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November 15, 2018

Mr. Henry Jones  
Chairman of the Investment Committee  
California Public Employees' Retirement System  
400 P Street, Suite 3492  
Sacramento, CA 95814

**Re: Financial Analysis of CalPERS' Divestment Programs**

Dear Mr. Jones:

In accordance with CalPERS' Total Fund Investment Policy, Wilshire provides the Investment Committee with financial performance analysis of CalPERS' active divestment activities<sup>1</sup> on an annual basis. This report, which provides that analysis through to June 30, 2018, does not attempt to assess the broader societal or environmental net impacts from CalPERS' divestment activities.

**Active Divestment Programs**

The following changes / additions have been made to the list of active divestment programs:

- **Iran and Sudan** used to be included as one combined item. We have included Iran and Sudan as separate line items to highlight the individual impacts of these divestment programs; and

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<sup>1</sup> The Appendix contains financial analysis of CalPERS' inactive divestment programs as well as inception-to-date estimates for active programs.

- **Thermal Coal** has been added to the list of active divestment programs following the Committee's decision to divest from pre-selected thermal coal securities in April 2017.

### Summary of Findings

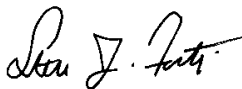
The following table summarizes Wilshire's estimates of the transaction cost and return impacts from divestment activities.<sup>2</sup> The present value figures below have been calculated to show the estimated impact on the total fund through June 2018, whereby prior period gains and losses are carried forward at the PERF's total return. The percent (%) impacts express these present value dollar amounts against the PERF's June 2018 market value of \$351.8 billion.

#### Active Divestment Programs (Last Affirmation to FY 2018)

	Present Value Estimate		Program Affirmation	Estimates Begin in Calendar Qtr.
	\$MM	% PERF		
Tobacco	490	0.1%	Yes	1Q 2017
EM Principles	592	0.2%	Pending	1Q 2008
Sudan	200	0.1%	Pending	3Q 2010
Iran	139	0.0%	Pending	3Q 2011
Firearms	(9)	(0.0%)	Pending	2Q 2013
Thermal Coal	108	0.0%	Yes	3Q 2017
<b>Active Total</b>	<b>1,520</b>	<b>0.4%</b>		

Please do not hesitate to contact us should you require anything further or have any questions.

Sincerely,



Steven J. Foresti



Daniel E. Ingram

<sup>2</sup> Present value estimates of transaction costs, where included, are based on \$ estimates provided by Staff

**Appendix****All Divestment Programs (Inception to FY2018)**

	Present Value Estimates		
	\$MM	% PERF	Active Dates
Active			
Tobacco	(3,581)	(1.0%)	1Q 2001 to Present
EM Principles	592	0.2%	1Q 2008 to Present
Sudan	200	0.1%	3Q 2010 to Present
Iran	139	0.0%	3Q 2011 to Present
Firearms	(9)	(0.0%)	2Q 2013 to Present
Thermal Coal	108	0.0%	3Q 2017 to Present
Active Total	(2,551)	(0.7%)	
Inactive			
EM Countries	(626)	(0.2%)	4Q 2002 to 4Q 2008
South Africa	(5,338)	(1.5%)	1Q 1988 to 4Q 1994
Inactive Total	(5,964)	(1.7%)	
Overall Total	(8,515)	(2.4%)	