

CalPERS

Monthly Update – Investment Compliance

MONTH ENDING APRIL 30, 2014



Items Completed Under Delegated Authority
Disclosure of Placement Agent Fees
Investment Proposal Activity Summary
Policy Violations
Disclosure of Closed Session Action Items

Items Completed Under Delegated Authority *(for the month ended April 30, 2014)*

Program Area	Name of Investment	Commitment	Initial Funding Date of Partnership	Complies with Delegation Number
Private Equity	Onex Partners IV LP	\$300 million	Apr-14	07-02-INV II (B) 2

Disclosure of Placement Agent Fees *(for the month ended April 30, 2014)*

Firm Name	
Asset Class	No items to report
Fund	
Period	
Placement Agents and Firm	
Registered with SEC/FINRA	
Registered Lobbyists	
Estimated Placement Agent Compensation	
Transaction Type	

	Private Equity	Forestland	Infrastructure	Real Estate	ARS	Global Equities	Commodities	Global Fixed Income	Total
Start of Month Proposals	25	2	41	16	11	1	0	1	97
New Proposal During the Month	18	0	9	7	5	5	1	3	48
Reinstated Proposal During Month	0	0	0	0	0	0	0	0	0
Decisions During the Month	9	0	17	0	15	2	1	2	46
End of Month Proposals	34	2	33	23	1	4	0	2	99

Status Details

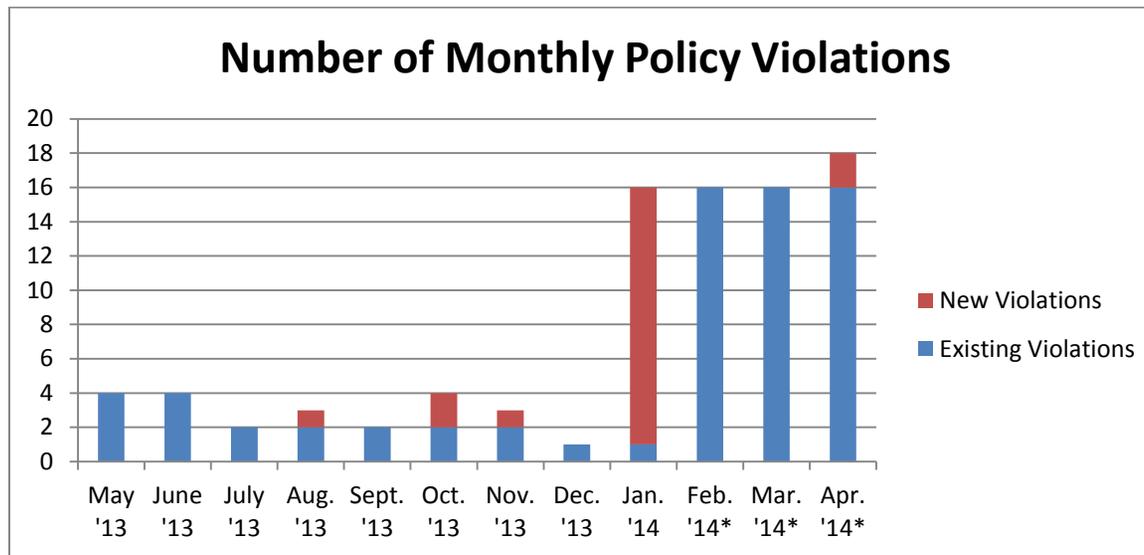
Status	Private Asset Classes				Public Asset Classes				Total
	Private Equity	Forestland	Infrastructure	Real Estate	ARS	Global Equities	Commodities	Global Fixed Income	
Start of Month Proposals									
Submitted	0	0	6	1	1	1	0	0	9
Screening	21	2	32	14	10	0	0	1	80
Due Diligence	2	0	3	1	0	0	0	0	6
Approved	2	0	0	0	0	0	0	0	2
Subtotal	25	2	41	16	11	1	0	1	97
New Proposals During the Month									
Subtotal	18	0	9	7	5	5	1	3	48
Reinstated Proposals During Month									
Subtotal	0	0	0	0	0	0	0	0	0
Decisions During the Month									
Committed	1	0	0	0	0	0	0	0	1
Declined	6	0	17	0	14	1	1	2	41
Failed to Materialize	0	0	0	0	1	0	0	0	1
Referred	2	0	0	0	0	1	0	0	3
Subtotal	9	0	17	0	15	2	1	2	46
End of Month Proposals									
Submitted	1	0	0	7	0	0	0	0	8
Screening	29	2	30	15	1	4	0	2	83
Due Diligence	2	0	3	1	0	0	0	0	6
Approved	2	0	0	0	0	0	0	0	2
Subtotal	34	2	33	23	1	4	0	2	99

