



Thomas Toth, CFA
Managing Director

November 1, 2019

Mr. Rob Feckner
Chair of the Investment Committee
California Public Employees' Retirement System
400 P Street
Sacramento, CA 95814

Re: First Reading of Private Equity and Real Asset Program Policy Revisions

Dear Mr. Feckner:

You requested Wilshire's opinion as it relates to the first reading of the Private Equity (PE) and Real Assets (RA) Program Policy Revisions. Wilshire has reviewed the documents and is comfortable with the proposed changes.

Staff is proposing a few substantive changes as noted in the Item 10a cover memo, which Wilshire has discussed with Staff. These changes are meant to increase the implementation flexibility for both PE and RA, but do not change the strategic risk attributes of the Programs. As an example, the RA policy revision places program level constraints on Staff authority rather than constraints at the level of each underlying portfolio (real estate, infrastructure, and forestland). The Staff authority per investment limits in each underlying portfolio remain the same and have been integrated into one concise table in the revised RA policy. Further, the total Real Asset program authority limit is being reduced to \$15 billion from a cumulative of \$16 billion across all three portfolios. Lastly, leverage limits previously expressed in the RA policy are now included in a new Leverage Policy-Related Procedure (PRP). Wilshire will continue to provide oversight to the PRP as it is revised to reflect the new Total Fund Leverage management approach, and are therefore comfortable that appropriate governance for leverage in the RA portfolio remains in place.

The revision of the glossary definition for a "Customized Investment Account" seeks to broaden what constitutes distinct investment expertise. It would include firms with industry, geographic or style expertise without limiting consideration to just those facets. Wilshire is comfortable that the policy revisions allow for reasonable flexibility in implementation by Staff as they source and diligence opportunities without increasing strategic risk.



Other changes for both policies are administrative in nature. These include moving language previously included in each Program policy into the Total Fund policy and reflecting the change in the naming convention for the "Investment-Policy Procedures and Guidelines" (also known as IPPGs or IPGs) to "Policy-Related Procedures" or "PRPs" in efforts to utilize uniform terminology across asset classes.

Wilshire is comfortable with the changes proposed within both the PE and RA policy documents. Please do not hesitate to contact us should you require anything further or have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'T. B.' followed by a horizontal line.