

Thomas Toth
Managing Director, Wilshire Consulting

January 29, 2018

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

Re: Real Assets Policy Revision

Dear Mr. Jones:


Wilshire currently provides perspective and advice related to the Real Assets portfolio in our work as the General Consultant and more specifically related to the Forestland investments within the broad Real Assets program. The attached information from Staff regarding revisions to the Real Assets policy are less substantial than those stemming from the adoption of a new Real Assets strategic plan in 2016, the subsequent Policy changes and the creation of the Investment Policy Procedures and Guidelines (IPPGs) that took effect at the beginning of 2017.

Of note, the revised Policy now includes Forestland, along with the previously approved language related to Infrastructure, in establishing a minimum net asset value level above which the risk classification and geography concentration limits would apply. This flexibility allows Staff the capacity to build up or reduce investment in what are generally larger transaction sizes without running up against Policy limits. Further, the revised language formally acknowledges the challenges associated with maintaining adherence to the prior Policy in a portfolio which is undergoing change. Wilshire is comfortable that the flexibility afforded by this Policy language will not introduce unintended risks into the Total Fund, and the limits are set at a reasonable level - \$3 billion in the case of Forestland. It is worthwhile also noting that the Key Policy Parameters related to leverage and partnership concentration continue to hold regardless of net asset value size.

The other revisions to the Policy are minor in nature and Wilshire is comfortable that they serve as clarification around commitment levels and risk classification rather than substantive changes to Staff authority or reporting requirements.

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 'T. Toth', enclosed in a thin black rectangular border.

Thomas Toth
Managing Director, Wilshire Associates