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MEMORANDUM

TO: Investment Committee, CalPERS
FROM: Stephen McCourt, Christy Fields, Steve Hartt, Mary Bates, Lisa Bacon; Meketa Investment Group
CC: Stephen Gilmore
DATE: February 20, 2026
RE: Agenda Item 6b – Total Fund Policy Review – First Reading

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Meketa Investment Group (Meketa) has been asked in its capacity as Private Asset Class Board Consultant to provide an opinion on two new policies that would govern the investment of CalPERS various investment portfolios, including the Public Employees' Retirement Fund (PERF), under the Total Portfolio Approach (TPA). Specifically, the Investment Team created a new Statement of Investment Policy (Umbrella Policy), which largely reflects the current Total Fund Policy, and links to all of CalPERS' existing policies, principles, and beliefs. They also created a PERF Investment Policy, which aggregates, organizes, and specifies the investment policies that would govern PERF and all its component asset classes. Agenda Item 6d is a first reading information item and includes 29 attachments to support the suggested changes.

In its role as Private Asset Class Board Consultant, Meketa met with the Investment Team several times, and provided multiple rounds of feedback, on two of the attachments to the Agenda Item:

→ New Umbrella Policy; and

→ New PERF Investment Policy.

Meketa's independent review and feedback focused largely on the impact of policy changes to the private markets asset classes: Private Equity; Private Debt; Real Estate; and Infrastructure. While the policy documents are new, the Team is recommending no changes to existing Delegated Authority limits, Prudent Person Opinion (PPO) requirements, or single fund/single General Partner (GP) concentration limits within the private market asset classes.

However, as part of the transition to the TPA and the reference benchmark/tracking error risk control framework, Staff has suggested eliminating the policy limits in the private market asset classes related to sub-strategy targets, geography, and risk classifications. Under the TPA, these risks will be reviewed as part of the continual asset selection and monitoring processes of INVO (and incorporated into the Team's active risk metric) and controlled by the 400 basis point tracking error limit.

We note that, as part of the policy changes, the Private Asset Class Board Consultant's responsibilities were modified to better align with existing and expected practice under TPA, and to provide clarity on the responsibility under TPA to provide a secondary perspective on the active risk metric used by INVO for the private market asset classes.

In summary, Staff is recommending restructuring the investment policy ecosystem to clarify policies generally and align them with the PERF's Total Portfolio Approach. Meketa believes that the proposed policy changes, as they relate to Private Markets asset classes, are consistent with CalPERS' Investment Beliefs (specifically, Beliefs 5, 7, and 10 related to ensuring clear accountability for execution, ensuring CalPERS takes risks only where there is a belief it will be rewarded, and strong processes, teamwork, and deep resources are needed to achieve goals). Further, Meketa believes the two new policies are consistent with the intended risk control procedures discussed under TPA, and appropriately articulate reasonable risk parameters for the private market asset classes.

We note that the elimination of the strategic asset allocation targets, geography, sub-strategy, and risk classification constraints under current policy puts heightened emphasis on the investment Team's internal active risk metrics, and related risk control procedures. We understand the investment Team will be providing more clarity to the Investment Committee on its internal risk control procedures as they become fully developed.

If you have any questions, please feel free to contact us at (760) 795-3450.

SPM/SH/CF/LB/MB/jls