

Operating Guidelines for Implementing Borrowed Liquidity

The following guidelines are effective immediately upon approval by the Operating Committee (OC):

1. Interim asset allocation target for Liquidity is 1% with a policy range relative to target of +/- 3%¹.
2. Chief Investment Officer and Managing Investment Director, Asset Allocation Risk Management (MID, AARM) have Investment Committee (IC) delegated authority² to manage Liquidity asset allocation target.
3. In consultation with the MID Global Fixed Income and Global Equity, the MID AARM may implement Borrowed Liquidity (BL) on a short-term basis (anticipated <90 days).
4. Plan Level Transition Team (PLT) will execute BL upon direction from the MID AARM. The PLT will be comprised of representatives from the following INVO Programs:
 - a. Investment Servicing
 - b. Asset Allocation Risk Management
 - c. Execution Services & Strategy
 - d. Investment Portfolio Analytics
5. PLT will report immediately upon triggering of BL to the Investment Strategy Group (ISG) and Enterprise Treasury Management Team.
6. BL trade execution and accounting will be recorded within a BL ACCOUNT which rolls up to the Liquidity Composite.
7. Transaction costs and investment performance generated by BL execution will flow directly to the Total Fund, as opposed to individual Asset Classes.
8. AARM and Investment Compliance and Operational Risk (ICOR) will monitor Liquidity range on a daily basis, while BL will be reported on a monthly basis through the following:
 - a. (AARM) Internal INVO Monthly Asset Allocation Report
 - b. (AARM) Liquidity Scenario Analysis (FINO Reporting Mechanism)
 - c. (IPA) Total Fund Monthly Update (IC Reporting Mechanism)
9. PLT will effectuate annual testing of BL to support timely implementation and effectiveness.
10. AARM will manage these operating guidelines seeking OC approval of material changes, as needed.

Document Approval/Revision History

2016-01-12	Approved by the OC
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¹ Approved June 15, 2015 (Investment Committee, Agenda Item 6a.)

² CalPERS Board of Administration Investment Committee Delegation Resolution No: 08-01-INV