Special Review Implementation Plan Matrix

Recommendation	Summary	Proposed Next Steps			Status
		Program	Policy/Regulation	Legislation	
1. Placement Agent and Gift Disclosures	• Continue requiring disclosure obligations for contract solicitations and investment contracts.				• Implemented
2. Payment of Placement Agent Fees	• Prohibit direct or indirect payment of placement agent fees from partnership assets.	• Office of Audit Services will periodically audit compliance and report to Finance and Investment Committees, as appropriate.			• Will be included in up-coming audit plans
3. Institutional Risk Management	• Create position of Chief Risk Officer • Create standing Risk Committee or assign risk management to Board.	• Risk Management Committee to become a standing committee or full Board to assume risk management oversight. • Chief Risk Officer to provide regular assurances of independence to either the Risk Committee or the full Board of Administration.			• Implemented • Implemented
4. Internal Audit Reports	• Impose greater accountability for resolving audit findings.	• Chief Auditor to hold standing meetings on monthly basis with Chair of Finance Committee and meet periodically with Finance Committee or Board in closed session to provide assurance on independence of the function. • Audit findings			• Implemented • Implemented

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		unresolved for six months from the date of final audit report to be reported to Executive Risk Committee. • For audit findings unresolved for one year, the executive of the audited division will be required to accept the risk of not implementing corrective action. Report back to Risk Committee, Finance Committee, and Board as appropriate. • Travel expenses and payments to be audited periodically.			• Implemented • Recommendations will be included in upcoming audit plans.
5. Public Records Act Requests	• Re-organize function and operational practices.	• Executive Staff to evaluate existing resources, staff, and protocols and report back to Board.			• Implemented
6. Placement Agent Resolution Program	• Implement placement agent resolution program for investment fund managers.	• INVO and Legal Office will evaluate certain investment managers who used placement agents and determine whether these firms have any fitness or fiduciary issues.			• In progress.

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7. Fees and Carry	• Implement program to reduce management fees and reduce or eliminate other fees.	• In the medium term, CalPERS will continue working with the Institutional Limited Partners Association and the general partners to address issues on an industry-wide basis. • In the short term, all new "special account" investments made by CalPERS will be in funds whose managers are committed to this principle. • INVO to provide quarterly status reports to the Investment Committee.			• CalPERS participated in a recent ILPA meeting with leading general and limited partners. Two large general partners (KKR and Warburg Pincus) recently endorsed the ILPA principles. Additional outreach is planned. • The Real Estate unit is completing negotiations with several separate account managers and these negotiations include fees.
8. Modification of Investment Office Function	• Separate functions of negotiations and monitoring within the Investment Office; preclude investment consultants from performing money management and consulting roles; preclude consultants from providing both transactions and monitoring advice.	• INVO to perform an evaluation of existing protocols and resources and report to the Investment Committee proposed new policies or processes that address the issues.			• In progress.

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9. Advisory Board/Annual Meeting Expenses	• Encourage investment partners to conduct meetings at the offices of the general partner or CalPERS; preclude staff from attending meetings at other locations; require general partners to bear the costs of these meetings.	• Obtain greater transparency and accountability from the partnerships in the expenditure of partnership assets, including advisory board and annual meeting expenses. • Exercise judgment in selecting appropriate accommodations for events. • Over the medium term, negotiate to eliminate the expenditure of partnership or fund assets for these types of expenses. • Over the medium term, CalPERS to work with the Institutional Limited Partners Association and the general partners to address issues on an industry-wide basis. • For solely managed accounts, require meetings to be conducted at general partner offices or the offices of CalPERS. • Updates to be provided to the Investment Committee on a quarterly basis.			• In progress.

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10. Modification of Civil Services Rules	• Streamline discipline and termination process for non-performing portfolio managers and above.			• CalPERS to work with the State Personnel Board to draft and sponsor legislation that allows for greater flexibility and speed in disciplining or terminating the appointments of persons compensated under Government Code Section 20098. • Governmental Affairs Office to report back to the Board.	• Proposed legislation to be drafted and presented next year.
11. Gifts and Travel Policy	• Continue ban on staff gifts; adopt a similar ban for board members; Impose penalties on donors.		• Board could consider changes to governance policy that restrict the receipt of gifts beyond the limits imposed under existing state law. These could include lower gift limits, greater reporting requirements, or both. • Board could consider a new policy providing that CalPERS will consider any investment manager or vendor violations of state gift rules or CalPERS policies when making a decision to enter into any new contract, contract amendment or investment commitment.	• Governmental Affairs Office will evaluate proposed legislation that would lower the gift limit to $50 per year from each source. • Governmental Affairs Office to report back to the Benefits and Program Compensation Committee and the Board with analysis and recommendations.	• The Board is supporting legislation (SB 439).

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12. Revolving Door Prohibitions	• Prohibit CalPERS employees and Board members from accepting employment with certain CalPERS contractors for two years after leaving CalPERS.			• Governmental Affairs Office will evaluate proposed legislation that would prohibit CalPERS Board members and employees from accepting employment with a firm that had substantial contracts with CalPERS ($10 million and over) while they were with CalPERS. • CalPERS to work with the State Controller's Office on statutory language for employees which addresses these challenges, and the Governmental Affairs Office will bring the proposed bill before the Board at a future meeting.	• The Board is supporting legislation, with amendments (AB 873).
13. Ethics Proposals	• Adopt policy requiring ethics proposals introduced at a committee to be brought to a committee vote no later than 3 meetings after introduction • If no vote is taken, the proposal will be included on the Board meeting agenda the following month.		• Board to consider changes to the Governance Policy requiring ethics proposals to be acted upon within a specific time period and mandating inclusion on Board notice if no action taken at the committee level.		• Staff will present agenda item recommending changes in policy at a future Governance Committee meeting.

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14. Open Meeting Act /Disclosures	• Conduct additional training on the requirements of the Bageley-Keene Open Meeting Act. • Consider sponsring legislation to expand disclosure of contacts with potential investment partners and vendors.	• Staff to put on appropriate training sessions		• Board to consider sponsoring legislation that expands disclosure requirements.	• Staff will present agenda item evaluating potential legislation at a future BPAC meeting. • Staff will present agenda item recommending changes in policy at a future Governance Committee meeting.
15. Board Member Financial Hardships	• Adopt policies to address risks associated with Board member personal financial hardships		• Board to consider changes to the Governance Policy addressing financial hardships for Board members		• Staff will present agenda item recommending changes in policy at a future Governance Committee meeting.
16. Confidential Information	• Adopt policies and procedures to address risks of sharing confidential information		• Board to consider changes to the Governance Policy addressing confidential information		• Staff will present agenda item recommending changes in policy at a future Governance Committee meeting.