



Andrew Junkin, CFA, CAIA
President, Wilshire Consulting

February 17, 2020

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

Re: Investment Committee Delegation Resolution

Dear Mr. Jones:

Overview and Recommendation

The CalPERS Board Governance Policy requires an annual review of the authority delegated to the Investment Committee. Considering the recent changes in board governance, this Delegation has changed from the last few years. Wilshire has reviewed the modifications and believe that the proposed changes are appropriate.

Investment Beliefs

Wilshire notes that CalPERS' Investment Belief # 4 – Long term value creation requires effective management of three forms of capital: financial, physical and human - addresses the need for clear governance structures, such as these delegations. The delegations listed in the Resolution help CalPERS manage certain risks by placing decision-making authority with the Investment Committee. Approving these delegations will continue to support the strong risk-controlled environment in which CalPERS functions.

Discussion

Wilshire Associates

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The changes to this proposed delegation from prior delegations clarify that some of the topics are properly "owned" by Investment Staff rather than the Investment Committee (overseeing liquidity management, external managers, and risk assessment/control environment). While the Board (through its work or the work of its various subcommittees) should remain informed of Staff's functions to properly oversee the organization, there are several reporting mechanisms in place to provide that information. For example, while the language "approve and oversee asset class strategic plans and portfolio construction guidelines" has been removed from the delegation, the annual program reviews (by Staff and independent reviews by Wilshire and Meketa) are scheduled to be presented to the Investment Committee at the September Investment Committee meeting.

Overall, Wilshire believes that the delegated authority is significant in terms of the level of oversight the Investment Committee can appropriately exert on the investment matters of CalPERS and provides appropriate governance tools for the Committee.

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 "Ann Jin".