CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
ROLE OF PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS

October 15, 2012

This policy is effective immediately upon adoption.

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 the Role of Private Asset Class Board Investment Consultants ("Private Asset Class Board Investment Consultants").

II. STRATEGIC OBJECTIVE

The strategic objective of this Policy is to define the roles of the Private Asset Class Board Investment Consultants to support our mission in advancing the financial and health security for all who participate in CalPERS.

III. RESPONSIBILITIES

A. CalPERS Investment Staff ("Staff") is responsible for monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of the Policy 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 Private Asset Class Board Investment Consultant is responsible for:

1. Strategy and Policy Analysis

   a. Review and opine on investment policies and delegations of authority.

   b. Review and opine on strategic and annual plans.

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c. Provide forecasts of asset class returns for total fund asset allocation purposes.

d. Provide quarterly analysis of market developments, market conditions, and macro-level view of market opportunities to the Committee.

2. Performance Analysis and Monitoring

a. Prepare quarterly investment performance reports and portfolio risk and attribution analysis; Monitor and report on deviations from policy benchmark performance and long-term expected performance.

b. Provide guidance on performance measurement methodologies.

c. Review and opine annually on appropriateness of asset class benchmarks.

d. Validate accuracy of Real Estate incentive fee calculations[1].

3. Independent Advisor to the Committee

a. Provide opinion to the Committee on investments above Staff's delegation of authority.

b. Evaluate whether investment transactions comply with applicable Committee policy and, if applicable, Staff's delegation of authority and provide opinion regarding compliance.

c. Perform annual reviews of major asset class sub component programs and provide opinion on performance, risk, manager selection and monitoring processes, and on internal control process and staffing.

d. Perform annual review of the program and provide opinion on performance, risk, manager selection and monitoring processes, and on internal control processes and staffing.

e. Provide independent advice to the Committee on all aspects of the program and its implementation.

[1] This is a current role of the Real Estate Board Investment Consultant that could be re-evaluated over time.

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f. Provide analysis and reports consistent with Policy, as directed by the Committee.

4. Except as noted in Section III.B.5, The Private Asset Class Board Investment Consultants shall not:

a. Manage assets for CalPERS.

b. Perform work for Staff on special projects.

c. Provide opinions to Staff regarding specific investment transactions.

5. In limited circumstances, the Private Asset Class Board Investment Consultant may be engaged for roles enumerated in section III.B.4.a-c if the Private Asset Class Board Investment Consultant possesses unique knowledge or expertise that is not available through other providers. Such an arrangement must be approved by the Committee prior to engagement. In situations where adequate time is not available to request Committee approval, Staff may request approval from the Chair of the Committee. Upon approval of the request, Staff will notify the other Committee members.

IV. INVESTMENT TRANSACTIONS – PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS – REAL ASSETS

A. Investment Transactions within Staff's delegated authority

1. Investment transactions less than or equal to $50 million:

a. Staff will analyze the transaction and make the investment decision.

b. An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant may provide a Prudent Person Opinion to Staff at the discretion of the Senior Investment Officer ("SIO").

c. The Private Asset Class Board Investment Consultant may observe transaction discussions at the request of the SIO.

2. Investment transactions that exceed $50 million[2]:

[2] All new investments and aggregated commitment of additional capital to a single investment or a single manager within a fiscal year timeframe.

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a. Staff will analyze the transaction and make the investment decision.

b. An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.

c. The Private Asset Class Board Investment Consultant may observe transaction discussions at the request of the SIO.

B. Investment transactions exceeding Staff's delegated authority:

1. Staff will analyze the transaction and provide a recommendation to the Committee.

2. An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.

3. The Private Asset Class Board Investment Consultant will participate in transaction discussions.

4. The Private Asset Class Board Investment Consultant will provide an opinion on the transaction to the Committee.

C. Opinion Standard

The Private Asset Class Board Investment Consultant and the Investment Pool Consultants shall provide a Prudent Person Opinion on the merits of a transaction following a fiduciary standard of care.

V. INVESTMENT TRANSACTIONS – PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS – PRIVATE EQUITY

A. Investment Transactions within Staff's delegated authority

1. Investment transactions considered Fund investments, Co-Investments or Customized Investment Accounts that invest alongside other similarly structured funds in the same investments:

a. Staff will analyze the transaction and make the investment decision.

b. An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant may provide an

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independent due diligence report to Staff at the discretion of the SIO.

c. The Private Asset Class Board Investment Consultant may observe transaction discussions at the request of the SIO.

2. Investment transactions considered a Customized Investment Account with an individual mandate that does not invest alongside other similarly structured funds in the same investments or a Direct Investment:

a. Staff will analyze the transaction and make the investment decision.

b. An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.

c. The Private Asset Class Board Investment Consultant may observe transaction discussions at the request of the SIO.

B. Investment transactions exceeding Staff's delegated authority:

1. Staff will analyze the transaction and provide a recommendation to the Committee.

2. An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion.

3. The Private Asset Class Board Investment Consultant will participate in transaction discussions and provide an opinion on the transaction to the Committee.

VI. GLOSSARY OF TERMS

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

Approved by the Policy Subcommittee:	June 15, 2011
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Approved by the Investment Committee:	October 15, 2012

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Asset Class Glossary: Investment & Risk Management
Policy: Role of Private Asset Class Board Investment Consultants
July 25, 2013

Co Investment
A Direct Investment made by CalPERS where CalPERS has an existing commitment to a fund which is also investing in the company.

Customized Investment Accounts
An investment structure in which CalPERS partners with a firm that has distinct investment expertise in an industry, geographic region or investment style and has demonstrated the ability to provide top quartile returns. Other than the General Partner, CalPERS would be the sole investor. This structure may have an individual mandate or may invest alongside other similarly structured funds on the same investments with different terms.

Direct Investment
An investment that is made directly or indirectly by CalPERS in a company.

Fiduciary Standard of Care
The consultant or external resource shall discharge its duties with respect to this system solely in the interest of the participants and beneficiaries by acting with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims.

Fund
A co-mingled investment vehicle through which investments are made. Funds are usually structured as Limited Partnerships.

Investment Pool Consultants
An individual or organization who are contractually retained or have been appointed to a pool by CalPERS to provide investment advice but who do not exercise investment discretion.

Private Asset Class Board Investment Consultant
An individual or organization that provides specialized professional assistance to the Investment Committee related to an asset class regarding strategy and policy analysis, performance analysis and monitoring, and independent advisory service to the Investment Committee.

Prudent Person Opinion
An opinion from a consultant or external resource subject to the Fiduciary Standard of Care that the proposed investment is a prudent investment consistent with Article XVI, Section 17(c) of the California Constitution and Section 20151 (c) of the California Government Code, i.e., made with the care, skill, prudence, and diligence under the

circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.