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President, Wilshire Consulting***

February 23, 2018

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

Re: Investment Committee Delegation Resolution

Dear Mr. Jones:

### **Overview and Recommendation**

The CalPERS Board Governance Policy requires an annual review of the authority delegated to the Investment Committee. After review, Staff is bringing forward a recommendation to keep the current delegations as they are currently in effect. Wilshire has reviewed the delegations and believes that the existing delegation is appropriate and permits the Investment Committee appropriate authority to effectively govern over the investment activities of CalPERS. Therefore, Wilshire recommends no changes to the delegations and recommends it be approved.

### **Investment Beliefs**

Wilshire believes that CalPERS' Investment Belief # 4 – Long term value creation requires effective management of three forms of capital: financial, physical and human addresses the need for clear governance structures, such as these delegations. The delegations listed in the Resolution help CalPERS manage certain risks by placing decision-making authority with the Investment Committee. Maintaining these delegations will continue to support the strong risk-controlled environment in which CalPERS functions.

### **Discussion**

As no changes are recommended, the Investment Committee's current Delegated Authority would continue intact. As we noted last year, a few of the delegations are worth highlighting.



The Investment Committee is charged with setting investment beliefs, which continues to be an area the Committee emphasizes on a monthly basis and one that Wilshire works with Staff on, in terms of incorporating CalPERS' Investment Beliefs into actionable items.

Other noteworthy delegations include setting the asset allocation – a process which was recently completed pending policy changes, approving investment policies, approving and overseeing asset class strategic plans, overseeing the ESG program, and effectively setting the agenda of the Investment Committee meetings, which gives the Committee broad latitude in how it functions. Overall, Wilshire believes that the delegated authority is significant in terms of the level of power the Investment Committee can appropriately exert on the investment matters of CalPERS and provides proper governance tools for the Committee.

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 'Alan J. ...'.