August 6, 2025

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

Re: Consultant Global Public Equity Program Review

Wilshire's review of CalPERS' investment programs included monthly reviews with the Managing Investment Directors (MIDs) and key investment personnel throughout the year to discuss team structure, portfolio construction, positioning, and performance. In addition, Wilshire setup targeted deep dive discussions with supporting staff within the various teams. This opinion letter starts with a focus on the Global Public Equity program and concludes with an appendix of Wilshire's scores, consistent with past annual reviews.

Global Public Equity

The Global Public Equity (GPE) Program's mandate is to efficiently capture the equity risk premium, with total returns coming from security price appreciation and cash yields. The program added just over $800 million in DVA (Dollar Value Added over the benchmark return) over the last 12 months and close to $2.4 billion over the last 5 years. The Program continues to expand the use of active management with 32% of the portfolio allocated to such strategies, this is up from 6% of the portfolio 5 years ago. Wilshire has noted continued efforts to develop both the team and tools required to support this push into active management and our scores reflect that work. Going forward we will evaluate a potential increase in scoring if that work translates to longer-term performance success on a risk-adjusted basis. Our review covers each of the individual scoring subcomponents before we summarize the total score.

<u>Portfolio Construction</u>

From a design perspective the GPE composite consists of two segments:

1. Cap Weighted – Exposure to growth and source of liquidity
2. Factor Weighted – Exposure to growth with reduced overall volatility. As of 6/30/25 the factor weighted segment is 18.2% of the overall program, down from 24% last year. Assets continued to flow into the internal climate portfolio with that allocation going from 2.5 to 5.8 billion over the last year

Of the $215 billion across both segments, $147 billion is now invested in passive accounts which equate to 68% of the portfolio. This is a decrease of 6% from last year, and 24% when factoring in the last three years. Most of the shift was a result of the continued expansion of active risk in the program with an additional $6.5B allocated to new active strategies this fiscal year, taking the cumulative allocation over the last 2.5 years to $33B. Staff have utilized an updated search process (formalized in 2023) that is meant to proactively identify candidate investment opportunities and result in a faster go-to-market strategy.

The overall makeup and year over year change of the GPE portfolio can be seen below:

As of June 2025

Managed	Passive	Active			Total
		Enhanced Index	Traditional	Multi-Factor	
Internally	$147	$33.3	$3.2	$8.4	$192
Externally	$0	$0.0	$23.0	$0.0	$23
Total	$147	$33.3	$26.2	$8.4	$215

June 2025 vs. June 2024

Managed	Passive	Active			Total
		Enhanced Index	Traditional	Multi-Factor	
Internally	-6.1%	1.9%	1.2%	0.5%	-2.5%
Externally	0.0%	0.0%	2.5%	0.0%	2.5%
Total	-6.1%	1.9%	3.7%	0.5%	0.0%

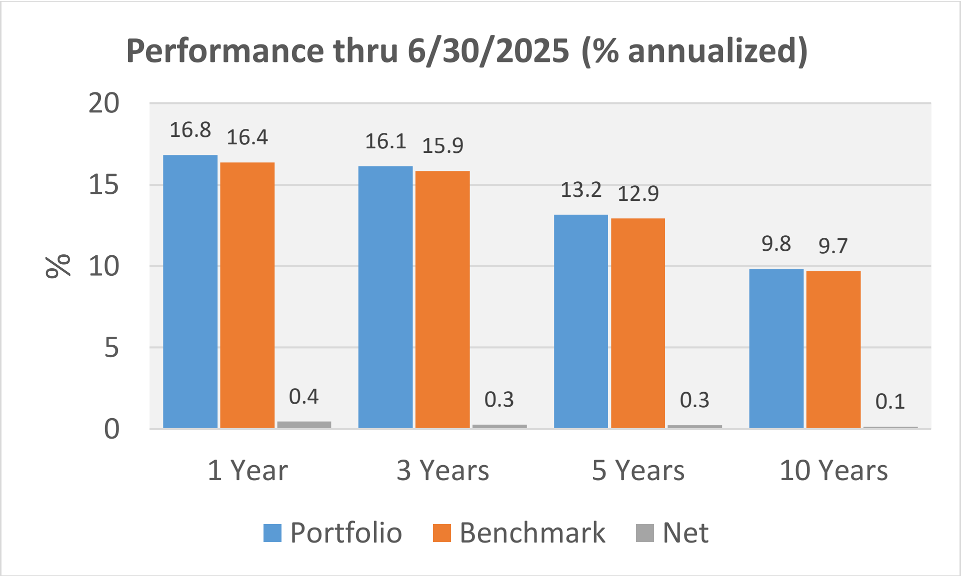
Last year, our program review discussed the introduction of a new process for continuously evaluating active strategies across the Global Public Equity asset class. The Manager Universe Continuous Search (MUCS) process that was introduced was utilized in identifying the traditional active products that were ultimately selected. The process continues to be refined and is complemented by internally developed analytical tools that help Staff use skill assessments to better understand the managers and their respective strategies.

