



Date: May 14, 2018

To: CalPERS Investment Committee ("IC" or "Committee")

From: Pension Consulting Alliance, LLC ("PCA")

RE: Revision of Total Fund Policy – First Reading

PCA has reviewed the "Revision of Total Fund Policy – First Reading" in its capacity as Fiduciary Board Consultant for Real Estate. The proposed changes are part of the annual review and update of the Investment Policy. This memo addresses our findings.

The changes to Principles in Appendix 8 are consistent with the direction given by the IC and will provide additional information with which to evaluate the performance of investments and the use of best practices by entities in which CalPERS invests.

Other changes clarify updates to internal organizational refinements, recognition of legacy content, and consistency in policies relative to the Policy Revision Project.

PCA supports the proposal (page 36 of 102) whereby the Committee be responsible for the periodic review of the Investment Beliefs. This crucial foundational element of the process must **reflect the Committee's** values and highlight the key principles of investing for CalPERS. Therefore, **the Committee, together with assistance from Staff and Board Consultants,** should "own" this part of the periodic review.

Other clarifications, while not specifically directed at Real Assets/Real Estate, are consistent with the ongoing objective of making the Investment Policy as consistent as possible, albeit with the recognition of the idiosyncrasies of public and private assets, and the operations and policies of the Investment Office.



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