

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

**FOR
GLOBAL EQUITY EMERGING MANAGER FUND OF FUNDS**

May 11, 2009

This policy is effective immediately upon adoption.

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 document sets forth the investment policy ("Policy") for the Global Equity Emerging Manager Fund of Funds ("Program"). The design of this Policy ensures that investors, managers, consultants, and other participants selected by the California Public Employees' Retirement System ("CalPERS") take prudent and careful action while managing the Program. Additionally, use of this policy assures sufficient flexibility in managing investment risks and returns associated with these segments of the global capital markets.

II. STRATEGIC OBJECTIVE

Capturing returns of domestic and international equity markets, while diversifying risk, is the strategic objective of the Program.

The Program shall be managed to accomplish the following:

- A. Diversify CalPERS overall Equity Program by complementing the Passive Domestic and Passive International Equity Programs;
- B. Enhance the expected return of CalPERS investment program; and,
- C. Hedge against active member (pre retirement) liabilities.

III. RESPONSIBILITIES

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

- 1. Taking action with respect to each Emerging Manager Fund of Funds Manager ("Manager") retained to implement the Program, such as making changes in the Managers' investment management guidelines.

- ~~2. Reporting to the Committee at least annually, and more frequently if needed, on the performance of the Program.~~
 - ~~3. Monitoring the implementation of, and compliance with, the Policy and investment management guidelines. Staff shall report material concerns, problems, and changes relating to any Manager at the next Committee meeting, or sooner if deemed necessary. These reports shall include explanations of any violations and appropriate recommendations for corrective action.~~
- ~~B. The General Pension Consultant (“Consultant”) is responsible for monitoring, evaluating, and reporting quarterly to the Committee on the performance of the Program relative to the benchmark and Policy.~~
- ~~C. The Manager is responsible for aspects of fund of funds portfolio management as set forth in each Manager’s contract with CalPERS and shall fulfill the following duties:~~
- ~~1. Construct a portfolio of emerging managers in accordance with their CalPERS contract and investment management guidelines.~~
 - ~~2. Monitor, analyze, and evaluate performance of the individual emerging managers in the portfolio relative to their agreed upon benchmarks and communicate this information to CalPERS Staff.~~
 - ~~3. Cooperate fully with CalPERS Staff, Custodian, and General Pension Consultant concerning requests for information.~~
- ~~D. The individual emerging managers in the Manager’s portfolio are responsible for aspects of securities portfolio management, as set forth in their agreements with the Manager and CalPERS investment management guidelines, and shall fulfill the following duties:~~
- ~~1. Communicate with the Manager as needed regarding investment strategy and investment results.~~
 - ~~2. Cooperate fully with the Manager, CalPERS Staff, Custodian and the General Pension Consultant concerning requests for information.~~

~~IV. PERFORMANCE OBJECTIVE AND BENCHMARK~~

~~The Program is expected to outperform its custom weighted average benchmark. The benchmark for the Global Equity Emerging Manager Fund of Funds Policy is specified in the Benchmark Modification and Benchmark Details Policy. Within the Program, Managers, as well as individual emerging managers, are expected~~

~~to achieve performance objectives as stated in their investment management guidelines.~~

~~V. INVESTMENT APPROACHES AND PARAMETERS~~

~~A. Approaches~~

~~1. Emerging managers of active domestic equity, active international equity, or active global equity strategies shall be selected by the Manager(s) based upon their ability to add value above an appropriate benchmark on a risk-adjusted basis.~~

~~2. CalPERS shall continually review the viability of the Program, conducting a formal review annually.~~

~~B. External Fund of Funds Manager Selection~~

~~1. CalPERS shall retain Managers who have recognized expertise in the analysis and selection of emerging managers of U.S. or non U.S. equity securities or global equity securities.~~

~~2. The selected Managers shall be registered, or appropriately exempt from registration, with the Securities and Exchange Commission.~~

~~3. CalPERS shall select the Managers in accordance with the applicable California laws and regulations, and CalPERS policy.~~

~~C. Investment Parameters~~

~~The Managers shall operate under a set of specific guidelines that outlines their investment charter and approach, target portfolio characteristics, permissible and restricted securities and procedures, benchmark and performance objective.~~

~~Implementation of this Program shall comply at all times with CalPERS applicable investment policies including, but not limited to, the following:~~

~~1. Statement of Investment Policy for Derivatives — External Money Managers;~~

~~2. Global Proxy Voting policy;~~

~~3. Statement of Investment Policy for Monitoring Externally Managed Portfolios; and,~~

~~4. Manager specific investment management guidelines.~~

~~VI. CALCULATIONS AND COMPUTATIONS~~

~~Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis as recorded by CalPERS Custodian.~~

~~VII. GLOSSARY OF TERMS~~

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

~~Approved by the Policy Subcommittee: April 17, 2009~~

~~Adopted by the Investment Committee: May 11, 2009~~

~~Administrative changes made due to Policy Review Project: June 16, 2009~~

~~Admin changes due to adoption of Benchmark Policy: November 18, 2009~~

~~Asset Class Glossary: Equities
Policy: Global Equity Emerging Manager Fund of Funds
November 13, 2012~~

~~Custodian~~

~~A bank or other financial institution that provides custody of stock certificates and other assets of an institutional investor.~~

~~Emerging Manager~~

~~An external money manager with less than \$2 billion in assets under management.~~

~~Emerging Manager Fund of Funds~~

~~An investment approach where a Manager contracts with multiple emerging investment managers to create one diversified portfolio. Diversification is created by including emerging managers utilizing different investment strategies.~~

~~Fund of Funds~~

~~An investment approach where a Manager contracts with multiple investment managers to create one diversified portfolio. Diversification is created by including investment managers utilizing different investment strategies.~~

~~General Pension Consultant~~

~~An individual or organization that provides specialized professional assistance to the Investment Committee in determining the pension fund's asset allocation model or optimal combination of investments in order to maximize risk-adjusted investment returns in a manner consistent with the State's long term pension liabilities.~~

~~Manager~~

~~A professional responsible for managing the securities portfolio of an individual or institutional investor. In return for a fee, the money manager has the fiduciary responsibility to choose and manage investments prudently for their clients. In CalPERS' case, an internal manager is a portfolio manager on the staff, while an external manager is an outside money management firm.~~