

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

**FOR
JUDGES' RETIREMENT FUND**

August 19, 2013

This policy is effective immediately upon adoption.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Total Fund Statement of Investment Policy, which was 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 Judges' Retirement Fund. The Judges' Retirement Fund was established under the Judges' Retirement System Law to provide retirement and death benefits for State Supreme and Appellate Court justices, and Superior Court and Municipal Court judges who were appointed or elected before November 9, 1994. The Judges' Retirement Fund is funded by the State General Fund on a pay-as-you-go basis.

The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Judges' Retirement Fund. Additionally, use of this policy assures sufficient flexibility in managing investment [risks](#) and [returns](#) associated with this Program.

II. STRATEGIC OBJECTIVE

The Judges' Retirement Fund shall be managed to accomplish the following:

- A. Maintain liquidity to meet operational expenses and benefit payments.

III. RESPONSIBILITIES

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

- 1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmarks.
- 2. Reporting internally to the Committee concerning the implementation of this Policy.

3. Overseeing external managers secured to provide investment services for the Judges' Retirement Fund.
 4. Creating internally-managed funds and soliciting externally-managed funds for the Judges' Retirement Fund.
 5. Monitoring the implementation of and compliance with Policy. Staff shall report concerns, problems, material changes, and all violations of guidelines and policies at the next Committee meeting. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.
- B. External Managers ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and may fulfill the following duties:
1. Communicate with CalPERS Staff, as needed, regarding investment strategies and investment results.
 2. Monitor, analyze, and evaluate performance relative to the agreed upon benchmark.
 3. Cooperate fully with CalPERS Staff, Custodian, and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

- A. The benchmark for the Judges' Retirement Fund is specified in the Statement of Investment Policy for Benchmarks.
- B. The fund will be invested to provide sufficient liquidity for operational expenses and benefit payments.

V. INVESTMENT APPROACHES AND PARAMETERS

- A. Philosophy and Approach

The Judges' Retirement Fund shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

A comprehensive asset strategy analysis shall be completed at a regular interval and will be presented to the Committee for review and approval of the Policy target asset allocations. The CIO may recommend a more frequent analysis if expected returns, risks or liability values have substantially changed since the prior analysis. The CIO may also recommend to the Committee changes in the Policy asset allocation targets.

C. Fund Structure

When the Judges' Retirement Fund is invested with other CalPERS administered trust assets, the Custodian shall employ a [unitized fund structure](#) to maintain separate and distinct historical records and to produce individual [net asset values \(NAV's\)](#) for the Judges' Retirement Fund.

D. Restrictions, Prohibitions and Authorized Securities

Restrictions, prohibitions and authorized securities of the Judges' Retirement Fund are defined in the policy governing each asset class or external investment manager 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.

Adopted by the Investment Committee:

August 19, 2013

Asset Class Glossary: Other (Non-PERF) Investment Portfolios
Policy: Judges' Retirement Fund

August 19, 2013

Net Asset Value - NAV

The Net Asset Value or NAV is a term used to describe the value of an entity's assets less the value of its liabilities.

Return

A measure of the total performance of an investment over a designated time period.

Risk

A measurable probability of losing or not gaining value. Risk is differentiated from uncertainty, which is not measurable. Risk in this context is also referred to as standard deviation, which is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Unitized Fund Structure

Unitized Fund Structure allows multiple participants to contribute to a pool of assets while maintaining historical records and producing individual Net Asset Values (NAVs) for each participant. Each participant's share in the portfolio is separately accounted for using a system that accounts for each class of shares' proportional entitlement to the portfolio's Total Net Assets. The system maintains all of the funds' holdings at the fund level, and maintains the fund prices at the class level.