



EDMUND G. BROWN, JR., GOVERNOR

OFFICE OF ADMINISTRATIVE LAW

# California Regulatory Notice Register

REGISTER 2012, NO. 13-Z

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MARCH 30, 2012

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***Time-  
Dated  
Material***

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spective agency. Requests for copies from the Commission should be made to Ivy Branaman, Fair Political Practices Commission, 428 J Street, Suite 620, Sacramento, California 95814, telephone (916) 322-5660.

June 13, 2012  
10:00 a.m.  
California Public Employees' Retirement System  
Lincoln Plaza North, Auditorium  
400 Q Street  
Sacramento, California 95811

**TITLE 2. PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM**

**Division 1. Administrative Personnel  
Chapter 2. Board of Administration of Public  
Employees' Retirement System**

NOTICE IS HEREBY GIVEN that the Board of Administration (Board) of the California Public Employees' Retirement System (CalPERS) proposes to take the regulatory action described below in the Informative Digest after considering public comments, objections, or recommendations.

**I. PROPOSED REGULATORY ACTION**

In this filing, the proposed addition to California Code of Regulations, title 2, section 558.1, will enact personal trading guidelines for CalPERS investment and related staff.

**II. WRITTEN COMMENT PERIOD**

Any person interested may submit written comments relevant to the proposed regulatory action. The written comment period has been established commencing on **March 30, 2012** and closing on **May 14, 2012 at 5:00 p.m.** The Regulations Coordinator must receive all written comments by the close of the comment period. Comments may be submitted via fax at (916) 795-4607; e-mail at: [Christina\\_Nutley@CalPERS.ca.gov](mailto:Christina_Nutley@CalPERS.ca.gov), or mailed to the following address:

Christina Nutley, Regulations Coordinator  
California Public Employees' Retirement System  
P.O. Box 942702  
Sacramento, California 94229-2702  
Telephone: (916) 795-2397

**III. PUBLIC HEARING**

Comments on the proposed actions will also be taken at a public hearing to be placed on the agenda of the regularly scheduled meeting of the CalPERS Board of Administration:

**IV. ACCESS TO HEARING ROOM**

The hearing room will be accessible to persons with mobility impairments, and can be made accessible to persons with hearing or vision impairments upon advance request to the Regulations Coordinator.

**V. AUTHORITY AND REFERENCE**

CalPERS authority to add the proposed amendment to the California Code of Regulations derives from the CalPERS Board of Administration's plenary authority and fiduciary responsibility over the assets of the public retirement system, pursuant to the California Constitution (Section 17 of Article XVI) and the Public Employees' Retirement Law (PERL) (California Government Code Title 2, Division 5, Part 3), including Government Code sections 20120 and 20121. Proposed section 558.1 implements and makes specific Government Code sections 19990, 87200 and 87300.

**VI. INFORMATIVE DIGEST/POLICY  
STATEMENT OVERVIEW**

Federal securities laws prohibit the use of material, non-public information for personal gain. The U.S. Securities and Exchange Commission (SEC) has created detection methods of identifying persons who act on inside information, who front-run trades (by placing a personal trade contemporaneously before CalPERS makes the same investment), and who violate other federal securities laws. The federal penalties for violating these laws include fines and possible imprisonment.

Industry standard and best practices call for personal trading guidelines to protect employees, the firm and beneficiaries. Personal trading guidelines and the implementation of a personal trading pre-clearance system will help deter employees from engaging in insider trading and front-running. The guidelines and the system will assist CalPERS in identifying and disengaging potential conflicts of interest and help to ensure that employees are meeting their fiduciary duty to CalPERS.

Adoption of this proposed regulation is expected to reduce the risk of insider trading violations, front running, and conflicts of interest.

The proposed regulation is not inconsistent or incompatible with existing state regulations.

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Forms and Documents Incorporated by Reference:  
None.

**VII. EFFECT ON SMALL BUSINESS**

The proposed regulatory action does not affect small business because it applies only to the California Public Employees' Retirement Law.

**VIII. DISCLOSURES REGARDING THE PROPOSED REGULATORY ACTION/RESULTS OF THE ECONOMIC IMPACT ANALYSIS**

- A. **MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS:** The proposed regulatory action does not impose a mandate on local agencies or school districts.
- B. **COST OR SAVINGS TO ANY STATE AGENCY:** The proposed regulatory action has a potential cost savings to CalPERS in the event of an investigation and/or lawsuit by a federal securities agency.
- C. **COST TO ANY LOCAL AGENCY OR SCHOOL DISTRICT:** The proposed regulatory action does not impact costs or savings for any local agency or school district, such that costs would qualify for reimbursement under Government Code section 17500, et seq.
- D. **NONDISCRETIONARY COSTS OR SAVINGS IMPOSED ON LOCAL AGENCIES:** The proposed regulatory action does not impose non-discretionary costs or savings on local agencies.
- E. **COSTS OR SAVINGS IN FEDERAL FUNDING TO THE STATE:** The proposed regulatory action does not impact any federal funding to the state.
- F. **ADVERSE ECONOMIC IMPACT:** The proposed regulatory action has no significant statewide adverse economic impact directly affecting businesses, including the ability of business in California to compete with business in other states. CalPERS relied upon the plain text of the authorizing statute and proposed regulations to make this determination.
- G. **COST IMPACT ON REPRESENTATIVE PERSONS OR BUSINESSES:** CalPERS is not aware of any cost impacts that a representative private person or business would incur in the reasonable compliance with the proposed action.
- H. **IMPACT ON JOBS AND BUSINESSES WITHIN CALIFORNIA:** The proposed regulatory action will not (1) create or eliminate jobs within California; (2) create new businesses or eliminate existing businesses within California;

or (3) affect the expansion of businesses currently doing business within California.

