

May 26, 2026

Mr. Kevin Palkki
Chair of the Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95811

Re: Agenda Item 5b: Asset Liability Management: Second Reading - Affiliate Funds Recommendations

Dear Mr. Palkki:

You requested Wilshire's opinion regarding Staff's asset allocation recommendations for the Affiliate Funds. With no changes made since the first reading presented in March, we continue to support these recommendations, as summarized below.

1. Maintain current asset allocations for 9 of the 10 portfolios.
2. Make a targeted adjustment only to the Legislators' Retirement System Fund (LRS).
3. For the Judges' Retirement System II Fund (JRSII), incubate Private Equity exposure through the Opportunistic & Innovation program, subject to a 5% cap. As discussed in March, Staff has developed and included proforma asset mixes that incorporate the impact of Private Equity allocations within their materials for this second reading.

These proposals were developed through a comprehensive ALM study conducted in adherence with the regular four-year asset allocation cycle. The analysis incorporated appropriate methods, inputs, and data, including the long-tenured Capital Market Assumptions survey process recently approved for the PERF.

Summary of Key Elements of the Recommendations

Wilshire believes that the asset class assumptions, modeling approaches, and constraints (including minimum allocations to TIPS, Global REITs, and Commodities) remain reasonable and consistent with prior reviews. The candidate portfolios appropriately balance expected return and risk, taking into account each fund's specific circumstances such as size, funding status, and contribution patterns.

For JRSII, the proposed incubation of Private Equity exposure via the Opportunistic & Innovation program is prudent for this relatively young, cash-flow-positive plan. The 5% cap provides appropriate risk control during the initial phase.

Staff has presented multiple viable candidate portfolios for several funds, allowing the Committee flexibility to align selections with its preferred risk/return profile. We remain comfortable with Staff's

recommended portfolios while reiterating that lower-risk alternatives exist in some cases that could deliver comparable expected returns.

Conclusion

Wilshire views these asset allocation recommendations as prudent, well-reasoned, and serving the best interests of the respective Affiliate Funds. They reflect a disciplined, stable approach with only targeted adjustments as warranted.

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

Regards,

A handwritten signature in black ink that reads "Steven J. Foresti". The signature is written in a cursive style with a horizontal line underlining the name.

Steven Foresti

CIO Emeritus, Wilshire Advisors