With the hire of the new ID heading up the Equity Portfolio Design and Analytics team now complete, that team has worked to develop a more robust Capital Allocation framework while also updating analytical tools that aid in the implementation and testing of internal strategies. While it is too soon to judge the efficacy of these initiatives, we believe the efforts are in line with building out a best-in-class process for manager selection and portfolio construction. Due to the continued evolution of information and tools to support the investment process we have increased the overall Information Gathering score and have held our Portfolio Construction score static (at a high level with room to improve if long term value add is realized).

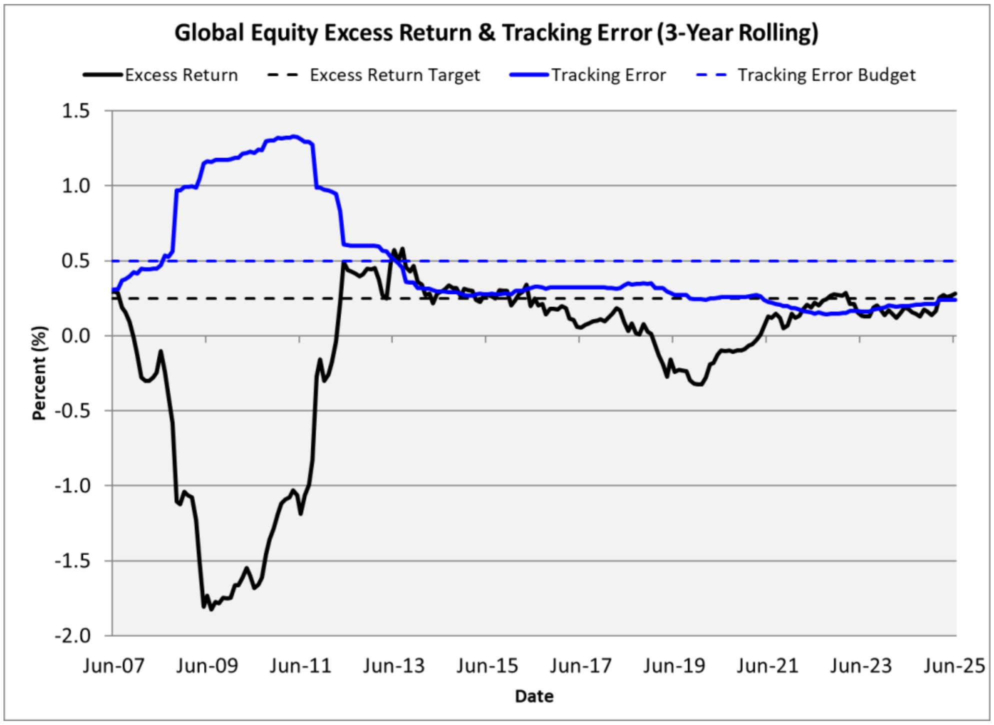
Performance (Forecasting Score)

Equity returns (16.8% absolute return) for the latest fiscal year reflected a continuation of the rally from previous years as equity markets continued to be propelled by the tailwinds of artificial intelligence (AI) momentum while enduring some market volatility stemming from an uncertain tariff policy coming from the new administration. Over the longer term, the portfolio has also contributed to very strong absolute returns over the ten-year period (9.8% annualized). Factoring in the global pandemic and the selloff experienced in 2022 and March/April of 2025, this return remains remarkably robust, and more than consistent with the long-term goals of the portfolio.

The portfolio has been managed within a narrow tracking error (TE) budget of 0.50% and in the past long-term excess performance was constrained with most of the allocation deployed to passive and enhanced index strategies. However, with the expansion of active risk in the portfolio (see Portfolio Construction section) we have seen more meaningful contributions to TE which could potentially move the program over the 50-basis point limit. Wilshire and Staff have proactively communicated this to the Investment Committee and noted it would be prudent to update policy to reflect a higher TE budget (which is planned for IPS changes later in 2025). Over the last year, the overall program outperformed the benchmark by 45 basis points, which was a continuation of 46 basis points of Alpha the previous year. This has led to modest but meaningful increases to some of the longer-term excess performance numbers.



