CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
~~CONSULTANT~~ EXTERNAL INVESTMENT RESOURCE CONFLICT OF INTEREST

~~February 17, 2009~~August 13, 2012

This policy is effective immediately upon adoption and supersedes all previous Consultant Conflict of Interest policies and protocols. However, this policy does not supersede and is meant to supplement any applicable provisions of state or federal law, including the Political Reform Act (Cal. Gov. Code sec. 87200 et seq.) and Government Code sections 20152.5 and 20153.

I. PURPOSE

The California Public Employees' Retirement System ("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 document sets forth the investment policy ("Policy") for ~~Consultant~~ External Investment Resource Conflict of Interest. The design of this Policy ensures that investors, managers, consultants and other participants selected by ~~the California Public Employees' Retirement System ("CalPERS")~~CalPERS take prudent and careful action while managing the investment programs. In administering its investment programs, CalPERS has determined it is appropriate to retain ~~Consultants~~ External Investment Resources to facilitate the implementation of its investment programs.

These ~~Consultants~~External Investment Resources provide CalPERS with technical expertise and advice in specialized areas. In addition to serving CalPERS, ~~CalPERS~~External Investment Resources ~~Consultants~~ may have economic or personal interests that may not be fully aligned with CalPERS interests.

II. STRATEGIC OBJECTIVE

The strategic objective of this Policy is to

A. Assure that the information and advice CalPERS receives from its ~~Consultants~~ External Investment Resources is impartial;

B. Outline a system whereby ~~Consultants~~ External Investment Resources disclose to CalPERS those circumstances that may create actual, potential or perceived Conflicts of Interest; and

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C. Set forth a process for CalPERS to evaluate the disclosures to determine whether assignments should be precluded.

III. RESPONSIBILITIES

A. CalPERS Investment Staff ("Staff") is responsible for the following:

1. ~~Whenever appropriate, and at a minimum once per year, Staff will review with each of its Consultants used in the prior 12 months all Disclosable Interests, to discuss their on-going and cumulative effect.~~Review all Disclosable Interests provided by External Investment Resources as set forth in Section III B. below.

2. ~~Staff shall~~Provide to the Committee annually or, as needed, ~~provide to the Committee~~ a summary of ~~the types of Disclosable Interests disclosed by the Consultants in the prior year and the~~any actions taken by Staff ~~in response to~~to address the Disclosable Interests.

3. This policy shall be incorporated and included as an attachment to all Requests for Proposals~~RFP~~s and State of California Standard Agreements ("STD 213 Agreements")~~contracts~~ between CalPERS and ~~Consultants.~~each External Investment Resource.

~~3.~~4. To the extent that the agreement outlining the services to be provided by the External Investment Resource is not a STD 213 Agreement, Staff will notify the External Investment Resource of its obligation to provide these disclosures as set forth in Section III B. below.

B. The disclosure responsibilities of ~~Consultants~~ External Investment Resources are:

~~1. In its response to a Request for Proposal ("RFP"), Consultant shall generally identify in writing the circumstances and nature of all Disclosable Interests.~~

~~The following examples illustrate Disclosable Interests that a Consultant should disclose to CalPERS. This list is not exhaustive of the situations that may constitute a Disclosable Interest:~~

~~a. The Consultant has an existing or reasonably expected financial relationship with a placement agent who also serves as a placement agent for an investment opportunity that the Consultant knows or has reason to know is under consideration by CalPERS .~~

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~~b. The Consultant is engaged or compensated by another person or entity in connection with an investment or capital commitment by CalPERS while engaged by CalPERS on the same matter.~~

~~c. The Consultant recommends its own proprietary products and services, including, e.g., indices and benchmarks, screening tools, or investment related software, even if there is no direct financial gain to Consultant from CalPERS use of the proprietary products or services.~~

~~d. The Consultant enters into a business arrangement that is competitive with CalPERS interests in a specific assignment or transaction under consideration by the Investment Office.~~

~~e. The Consultant accepts revenues, soft dollars or non-cash, in-kind benefits or perquisites from investment managers or acts as a securities broker that is engaged by CalPERS.~~

~~2. In addition, at the time of a specific assignment Consultant shall generally identify in writing to CalPERS Staff identified in the contract:~~

1. Identify in writing the circumstances and nature of all Disclosable Interests. The following examples illustrate Disclosable Interests that an External Investment Resource should disclose to CalPERS. This list is not exhaustive of the situations that may constitute a Disclosable Interest.

   a. Fees and Compensation arrangements that any person employed or used by the External Investment Resource has that could create a Conflict of Interest.

   b. Any relationship or arrangement that the External Investment Resource or anyone employed or used by the External Investment Resource has with any related person listed below.

      (1) Broker-dealer, municipal securities dealer or government securities dealer or broker;

      (2) Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);

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(3) Other investment adviser or financial planner;

(4) Futures commission merchant, commodity pool operator, or commodity trading advisor;

(5) Banking or thrift institution;

(6) Accountant or accounting firm;

(7) Lawyer or law firm;

(8) Insurance company or agency;

(9) Pension consultant;

(10) Real estate broker or dealer; and

(11) Sponsor or syndicator of limited partnerships.

