

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

**FOR
DISCLOSURE OF PLACEMENT AGENT FEES**

May 8, 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 that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the

term of the agreement is extended, there is any increased commitment of funds by CalPERS pursuant to the existing agreement or there is an amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the External Manager. Finally, this Policy is intended to apply to agreements with CalPERS Vehicle Managers as set forth in paragraph IV.D.

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”) at the time investment discussions are initiated by the External Manager or the CalPERS Vehicle Manager:
 - 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 any investment by CalPERS or a CalPERS Vehicle.
 - b. A resume for each officer, partner or principal of the Placement Agent (and any employee providing similar services) 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.
 - 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. Compensation to Placement Agents shall include compensation to third parties as well as employees of the External Manager or the CalPERS Vehicle Manager who are retained in order to solicit an investment from CalPERS or a CalPERS Vehicle or who are paid based upon investment commitments secured by such employees, except for those bona fide employees earning less than \$100,000 per year in salary that do not receive any incentive compensation based

entirely on CalPERS or the CalPERS Vehicle's decision to invest with the External Manager or, in the case of CalPERS, to invest in the CalPERS Vehicle.

- 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 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 whether the Placement Agent or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the details of such registration or explanation of why no registration is required.
 - 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 five business days of the occurrence 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 five business days of any change in the information.
- B. CalPERS Investment Staff ("Staff") and CalPERS Vehicle Managers are responsible for all of the following:
1. Providing External Managers with a copy of this Policy at the time that due diligence in connection with a prospective investment or engagement begins.

2. Confirming that the Placement Agent Disclosure has been received prior to the completion of due diligence and any recommendation to proceed with the engagement of the External Manager or the decision to make any investment.
3. For new contracts and amendments to contracts existing as of the date 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 there was or is a 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 for two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; 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.
4. For new contracts and amendments to contracts existing as of the date of the 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.
5. Prohibiting any External Manager or Placement Agent from soliciting new investments from CalPERS for twenty-four months after they have committed a material violation of this Policy.
6. 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 of the Office of Enterprise Compliance and the General Counsel.

7. 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.
 8. Compiling a quarterly 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 Board, and disclosing the report to the public by posting to the CalPERS' website.
 9. Reporting to the Board at least quarterly any material violations of the Policy.
- C. External Managers shall comply with the Policy and cooperate with Staff in meeting Staff's obligations under this Policy.
- D. Staff is responsible for the following:
- a. Implementing this Policy for CalPERS Vehicles. For CalPERS Vehicle contracts existing as of the date of this Policy, and for new and amended CalPERS Vehicle contracts, Staff is responsible for seeking the written agreement of CalPERS Vehicle Managers to comply with this Policy as set forth in paragraphs IV.A. and IV.B. above applying this Policy to CalPERS Vehicles and to all future investments made by CalPERS Vehicles.
 - b. If a CalPERS Vehicle or an External Manager does not agree in writing to comply with this Policy, Staff shall report to the Committee the refusal.
 - c. All parties responsible for implementing, monitoring and complying with this Policy should consider the spirit as well as the literal expression of the Policy. In cases where there is uncertainty whether a disclosure should be made pursuant to this Policy, the Policy shall be interpreted to require disclosure.
 - d. Only the Committee can provide exceptions to this Policy and any such exceptions granted shall be reported to the public within 30 days.

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

Asset Class Glossary: Ethics
Policy: Disclosure of Placement Agent Fees
May 8, 2009

CalPERS Vehicle

A partnership, limited liability company or other investment vehicle in which CalPERS is the majority (or greater) investor.

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, 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.