

# CalPERS

## *Monthly Update – Investment Compliance*

**MONTH ENDING JULY 31, 2014**

As of July 31, 2014

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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 July 31, 2014)

| Program Area               | Name of Investment                                | Commitment<br>(million) | Initial<br>Funding Date<br>of Partnership | Complies with<br>Delegation<br>Number |
|----------------------------|---|-------------------------|---|---------------------------------------|
| Absolute Return Strategies | Northwest Eureka Fund                             | \$50.00                 | Dec-13                                    | 11-03-INV                             |
| Private Equity             | CVC Credit Strategic Investment A L.P.            | \$250.00                | Jul-14                                    | 07-02-INV II (B) 5                    |
| Private Equity             | Sankaty Managed Account (CalPERS) Investors, L.P. | \$500.00                | Jul-14                                    | 07-02-INV II (B) 5                    |
| Real Assets                | HCB LTH   | \$4.79                  | May-12                                    | 11-01-INV                             |
| Real Assets                | HCR LTH LLC                                       | \$2.02                  | Jan-13                                    | 11-01-INV                             |
| Real Assets                | Shea Mountain House, LLC                          | \$10.00                 | May-05                                    | 11-01-INV                             |
| Real Assets                | Newland National Partners III, LLC                | \$31.81                 | Apr-05                                    | 11-01-INV                             |
| Real Assets                | Newland National Partners IV, LLC                 | \$9.44                  | Apr-06                                    | 11-01-INV                             |
| Real Assets                | KAREC California Development Program, LLC         | \$9.12                  | Apr-02                                    | 11-01-INV                             |
| Real Assets                | KC 2011, LLC                                      | \$44.22                 | Apr-11                                    | 11-01-INV                             |
| Real Assets                | KSC Affordable Housing Investment Fund, LLC       | \$3.37                  | Jul-02                                    | 11-01-INV                             |
| Real Assets                | Centerline Urban Capital LLC                      | \$50.00                 | Nov-01                                    | 11-01-INV                             |
| Real Assets                | CalSmart LLC (Canyon)                             | \$11.18                 | Apr-11                                    | 11-01-INV                             |
| Real Assets                | Whitney Ranch Venture, LLC                        | \$43.61                 | Jan-12                                    | 11-01-INV                             |
| Real Assets                | Institutional Core Multifamily Investors          | \$12.79                 | Mar-13                                    | 11-01-INV                             |
| Real Assets                | CalEast Solstice, LLC                             | \$123.92                | Dec-10                                    | 11-01-INV                             |
| Real Assets                | CalEast Canada Limited Partnership                | \$3.49                  | Dec-10                                    | 11-01-INV                             |
| Real Assets                | CalEast Industrial Investors, LLC                 | \$66.44                 | Dec-10                                    | 11-01-INV                             |
| Real Assets                | Pacific Multifamily Investors, LLC                | \$14.50                 | Nov-13                                    | 11-01-INV                             |
| Real Assets                | IMP - DT 2011                                     | \$55.21                 | Mar-11                                    | 11-01-INV                             |
| Real Assets                | Institutional Multifamily Partners                | \$5.88                  | Oct-10                                    | 11-01-INV                             |
| Real Assets                | FSP - DT 2012 & Beyond                            | \$25.00                 | Jul-12                                    | 11-01-INV                             |
| Real Assets                | FSP - DT 2011                                     | \$8.00                  | Apr-11                                    | 11-01-INV                             |
| Real Assets                | National Office Partners, LLC (CWP)               | \$71.00                 | Dec-10                                    | 11-01-INV                             |
| Real Assets                | TechCore, LLC                                     | \$16.11                 | Apr-12                                    | 11-01-INV                             |
| Real Assets                | IMI - Base  | \$150.00                | Jan-13                                    | 11-01-INV                             |
| Real Assets                | IMI - DT 2011                                     | \$3.00                  | Mar-11                                    | 11-01-INV                             |
| Real Assets                | GRI - DT 2011                                     | \$1.00                  | Apr-11                                    | 11-01-INV                             |
| Real Assets                | Global Retail Investors LLC                       | \$60.54                 | Aug-05                                    | 11-01-INV                             |
| Real Assets                | IMP - Base  | \$700.00                | Jul-14                                    | 11-01-INV II (A) 2 & II (B)           |
| Real Assets                | IMP - DT 2012 & Beyond                            | \$505.00                | Jul-14                                    | 11-01-INV II (A) 2 & II (B)           |
| Real Assets                | FSP - Base  | \$900.00                | Jul-14                                    | 07-02-INV II (B) 2                    |
| Real Assets                | GRI - Base  | \$410.00                | Jul-14                                    | 11-01-INV                             |