- I. **EFFECT ON HOUSING COSTS:** The proposed regulatory action has no effect.
- J. **BENEFITS TO HEALTH, WELFARE AND WORKER SAFETY OF CALIFORNIA RESIDENTS AND THE ENVIRONMENT OF THE STATE:** The proposed regulations have no impact.

**IX. CONSIDERATION OF REASONABLE ALTERNATIVES**

CalPERS must determine that no reasonable alternative considered by the agency or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. Having personal trading guidelines is a best practice and industry standard.

The Board invites interested persons to present statements or arguments with respect to alternatives to the proposed regulation during the written comment period.

**X. CONTACT PERSONS**

Please direct inquiries concerning the substance of the proposed regulatory action to:

Larry Jensen  
Office of Enterprise Risk Management  
California Public Employees' Retirement System  
P.O. Box 942701  
Sacramento, California 94229-2701  
Telephone: (916) 795-3577  
E-mail: [Larry\\_Jensen@calpers.ca.gov](mailto:Larry_Jensen@calpers.ca.gov)

Please direct requests concerning processing of this regulatory action to Christina Nutley, CalPERS Regulations Coordinator, at the address shown above, or (916) 795-2397 ([Christina\\_Nutley@CalPERS.ca.gov](mailto:Christina_Nutley@CalPERS.ca.gov)).

**XI. AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS**

The entire rulemaking file is available for public inspection through the Regulations Coordinator at the address shown above. To date the file consists of this no-

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tice, the proposed text of the regulation, and the Initial Statements of Reasons (ISOR). A copy of the proposed text and the ISOR is available at no charge upon telephone or written request to the Regulations Coordinator.

The Final Statement of Reasons can be obtained, once it has been prepared, by written request to Christina Nutley, Regulations Coordinator, at the address shown in Section II.

### **XII. AVAILABILITY OF MODIFICATIONS TO PROPOSED REGULATIONS**

The Board may, on its own motion or at the recommendation of any interested person, modify the proposed regulations after the public comment period has closed. It may amend the proposed regulations as modified, if the changes are sufficiently related to the original text so the public could have anticipated them.

If the Board modifies its regulatory action in this manner, it will prepare a comparison of the original proposed text and the modifications for an additional public comment period of not less than 15 days prior to the date on which the Board adopts, amends or repeals the resulting regulation. A copy of the comparison text will be mailed to all persons who submitted written comments, who testified or submitted written comments at the public hearing, or asked to be kept informed as to the outcome of this regulatory action.

### **XIII. WEBSITE ACCESS**

One can access the regulatory material regarding this action at CalPERS' website: <http://www.calpers.ca.gov/index.jsp?bc=/about/leg-reg-statutes/regulatory/current/home.xml>.

## **TITLE 4. CALIFORNIA ATHLETIC COMMISSION**

NOTICE IS HEREBY GIVEN that the California State Athletic Commission ("commission") is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held on:

**June 4, 2012 at 10:30 a.m.**  
**Front Street State Building Auditorium**  
**1350 Front Street, San Diego, California 92101**

Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the commission at its office not later than 5:00 p.m. on May 14,

2012, or must be received by the commission at the hearing. The commission, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Section 18611 of the Business and Professions Code, and to implement, interpret or make specific Sections 18640 and 18714 of said Code, the commission is considering changes to Division 2 of Title 4 of the California Code of Regulations as follows:

### **INFORMATIVE DIGEST**

#### **A. Informative Digest**

Amend section 323. Currently this rule explains the bandage requirements for wrapping the hands of professional boxing, mixed martial art, Muay Thai and kickboxing athletes. This rule details the amount of tape and gauze used when completing the bandage. It also includes instructions on how to complete the application of a bandage on an athlete's hand.

The proposed amendment would revise the language to meet the current industry standards for hand wrap(s), formerly known as "bandages". The rule clarifies the amount and placement of the gauze and tape used. It further clarifies the maximum number of times and the area of the hand and wrist the gauze can be placed. This rule explains how knuckle pads made from gauze are to be formed and applied and that they cannot extend to the knuckle. This rule requires that a hand wrap(s) be completed in the presence of a commission inspector, before an athlete's glove can be positioned on the hand, and be signed off by the commission inspector as meeting the requirements.

#### **B. Policy Statement Overview/Anticipated Benefits of Proposal**

Existing law at Section 18611 of the Business and Professions Code authorizes the commission to adopt, amend, or repeal, in accordance with the Administrative Procedure Act, rules and regulations as may be necessary to enable it to carry out the laws relating to boxing and the martial arts. The proposed amendment to section 323 clarifies the exact requirements for hand wrap(s), including the type and amount of material to be used.