

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF POLICY**

**FOR
DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS AND CAMPAIGN
CONTRIBUTIONS**

November 16, 2009

This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

The CalPERS Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), sets forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This Policy sets forth the circumstances under which the California Public Employees' Retirement System ("CalPERS") shall require the disclosure of payments to [Placement Agents](#) in connection with CalPERS investments in or through [External Managers](#). This Policy is intended to apply broadly to all of the types of investment partners with whom CalPERS does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. CalPERS adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that CalPERS investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to CalPERS.

II. STRATEGIC OBJECTIVES

- A. Ensure that CalPERS investment decisions are consistent with The CalPERS Total Fund Statement of Investment Policy.
- B. Supplement the pool of information available to CalPERS Board Members, staff and [Consultants](#) when evaluating an investment opportunity.
- C. Prevent impropriety and the appearance of impropriety and provide transparency and confidence in CalPERS investment decision-making.

III. APPLICATION

This Policy applies to all agreements with External Managers and [CalPERS Vehicle](#) Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers and CalPERS Vehicle Managers if, after the date this Policy is adopted, the agreement is amended in any way (including by a vote, consent, or waiver by the limited partners/investors or a subset of the limited partners/investors or separate side agreement or amendment to a side agreement) to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by CalPERS or increase or accelerate the fees or compensation payable to the External Manager or CalPERS Vehicle Manager. (Referred to hereafter as “Amendment”.) In the case of an Amendment, the disclosure provisions of Section IV.A. of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

- A. Each External Manager and CalPERS Vehicle Manager is responsible for:
1. Providing the following information (collectively, the “Placement Agent Information Disclosure”) to Staff and, if applicable, to the general partner, managing member, or investment manager of the CalPERS Vehicle (the “CalPERS Vehicle Manager”) within 45 days of the time investment discussions are initiated by the External Manager or the CalPERS Vehicle Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. A statement whether the External Manager or the CalPERS Vehicle Manager, or any of their principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person (whether or not employed by the External Manager or the CalPERS Vehicle Manager) or entity to act as a Placement Agent in connection with the investment by CalPERS or a CalPERS Vehicle.
 - b. A resume for each Placement Agent detailing the person’s education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former CalPERS Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted. When an entity is

retained as a Placement Agent, any officer, director, or employee actively providing placement agent services with regard to CalPERS or receiving more than 15% of the placement agent fees should provide information required by this subsection.

- c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager or the CalPERS Vehicle Manager with all prospective clients or only with a subset of the External Manager's or the CalPERS Vehicle Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager or the CalPERS Vehicle Manager and the Placement Agent.
 - f. The names of any current or former CalPERS Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
 - g. A statement that the Placement Agent (or any of its affiliates, as applicable) is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority or, if appropriate, the Commodity Futures Trading Commission, and the details of such registration. If, however, the Placement Agent is located and operates outside of the United States and interacts exclusively with CalPERS Vehicles formed and operated outside of the United States, then the statement may indicate that the Placement Agent (or any of its affiliates as applicable) is registered with a recognized non-U.S. financial regulatory authority and the details of such non-U.S. registration.
 - h. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
2. Providing an update of any changes to any of the information included in the Placement Agent Information Disclosure within 14 calendar days of the date that the External Manager or CalPERS

Vehicle Manager knew or should have known of the change in information.

3. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement with a continuing obligation to update any such information within 14 calendar days of the date that the External Manager or CalPERS Vehicle Manager knew or should have known of any change in the information. A CalPERS Vehicle Manager does not need to represent and warrant as to the accuracy of information provided to them by an External Manager with whom the CalPERS Vehicle invests.
- B. Each Placement Agent shall, prior to acting as a Placement Agent, disclose to CalPERS (1) all campaign contributions made by the Placement Agent to any elected CalPERS Board Member during the prior 24-month period and (2) all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any CalPERS Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution or gift made by the Placement Agent to any elected CalPERS Board Member during the time the Placement Agent is receiving compensation in connection with a CalPERS investment shall also be disclosed.
- C. CalPERS Investment Staff (“Staff”) and [CalPERS Vehicle](#) Managers are responsible for all of the following except as specified below:
1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
 2. Confirming that the Placement Agent Information Disclosure has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
 3. For new contracts and Amendments, declining the opportunity to retain or invest with the External Manager or CalPERS Vehicle if the Placement Agent Information Disclosure reveals that the External Manager or CalPERS Vehicle Manager has used a Placement Agent that is not registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority or, if appropriate, the Commodity Futures Trading Commission. Notwithstanding the above, CalPERS Vehicle Managers may invest in External Managers where the Placement

Agent is registered with a recognized non-U.S. financial regulatory authority consistent with Section IV.A.1.g. In addition, the registration requirement shall not apply to Placement Agent agreements entered into prior to the initial adoption of the Policy.