**Items Completed Under Delegated Authority** *(for the month ended July 31, 2014)*

| Program Area | Name of Investment                            | Commitment (million) | Initial Funding Date of Partnership | Complies with Delegation Number |
|--------------|---|----------------------|-------------------------------------|---------------------------------|
| Real Assets  | GRI - Base                                    | \$410.00             | Jul-14                              | 11-01-INV                       |
| Real Assets  | GRI - DT 2012 & Beyond                        | \$105.00             | Jul-14                              | 11-01-INV                       |
| Real Assets  | IMI - Base                                    | \$900.00             | Jul-14                              | 11-01-INV                       |
| Real Assets  | Institutional Core Multifamily Investors, LLC | \$400.00             | Jul-14                              | 11-01-INV II (A) 2 & II (B)     |
| Real Assets  | Institutional Logistics Partners, LLC         | \$600.00             | Jul-14                              | 11-01-INV                       |
| Real Assets  | TechCore, LLC                                 | \$400.00             | Jul-14                              | 11-01-INV                       |
| Real Assets  | CalEast Solstice, LLC                         | \$300.00             | Jul-14                              | 11-01-INV                       |
| Real Assets  | Pacific Multifamily Investors, LLC            | \$200.00             | Jul-14                              | 11-01-INV II (A) 2 & II (B)     |

**Disclosure of Placement Agent Fees** (for the month ended July 31, 2014)

| <b>Firm Name</b>                                  | <b>Sankaty Advisors, LLC</b>   | <b>Northwest Investment Management (Hong Kong) Limited</b>  | <b>Double Haven Capital (Hong Kong) Limited</b>  |
|---|--|---|--|
| <b>Asset Class</b>                                | Private Equity   | Absolute Returns Strategies   | Absolute Returns Strategies  |
| <b>Fund</b>                                       | Sankaty European Opportunistic Credit  | Northwest Eureka Fund LLLP  | Double Haven Eureka Fund, LLC  |
| <b>Placement Agent / Firm</b>                     | Kyle Beatty, internal employee of Sankaty Advisors, LLC  | Mark Smith, employee of Northwest Investment Management (Hong Kong) Limited   | William Hugh and McGregor Donohugh, employees of Double Haven Capital (Hong Kong) Limited  |
| <b>Registered with SEC/FINRA</b>                  | Mr. Betty is an employee of Sankaty Advisors, LLC, which is a registered investment advisor with the SEC.  | Mr. Smith is licensed under the Securities and Futures Commission (HKSF) to carry on Type 9 regulated activity.   | Double Haven Capital (Hong Kong) Ltd. is registered with the SEC as an investment adviser, and is registered with the HKSF as Type 9 asset manager.  |
| <b>Registered Lobbyist(s)</b>                     | Yes  | Mr. Smith is registered as a lobbyist with the California FPPC.   | Mr. Donohugh as CEO is a registered lobbyist with the State of California.   |
| <b>Estimated Placement Agent Compensation</b>     | Estimated placement agent compensation is \$1,200.   | Mark Smith is compensated on a monthly basic salary plus discretionary bonus structure. Total payments to him from January 1st to June 30, 2014, as reported in form 635 to the California FPPC, amounted to \$5,925. | The disclosed Placement Agent compensation incurred mainly consists of travelling and accommodations incurred by the Placement Agents for meeting with the CalPERS investment team, for the period of January 2014 to June 2014. The total payments (i.e. reimbursement) allocated was \$1,375.31. |
| <b>Disclosed Campaign Gifts and Contributions</b> | None   | None  | None   |
| <b>Notes</b>                                      | Previously reported during August Closed Investment Committee meeting. Public disclosure prior to execution would have impaired CalPERS' ability to maximize its investment returns. | None  | None   |
| <b>Transaction Type</b>                           | Proposed   | Amendment   | Amendment  |