Material Exceptions to Policy

According to policy requirements, the following is a summary of investment policy violations as reported by the program areas.

The following program areas had no violations to report for the month:

- Private Equity
- Absolute Return Strategies
- Global Governance
- Asset Allocation
- Global Equities



*See page 7 - All but one existing violation is related to administrative policy revisions needed to reflect Board approved changes.

New:

Program Area or Asset Class	Event Date	Resolution Date	Policy Violated	Violation Description	Event Description and Resolution (expected) or Next Steps
Fixed Income	4/15/2014	4/21/2014	Statement of Investment Policy for Liquidity Program - US Treasury 2-10 Year Program	<p>The Policy requires securities maturing in 0-2 years to remain in a range of 0-20%.</p> <p>As a result of a change in a security's maturity falling below 2 years, the portfolio's concentration in securities maturing between 0-2 years versus policy requirements was temporarily breached.</p>	<p>On 4/15/14, a single security's maturity fell to under two years, causing the range limit of 20% to be breached (20.05%).</p> <p>The violation was detected promptly and GFI staff effected a transaction to cure the breach.</p> <p>To prevent a reoccurrence, ICOR and GFI have implemented a warning notification in advance of a security's maturity that could cause it to breach this particular limit.</p>
Fixed Income	4/30/2014	5/1/2014	Statement of Investment Policy for Global Fixed Income Program (Foreign Debt Policy)	<p>The Policy requires that foreign government bonds denominated in a foreign currency must have a credit rating of BB- or higher from S&P or Fitch, or Ba3 or higher from Moody's.</p>	<p>On 4/29/14, S&P downgraded a US dollar Mongolian government bond from BB- to B+. The security was already below the required ratings value from both Fitch and Moody's. The security was sold out of the portfolio on 5/1/14.</p>

Existing:

Program Area or Asset Class	Event Date	Resolution Date	Policy Violated	Violation Description	Event Description and Resolution (expected) or Next Steps
Fixed Income (Sec Lending)	12/21/2007	Not Yet Resolved	Statement of Investment Policy for Securities Lending.	"Ironside Holdings" was downgraded and no longer meets rating standards specified by the policy.	This is a restructured Structured Investment Vehicle (SIV) which is in a pay down mode, with no maturity date. Per the Policy, the Global Fixed Income Senior Investment Officer (SIO) has the authority to maintain this position in the best interest of the PERF. The Global Fixed Income SIO believes the current pricing of the restructured SIV is undervalued and recommends holding the security.
Various	Various	June 2014 (estimated)	Various	Thirteen instances in nine policies where reporting of certain information is required (per the policies) on a quarterly basis, but the reporting had changed in practice to an annual basis.	With prior Board approval, program reviews are now being conducted annually instead of quarterly. The policies have not been updated to reflect the approved change in frequency of reporting. Investment Office (INVO) will seek to remediate these policy violations by proposing administrative policy changes that change the periodicity of reporting from quarterly to annual.
Investment Servicing Division	November 2011	June 2014 (estimated)	Statement of Investment Policy for Real Estate Accounting (Policy)	Two sections of the Policy refer to providing the Quarterly Performance Report to the Investment Committee. This report has not been sent to the Committee since August 2011. The Policy has not been updated to reflect this change.	With prior Board approval, the Quarterly Performance Report is no longer being provided to the Investment Committee. The Policy has not been updated to reflect the change in reporting requirements. INVO will seek to remediate these policy violations by proposing administrative policy changes to the language in the policy.

	Investment Committee Meeting	Agenda Item	Investment Committee Action	Vote
	No items to report			



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Investment Compliance and Operational Risk
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