October 23, 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 - Second 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 June 2026 approval of asset allocation targets for the Affiliate Funds. As noted in our opinion letter for the first reading of this item during the Committee's September 2026 meeting, the changes specifically impact the Judges' Retirement System II (JRS II) and Legislators' Retirement System (LRS) Funds. With no policy modifications made since the first reading, Wilshire remains comfortable with those proposed changes, which we summarize below.

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. In response to Committee comment during the item's first reading, Staff's memo to this agenda item provides additional information around program oversight and governance. As noted in Staff's memo, there are additional required details that remain to be established prior to program implementation, such as PE allocation procedures/policy, which Wilshire is prepared to review as needed.

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

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