4. For new contracts and Amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between CalPERS or the CalPERS Vehicle and the External Manager to provide CalPERS or the CalPERS Vehicle the following remedies in the event that the External Manager or CalPERS Vehicle Manager knew or should have known of any material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy:
 - a. Whichever is greater, the reimbursement of any management or advisory fees paid by CalPERS for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the CalPERS or CalPERS Vehicle investment; and
 - b. The authority to terminate immediately the investment management contract or other agreement with the External Manager without penalty, to withdraw without penalty from the limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these recalled commitments) to the limited partnership, limited liability company or other investment vehicle without penalty.
5. For new contracts and Amendments to contracts existing as of the date of this Policy, confirming that the final written agreement between CalPERS or the CalPERS Vehicle and the External Manager provides that the External Manager shall be solely responsible for, and CalPERS or a CalPERS Vehicle shall not pay (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the External Manager. A provision that allows the External Manager to pay Placement Agent fees or compensation from capital contributed by CalPERS or a CalPERS Vehicle with a corresponding reduction in the management fee payable with respect to CalPERS or the CalPERS Vehicle's investment shall not be regarded as a payment of the Placement Agent fee or compensation by CalPERS or the CalPERS Vehicle for purposes of this Policy.

6. Prohibiting any External Manager or Placement Agent from soliciting new investments from CalPERS or a CalPERS Vehicle for five years after they have committed a material violation of this Policy unless the Committee reduces the penalty in an open session upon a showing of good cause.
 7. Providing copies of the Placement Agent Information Disclosure to the Senior Investment Officer for the asset class for which the External Manager performs investment services, the Chief Investment Officer, the Chief Executive Officer, the Chief of the Office of Enterprise Compliance and the General Counsel. The CalPERS Vehicle Manager shall only be responsible for providing a copy of the Placement Agent Information Disclosure to Staff.
 8. Providing the Committee with a copy of the Placement Agent Information Disclosure whenever the Committee makes or approves the decision to invest with the External Manager. This obligation does not apply to the CalPERS Vehicle Manager.
 9. Compiling a monthly report containing the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, providing the report to the Committee, and disclosing the report to the public by posting to the CalPERS website. The CalPERS Vehicle shall only be responsible for providing this information to Staff. The report will also include contributions and gifts to CalPERS Board Members reported by Placement Agents.
 10. Reporting to the Committee at least quarterly any material violations of this Policy. The CalPERS Vehicle shall only be responsible for providing this report to Staff.
- D External Managers and Placement Agents shall comply with this Policy and cooperate with Staff in meeting Staff's obligations under this Policy.
- E. Staff is responsible for implementing this Policy for CalPERS Vehicles existing on the date this Policy is adopted by seeking the written agreement of CalPERS Vehicle Managers to comply with this Policy. If any such CalPERS Vehicle does not agree in writing to comply with this Policy, Staff shall report to the Committee the refusal.
- F. All parties responsible for implementing, monitoring and complying with this Policy should consider the spirit as well as the literal expression of this Policy. In cases where there is uncertainty whether a disclosure should be

made pursuant to this Policy, this Policy shall be interpreted to require disclosure.

- G. Only the Committee can provide exceptions to this Policy and any such exceptions granted shall be reported to the Committee and the public within 60 days except that the Chief Investment Officer can agree to an exception for this Policy for an Amendment, where the decision cannot be delayed until the next Committee meeting. Any exceptions agreed to by the Chief Investment Officer shall be reported out to the public and the Committee within 60 days.
- H. The Placement Agent Information Disclosure and their attachments shall be public records subject to disclosure under the California Public Records Act. No confidentiality restrictions shall be placed by the External Manager or the Placement Agent on any information provided pursuant to this Policy.

V. GLOSSARY OF TERMS

Key words used in this Policy are defined in CalPERS Master Glossary of Terms.

Approved by the Policy Subcommittee: May 8, 2009
Adopted by the Investment Committee: May 11, 2009
Approved by the Investment Committee: November 16, 2009

Asset Class Glossary: Ethics

Policy: Disclosure of Placement Agent Fees, Gifts and Campaign Contributions

CalPERS Vehicle

A partnership, limited liability company or other investment vehicle managed by an External Manager in which CalPERS is the majority (or greater) investor and that is organized in order to invest in other External Managers, i.e., a fund of funds..

Consultant

Consultant refers to individuals or firms, and includes Key Personnel of Consultant firms, who are contractually retained or have been appointed to a pool by CalPERS to provide investment advice to CalPERS but who do not exercise investment discretion.

External Manager

An asset management firm that is seeking to be, or has been, retained by CalPERS or by a CalPERS Vehicle to manage a portfolio of assets (including securities) for a fee. The external manager usually has full discretion to manage CalPERS assets, consistent with investment management guidelines provided by CalPERS and fiduciary responsibility.

Placement Agent

Any person or entity hired, employed engaged or retained by or acting on behalf of an External Manager or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investments from or to obtain access to CalPERS, directly or indirectly, including without limitation through a CalPERS Vehicle.