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January 30, 2018

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

RE: REVISION OF THE REAL ASSETS PROGRAM POLICY - FIRST READING

Meketa Investment Group ("Meketa") has been asked in its capacity as Board Consultant for Infrastructure to opine on revisions of the California Public Employees' Retirement System ("CalPERS") Investment Policy for Real Assets Program (the "Policy") submitted to the Investment Committee for a first reading on February 12, 2018.

The revisions to the policy are described in Item 07a-00, which characterizes the changes as largely "clean-up" items, calling out two substantive changes relating to: (1) establishing a minimum Net Asset Value ("NAV") threshold for the Forestland Program at which diversification limits apply (p. 2); and (2) establishing that the Fiscal Year limits on cumulative commitments apply to the Managing Investment Director's delegated authority (p. 5). Of these two changes, the first does not affect the Infrastructure Program and, therefore, Meketa has no formal opinion, other than noting the additional language is consistent with that already in place for the Infrastructure Program, as also noted in Item 07a-00. The second change applies to each Real Asset Program, including Infrastructure, and is consistent with existing policy and delegations.

Meketa identified three other notable changes that broadly, but not exclusively, affect the infrastructure program: adding a reference to the Investment Policy Procedures and Guidelines ("IPPG") (p. 1); excluding fees from Staff Authority Limits (p. 5); and modifying the definition of "Development" for risk classification purposes, explicitly stating that all development assets will be assigned the "Opportunistic" risk classification. These changes are internally consistent within the Policy, consistent with the IPPG, and appropriate for the intended implementation of the Real Assets Program, and the Infrastructure Program.

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As outlined above, Meketa supports the revisions to the Policy as presented by Staff. We understand Staff is considering future changes to the Policy and the IPPG that would, at a minimum, move certain detail from the Policy to the IPPG without involving significant substantive changes. Such revisions would be generally consistent with the intended level of detail in, and authority associated with, each document, and Meketa looks forward to formally reviewing any such changes when they are further developed.



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