August 17, 2026

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

Re: Agenda Item 6a: Affiliate Fund Policy Amendment- First Reading

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Dear Mr. Palkki:

You requested Wilshire's opinion as it relates to proposed policy amendments associated with the Committee's recently approved asset allocation targets for the Affiliate Funds. As summarized below, the changes specifically impact the Judges' Retirement System II (JRS II) and Legislators' Retirement System (LRS) Funds.

Judges' Retirement System II Fund: The proposed policy changes address the Investment Committee's recent approval of a Private Equity (PE) allocation within the JRS II portfolio, to be introduced through an Opportunistic and Innovation segment. To support this structure, the policy now includes language defining the role, scope, and governance of the Opportunistic and Innovation segment and reflects the 5% Private Equity allocation cap approved by the Committee. Wilshire is comfortable with Staff's recommended policy changes and the level of oversight and governance they provide in introducing and building out the fund's exposure to PE.

Legislators' Retirement System Fund: The proposed LRS policy change calls for the Treasury Inflation-Protected Securities (TIPS) allocation range to be increased from +/- 3% to +/- 5%. The wider range is appropriate given TIPS' material strategic weight in the portfolio (49%) and is now consistent with the +/- 5% range applied to the Fixed Income segment, which carries a similarly large 40% allocation.

As noted above, Wilshire is comfortable with these proposals and believes that Staff's policy recommendations appropriately address the governance needs resulting from recent asset allocation changes to the JRS II and LRS Funds.

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

Regards,

Steven Foresti
CIO Emeritus, Wilshire Advisors

