

CaIPERS
Revision to Prior Policy Violation

MONTH ENDED MARCH 31, 2013

Policy Violations (for the month ended March 31, 2013)

Program Area or Asset Class	Event Date	Resolution Date	Policy Violated	Event Description	Resolution (expected) or Next Steps
Global Equity	3/12/2013	4/30/2013	Statement of Investment Policy for Insider Trading	CalPERS inadvertently executed trades in a security which was on the CalPERS Restricted List. Specifically, although the security was restricted in the Charles River system, the issuer code (which is needed to link the company to the security) was not populated on the security record. As a result, the compliance process in Charles River did not flag the security as restricted when the trades were loaded.	<p>The following steps were taken by ICOR to resolve and mitigate this event:</p> <ul style="list-style-type: none"> • The issuer code of the restricted company has been manually input on the security record. • Interviews were conducted to confirm whether INVO staff involved with the trading had material non-public information (MNPI). ICOR confirmed with the affected staff that they were not in possession of MNPI. • A new pre-trade rule has also been implemented to alert ICOR whenever a security without an issuer code is traded. (The alert will allow for the verification against the restricted list before allowing the trade to be executed.) • No gain, loss or other costs were incurred as a result. <u>As of the resolution date of April 30, 2013, the related transactions had an unrealized gain of \$109,905.</u>
Global Equity	2/19/2013	4/30/2013	Statement of Investment Policy for Insider Trading	CalPERS inadvertently executed trades in a security which was on the CalPERS Restricted List. Specifically, although the security was restricted in the Charles River system, there was more than one issuer code associated with the restricted security. Given that the issuer code links the company to the security record in this instance, the issuer code added to the restricted list only captured fixed income securities and not equity securities. As a result, the compliance process in Charles River did not flag the security as restricted when the trades were loaded.	<p>The following steps were taken by ICOR to resolve and mitigate this event:</p> <ul style="list-style-type: none"> • The issuer code of the equity securities has been added to the restricted list so that any trades going forward will be captured within the compliance process. • Interviews were conducted to confirm whether INVO staff involved with the trading had material non-public information (MNPI). ICOR confirmed with the affected staff that they were not in possession of MNPI. • The process for adding securities has also been updated to do a review of issuers by name to identify whether there are multiple codes for a company. • No gain, loss or other costs were incurred as a result. <u>As of the resolution date of April 30, 2013, the related transactions had an unrealized loss of \$(436,109).</u>



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