Sudan	355	0.1%	Pending	3Q 2011
Firearms	(2)	(0.0%)	Pending	2Q 2013
<b>Active Total</b>	<b>770</b>	<b>0.2%</b>		

Please do not hesitate to contact us should you require anything further or have any questions.

Sincerely,

  
Steven J. Foresti

  
Daniel E. Ingram

<sup>2</sup> Present value estimates of transaction costs, where included, are based on initial \$ estimates provided by Staff

## Appendix

### Divestment Program (Inception to FY 2017)

	Present Value Estimate		Active Dates
	\$MM	% PERF	
<b>Active</b>			
Tobacco	(3,887)	(1.2%)	1Q 2001 to Present
EM Principles	554	0.2%	1Q 2008 to Present
Iran/Sudan	355	0.1%	3Q 2011 to Present
Firearms	(2)	(0.0%)	2Q 2013 to Present
<b>Active Total</b>	<b>(2,981)</b>	<b>(0.9%)</b>	
<b>Inactive</b>			
EM Countries	(577)	(0.2%)	4Q 2002 to 4Q 2008
South Africa	(4,916)	(1.5%)	1Q 1988 to 4Q 1994
<b>Inactive Total</b>	<b>(5,493)</b>	<b>(1.7%)</b>	
<b>Overall Total</b>	<b>(8,473)</b>	<b>(2.6%)</b>	