**Investment Proposal Activity Summary (for the month ended July 31, 2014)**

|   | Private Equity | Forestland | Infrastructure | Real Estate | ARS | Global Equities | Commodities | Global Fixed Income | Total |
|---|----------------|------------|----------------|-------------|-----|-----------------|-------------|---------------------|-------|
| <b>Start of Month Proposals</b>         | 35             | 2          | 42             | 21*         | 14  | 4               | 2           | 1                   | 121   |
| <b>New Proposal During the Month</b>    | 18             | 3          | 13             | 5           | 1   | 7               | 0           | 1                   | 48    |
| <b>Reinstated Proposal During Month</b> | 0              | 0          | 0              | 0           | 0   | 0               | 0           | 0                   | 0     |
| <b>Decisions During the Month</b>       | 13             | 0          | 21             | 9           | 10  | 8               | 2           | 1                   | 64    |
| <b>End of Month Proposals</b>           | 40             | 5          | 34             | 17          | 5   | 3               | 0           | 1                   | 105   |

**Status Details**

| Status                                   | Private Asset Classes |            |                |             | Public Asset Classes |                 |             |                     | Total      |
|--|-----------------------|------------|----------------|-------------|----------------------|-----------------|-------------|---------------------|------------|
|  | Private Equity        | Forestland | Infrastructure | Real Estate | ARS                  | Global Equities | Commodities | Global Fixed Income |            |
| <b>Start of Month Proposals</b>          |                       |            |                |             |                      |                 |             |                     |            |
| Submitted                                | 0                     | 0          | 0              | 1           | 3                    | 0               | 0           | 0                   | 4          |
| Screening                                | 27                    | 2          | 41             | 19          | 11                   | 4               | 2           | 1                   | 107        |
| Due Diligence                            | 7                     | 0          | 1              | 1           | 0                    | 0               | 0           | 0                   | 9          |
| Approved                                 | 1                     | 0          | 0              | 0           | 0                    | 0               | 0           | 0                   | 1          |
| <b>Subtotal</b>                          | <b>35</b>             | <b>2</b>   | <b>42</b>      | <b>21</b>   | <b>14</b>            | <b>4</b>        | <b>2</b>    | <b>1</b>            | <b>121</b> |
| <b>New Proposals During the Month</b>    |                       |            |                |             |                      |                 |             |                     |            |
| <b>Subtotal</b>                          | <b>18</b>             | <b>3</b>   | <b>13</b>      | <b>5</b>    | <b>1</b>             | <b>7</b>        | <b>0</b>    | <b>1</b>            | <b>48</b>  |
| <b>Reinstated Proposals During Month</b> |                       |            |                |             |                      |                 |             |                     |            |
| <b>Subtotal</b>                          | <b>0</b>              | <b>0</b>   | <b>0</b>       | <b>0</b>    | <b>0</b>             | <b>0</b>        | <b>0</b>    | <b>0</b>            | <b>0</b>   |
| <b>Decisions During the Month</b>        |                       |            |                |             |                      |                 |             |                     |            |
| Committed                                | 2                     | 0          | 0              | 0           | 0                    | 0               | 0           | 0                   | 2          |
| Declined                                 | 8                     | 0          | 20             | 9           | 10                   | 4               | 2           | 1                   | 54         |
| Failed to Materialize                    | 1                     | 0          | 1              | 0           | 0                    | 2               | 0           | 0                   | 4          |
| Referred                                 | 2                     | 0          | 0              | 0           | 0                    | 2               | 0           | 0                   | 4          |
| <b>Subtotal</b>                          | <b>13</b>             | <b>0</b>   | <b>21</b>      | <b>9</b>    | <b>10</b>            | <b>8</b>        | <b>2</b>    | <b>1</b>            | <b>64</b>  |
| <b>End of Month Proposals</b>            |                       |            |                |             |                      |                 |             |                     |            |
| Submitted                                | 0                     | 0          | 0              | 6           | 1                    | 0               | 0           | 0                   | 7          |
| Screening                                | 31                    | 5          | 33             | 10          | 4                    | 3               | 0           | 1                   | 87         |
| Due Diligence                            | 7                     | 0          | 1              | 1           | 0                    | 0               | 0           | 0                   | 9          |
| Approved                                 | 2                     | 0          | 0              | 0           | 0                    | 0               | 0           | 0                   | 2          |
| <b>Subtotal</b>                          | <b>40</b>             | <b>5</b>   | <b>34</b>      | <b>17</b>   | <b>5</b>             | <b>3</b>        | <b>0</b>    | <b>1</b>            | <b>105</b> |

\*Start of Month Proposals for Real Estate was revised downward 1 unit due to an opportunity being captured as a duplicate.

