



Date: June 18, 2018

To: Henry Jones, Chairman, Investment Committee

From: Pension Consulting Alliance, LLC

RE: Proposed Revision of the Total Fund Investment Policy – Second Reading

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Pension Consulting Alliance, LLC ("PCA") has been asked in its capacity as Board Consultant for Private Asset Classes - Real Estate to opine on the revisions to the CalPERS' Total Fund Investment Policy submitted to the Investment Committee for a first reading on May 14, 2018 and a second reading on June 18, 2018.

A detailed description of the proposed revisions is incorporated in Staff's introduction to Agenda Item 7a. The proposed revisions are part of Staff's annual review of the Total Fund Investment Policy and incorporate recent Board direction relating to further harmonization and clarification of process and policy language.

As noted in our memo to the Investment Committee for the First Reading, the changes to Principles in Appendix 8 are consistent with the direction given by the Investment Committee 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.

Since the first reading, additional changes to the Policy include new asset allocation targets and ranges along with the new benchmarks that came out of the 2017-18 ALM work. The Real Assets target, ranges and benchmark are all consistent with the role of the portfolio within the total plan portfolio.

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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