In the chart below, we compare the amount of realized active risk versus realized excess return over rolling 3 year periods. The blue solid line highlights the lower level of TE that has been realized starting around 2019 (relative to the 50-basis point target – blue dashed line). However, when zoomed in the TE is slowly increasing and should continue this trend as Staff builds out the active risk framework. Rolling excess returns have also steadily increased from 2019 and have eclipsed the expected target (25 basis points – black dashed line).



We will continue to evaluate the efficacy of more active risk in the GPE Program over the long term and certainly can see a scenario where the Forecasting component of our scoring model improves as more value is added over the long term.

Team Resources

The GPE team currently stands at 28 FTE with 2 open positions. The team continues to grow and has experienced no losses over the last fiscal year and represents 3 consecutive years with no turnover.

The current structure of the program consists of:

1. Implementation Team - manages Trading and Portfolio Construction
2. Active Equity Strategies - This was folded out of the legacy portfolio structuring & strategy development team and is tasked with identifying and managing the active strategies in the GPE book
3. Equity Portfolio Design and Analytics - This is a new team managed by the recently hired ID and will be tasked with leading equity portfolio design, applied equity research, and portfolio risk management / attribution efforts
4. Corporate Governance - led by an ID and 5 support staff which amounts to over 100 years of collective proxy voting experience on the team.

The underlying teams work collaboratively and that collaboration is fostered via regular meetings that are open across the functional groups. This allows for more diverse perspectives into the decision-making process. Given the hiring of the Investment Director (ID) for the new Design and Analytics team and continued lack of turnover within the program we have increased our overall Team score using the commitment to improvement factor.

Implementation

The overall team that manages Construction\Trading is supported by 11 FTE (with two open positions). Last year the team aided in Total Fund rebalancing and mid-cycle Strategic Asset Allocation adjustments. With much of that work complete, the level of activity was slightly less this year, however with the expansion of active risk and addition of new mandates the team was focused on portfolio implementation efforts related to that work, as well as increasing assets into the internally managed climate fund.

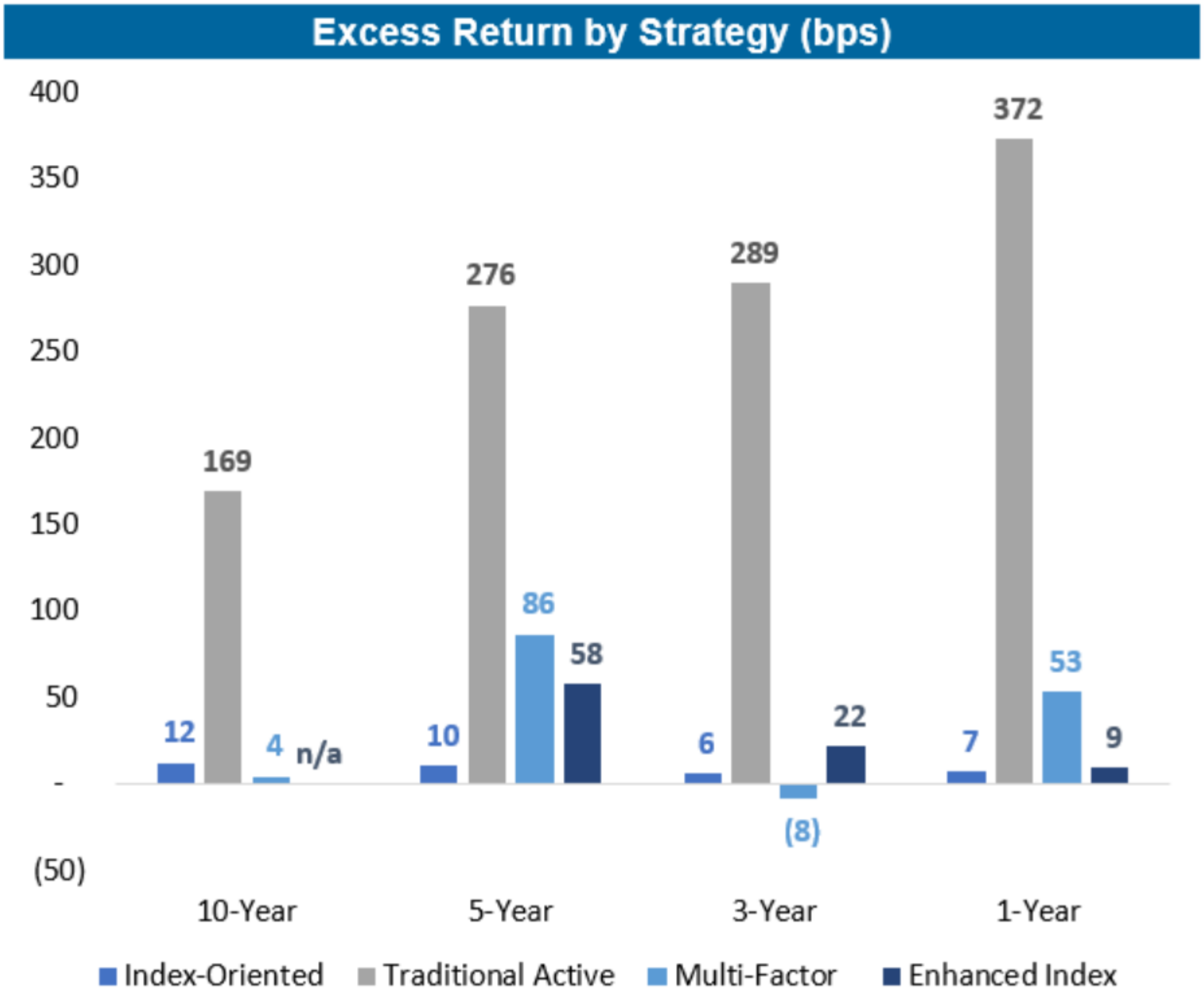
The processes developed to support implementation efforts have been designed to be robust no matter what overall business strategy is, which should be a value add given continued discussions related to the total portfolio approach.