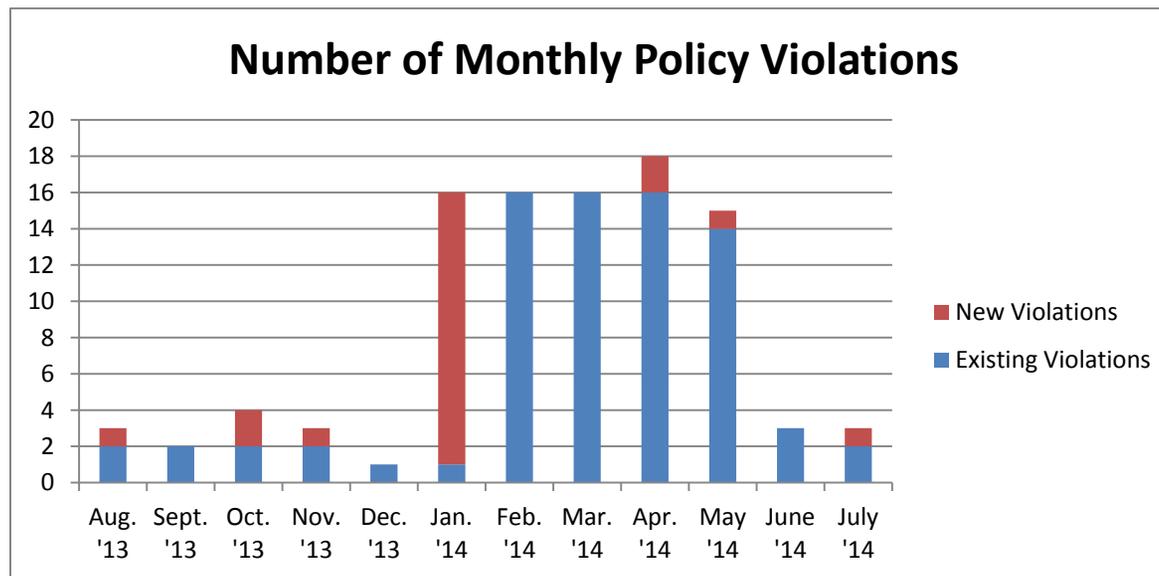
**Policy Violations** *(for the month ended July 31, 2014)*

**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
- Real Assets
- Absolute Return Strategies
- Global Governance
- Investment Servicing Division
- Global Equity



**Policy Violations** (for the month ended July 31, 2014)

**New:**

| Program Area or Asset Class          | Event Date | Resolution Date      | Policy Violated   | Violation Description   | Event Description and Resolution (expected) or Next Steps  |
|--------------------------------------|------------|----------------------|---|---|--|
| Asset Allocation and Risk Management | 7/1/2014   | December 2014 (Est.) | Statement of Investment Policy for the Terminated Agency Pool | The Policy requires that the Investment Office and the Actuarial Office monitor the funded status of the pool and rebalance the portfolio annually. | As reported to the Investment Committee on June 16, 2014, a rebalance was not completed in fiscal year 2013 as required by Policy. A decision was made to wait until fall 2014 to provide the actuarial inputs needed to complete the rebalance based on the most recent actuarial assumptions that were adopted by the Board in February 2014. It is expected that the actuarial work will be provided and the rebalance activity will be completed by the end of 2014. |

**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.<br><br>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. |
| Asset Allocation/Risk Management | 4/1/2014   | August 2014 (Est.) | Statement of Investment Policy for Leverage            | While leverage is reported to the Committee via the CIO Report, the Policy requires reporting of five specific data points which is not currently being performed. | The report to be presented to the Board in August 2014 will be updated to incorporate the additional reporting details that are required by the Policy.  |

**Disclosure of Closed Session Action Items** *(for the month ended July 31, 2014)*

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



CalPERS Investment Office  
Investment Compliance and Operational Risk  
400 Q Street  
Sacramento, CA. 95814