



Michael C. Schlachter, CFA
Managing Director & Principal

May 6, 2014

Mr. Henry Jones
Chairman of the Investment Committee
California Public Employees' Retirement System
400 P Street, Suite 3492
Sacramento, CA 95814

Re: Revisions to Insider Trading Policy

Dear Mr. Jones:

We have reviewed the agenda item and suggested revisions to the Insider Trading Policy. As this is an information item, we do not have a recommendation at this time, but we offer some suggestions below.

Discussion

Staff has suggested broadening the definition of "covered persons" to include Board members and newly created senior positions at CalPERS. In our opinion, given that these parties are privy to confidential information, this is an appropriate expansion of the definition and these individuals should be covered by this policy.

Second, Staff has proposed stopping the electronic distribution of the restricted list given that the mere contents of the restricted list can constitute insider information. All individuals who wish to trade in a given security would therefore need to check the list first. We agree with this in concept, but we would like to suggest an alternative process for disseminating this list. For individuals whose day to day job responsibilities do not include trading public securities (Board members, CEO, CFO, Staff of Private Equity and Real Estate teams, etc.), this seems like a reasonable solution.

However, we believe that it would be appropriate to distribute the full list directly to a select group of individuals who engage in public securities trading as a job function. Given the complexity of corporate structures and public securities, it is entirely possible that an investment Staff member could check to see if company XYZ is on the list, but may not know whether to ask if a subsidiary or pending merger partner or affiliated company is on the list. The Staff member would see that XYZ is a tradable security, but may unintentionally violate the restricted list if that affiliated company or security is restricted. By disseminating the entire list to a select group of individuals who conduct CalPERS equity and fixed income trading, CalPERS will increase familiarity with the



contents of the list among its traders and decrease the possibility of an accidental oversight.

If you have any comments or questions, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael A. ...'.