2. The External Investment Resource must provide sufficiently specific facts relating to its business practices so that CalPERS staff, and if appropriate the CalPERS Legal Office can analyze each Disclosable Interest as set forth below in Section III.C.2, including but not limited to:

a. The circumstances and nature of all Disclosable Interests that exist pertinent to the specific assignment, recommendation, advice or other service.

b. Whether and under what circumstances the Disclosable Interest is likely to give rise to an actual Conflict.

c. ~~Suggestions of ways to handle or~~ A description of how the External Investment Resource has or intends to manage the circumstances of the Disclosable Interest in order to prevent the Disclosable Interest from resulting in an actual c~~C~~onflict.

The disclosures required under this paragraph must be made prior to the time the External Investment Resource~~Consultant~~ provides the services that give rise to the Disclosable Interest, and annually, thereafter.~~.~~

3. For all External Investment Resources which are required to file SEC Form ADV, the Form ADV, Part 2A ("Form ADV") shall be the document to identify Disclosable Interests and the policies and procedures in place to prevent a Disclosable Interest from resulting

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in an actual Conflict unless Staff determines that additional information is required pertinent to the specific assignment, recommendation, advice, or other services as set forth in Section III.C. below. For any External Investment Resource that is not required to file the Form ADV, Staff shall send the relevant questions from the Form ADV to the External Investment Resource to determine whether additional information is required.

~~3.~~4. Once a Disclosable Interest has been disclosed, the External Investment Resource~~Consultant~~ will promptly update CalPERS in writing of any changes in circumstances that affect the Disclosable Interest.

~~4.~~5. In following this P~~p~~olicy~~, Consultants~~, External Investment Resources are to consider the spirit as well as the literal expression of this policy, by taking ongoing responsibility for scrutinizing their activities and transactions for Disclosable Interests and making appropriate disclosures. In cases where the ~~Consultant~~ External Investment Resource is unsure whether a Disclosable Interest exists, the situation or circumstances should be disclosed.

C. Staff responsibilities following disclosures are:

1. Staff shall review all information presented by each ~~Consultants~~ External Investment Resource in accordance with Section III.B. above and may request additional information, if warranted. If upon review of the information provided, Staff desires additional information, the ~~Consultant~~ External Investment Resource will promptly provide the additional information requested.

2. Staff, and if appropriate the CalPERS Legal Office, will analyze each Disclosable Interest to determine:

   a. Whether an actual Conflict currently exists, in which case, the assignment will be precluded;~~.~~

   b. If an actual Conflict does not currently exist, how likely it is that the Disclosable Interest will in the future give rise to an actual Conflict; and,

   c. If an actual Conflict does not currently exist, whether there are any ways of handling or managing the circumstances of the Disclosable Interest in order to prevent the Disclosable Interest from resulting in an actual Conflict in the future. In addition, Staff will analyze on a case-by-case basis whether the Disclosable Interest is of a level of severity (either by

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itself or in combination with other Disclosable Interests) which warrants consideration or action by the Committee. Otherwise, Staff will instruct the ~~Consultant~~ External Investment Resource of any additional action it deems necessary or appropriate to handle or manage the Disclosable Interest so that it does not give rise to an actual Conflict.

3. In all instances, Staff shall document its conclusions made in Section III.C.2., above.

IV. GLOSSARY OF TERMS

Key words used in the policy are defined in CalPERS Master Glossary of Terms.

Approved by the Policy Subcommittee:	June 10, 2005
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Revised by the Policy Subcommittee:	December 15, 2008
Approved by the Investment Committee:	February 17, 2009
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Approved by the Investment Committee:	August 13, 2012

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Asset Class Glossary: Ethics
Policy: ~~Consultant~~ External Investment Resource Conflict of Interest
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Conflict of Interest
Conflict of Interest or Conflict includes those circumstances that create an actual conflict with the ~~Consultant~~External Investment Resource's duty (consistent with fiduciary standards of care) to provide investment ~~advice~~ services that is aligned solely with the best interests of CalPERS' plan participants and beneficiaries. A Conflict exists when a ~~Consultant~~External Investment Resource knows or has reason to know that he or she, his or her spouse, or a close relative, domestic partner or other significant personal or business relationship of the ~~Consultant~~External Investment Resource, has a financial or other interest that is likely to bias the ~~Consultant~~External Investment Resource's evaluation of or advice with respect to a transaction or assignment on behalf of CalPERS.

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.

Disclosable Interest
Disclosable Interest is any interest or circumstance that may give rise to an actual, potential or perceived Conflict.

External Investment Resource
Any Consultant, External Manager or other entity which provides any investment management or investment advisory services related to the administration of CalPERS investment programs. An External Investment Resource does not include a general consultant who provides strategic planning, project management or general administrative or operational services unrelated to specific investment transactions or decisions.

~~**Key Personnel**~~
~~Persons identified by the Consultant who will exercise a significant role in providing to CalPERS the services required under an assignment or contract.~~

Staff
Staff refers to CalPERS Investment Office staff.