In addition to that team, the Corporate Governance group within the Program was aided by the hire of the ID two years ago. That group is focused on the integration of strong Governance and Sustainability across 4 pillars (Proxy Voting, Engagement, Partnerships, and Research). Over the last year the team held 450 engagement meetings and voted over 10 thousand proxies.

The Implementation score is currently highly rated and continues unchanged this year.

Attribution

The table below summarizes excess performance by the four sleeves within the Cap-Weighted segment over multiple time horizons. As noted earlier, the composite has benefitted from outperformance within this segment. Beneath the Cap-Weighted segment the chart below shows consistent contribution to outperformance across all sleeves of the portfolio over the last 1,5, and 10 years. Unsurprisingly the Traditional Active sleeve leads the way, which is to be expected given the higher tracking error of the strategies within it.



From a historical attribution standpoint, the passive nature of this portfolio has not required a significant amount of decomposition given the low TE. However, we would expect more use of risk and attribution tools to aid in managing the portfolio on a go-forward basis. The Portfolio Design and Analytics team will play an important role in supporting the Program. In our discussions with Staff, they have highlighted how the addition of a dedicated research individual is already adding value to the process. The Attribution score remains the same this year at an already high level.

GPE Program Total Scoring

Utilizing Wilshire's traditional manager research scoring framework, our qualitative assessment of the Program places it in the 2nd decile with a letter grade of A. This is an improvement from last year when the Program was ranked 3rd decile. There were incremental increases to the Team, and Information Gathering subcomponents. Wilshire will continue to evaluate the value added from more active risk deployment, with long-term value an area that could increase score. Overall, the total score continues to reflect a very strong team that is stable and growing and has the potential to have more impact on the relative performance for the total PERF.

CalPERS Global Public Equity	Tier	Letter
GPE Program Independent Score (ex-Firm)	2nd	A
Overall Score (including Firm)	2nd	A

	Weight	Tier	Letter
Organization	20%	4th	B
FIRM	*50%*	7th	D
Quality and Stability of Senior Management			
Quality of Organization			
Ownership/Incentives			
TEAM	*50%*	1st	A
Stability of Investment Professionals			
Quality of Team			
Commitment to Improvement			
Information Gathering	20%	3rd	B
Information Resources			
Depth of Information			
Breadth of Information			
Forecasting	20%	3rd	B
Clear & Intuitive Forecasting Approach			
Repeatable Process			
Strength, Clarity, and Intuitiveness of Valuation Methodology			
Forecasting Success			
Unique Forecasting Approach			
Portfolio Construction	20%	1st	A
Risk Budgeting/Control			
Defined Buy/Sell Discipline			
Consistency of Portfolio Characteristics			
Implementation	10%	2nd	A
Resources			
Liquidity			
Compliance/Trading/Monitoring			
Attribution	10%	1st	A
Depth of Attribution			
Integration of Attribution			

