



**Thomas Toth, CFA**  
**Managing Director**

August 17<sup>th</sup>, 2020

Ms. Marcie Frost  
Chief Executive Officer  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Total Fund and Benchmark Performance Calculation

Dear Ms. Frost:

Accurate performance calculations are a cornerstone of portfolio management and attribution and, ultimately, accountability. Wilshire wanted to provide some information to help answer potential questions around this issue as it relates to CalPERS investment performance and benchmark calculations.

The official Total Fund performance numbers go through multiple layers of review and oversight. A couple of key points:

- State Street Bank, as an independent 3rd party, provides services related to custodial records, accounting and performance calculation for the fund and benchmark
- The CalPERS investment office reviews the information from State Street and verifies the calculation of the benchmark return. Wilshire also checks the benchmark calculation.
- The CalPERS finance office also independently calculates fund performance using their accounting records to reconcile versus State Street.
- CalPERS also claims GIPS (Global Investment Performance Standards) Compliance for their returns with an additional level of oversight by another independent firm. This involves verification of the processes and procedures that go into the calculation and presentation of performance and an independent calculation of fund and benchmark returns, including tying performance to source records.



Wilshire was able to review the verification and examination report from The Spaulding Group for 2019 as the 2020 report is not yet available. The verification included examining, through sampling, CalPERS' compliance with the GIPS requirements, evaluating the design of CalPERS' policies and procedures, and performing the procedures for GIPS verification. It included a performance examination for the Total Fund composite for the fiscal 2016 through 2019 period and found that no issues.

With regards to any questions about the accuracy of the benchmark return for fiscal year 2020, we were able to confirm the benchmark return of 4.33% and compare the impact of the previous benchmark calculation methodology with the new methodology (adopted at the beginning of 2020). The upshot is that the new benchmark was actually more challenging to exceed than the old methodology over this last fiscal year. While that will not always be the case, it helps demonstrate that the methodology change was not put in place to lower the standards to which Staff is held.

Wilshire is comfortable that the reporting process is robust with multiple checks to ensure the integrity of both the portfolio performance and that of the benchmark.

Should you require anything further or have any questions, please do not hesitate to contact us.

Regards,

A handwritten signature in black ink, appearing to be 'T. B.' with a stylized flourish.