

CalPERS

Monthly Update – Investment Compliance

MONTH ENDED FEBRUARY 29, 2016

CalPERS Monthly Update - Investment Compliance

As of February 29, 2016

Items Completed Under Delegated Authority

Disclosure of Placement Agent Fees

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Investment Transactions

Items Completed Under Delegated Authority *(for the month ended February 29, 2016)*

Program Area	Name of Investment	Commitment (million)	Initial Funding Date of Partnership	Complies with Delegation Number
Fixed Income	Investec Asset Management	\$113.00	Oct-2015	11-02-INV.D.1
Fixed Income	Baring Asset Management	\$103.00	Oct-1989	11-02-INV.D.1
Fixed Income	Nomura Corporate Research & Asset Management	\$103.00	Mar-2002	11-02-INV.D.1
Global Equity	CalPERS Managed International Fundamental Portfolio Strategy	\$800.00	Feb-2007	07-03-INV.C.2
Global Equity	CalPERS Managed U.S. Domestic TMI 3000 Momentum Strategy	\$400.00	Nov-2014	07-03-INV.C.2
Global Equity	CalPERS Managed Fundamental Emerging Markets Strategy	\$300.00	Jun-2007	07-03-INV.C.2

Disclosure of Placement Agent Fees (for the month ended February 29, 2016)

Firm Name	EM Alternatives, LLC
Asset Class	Private Equity
Fund	EM Alternatives Investments LP
Placement Agent / Firm	Christopher Davidsson, Campbell Lutyens & Co. Inc - agent for period 2007-2010 Greg Wiener, Campbell Lutyens & Co. Inc - agent for period 2007-2010 Leesa Speer-Barish, Van Rensaleer - agent for period 2007-2009 Joe Barish, Van Rensaleer - agent for period 2007-2009
Registered with U.S. or non-U.S. financial regulatory authority	See Notes
Registered Lobbyist(s)	See Notes
Estimated Placement Agent Compensation	For Campbell Lutyens: no fee paid. EMA terminated agreement in April 2010. For Van Rensaleer: from Feb 2007 to May 2009 EMA paid a monthly retainer of \$4,500; furthermore, EMA agreed to pay a discretionary bonus of \$175,000 which was paid over a period of 6 quarter. EMA terminated the agreement in May 2009.
Disclosed Campaign Gifts and Contributions	Since the original transaction occurred in 2009 and preceded AB 1584, which requires this disclosure, and since a Placement Agent is no longer being used for the purposes of this fund, staff did not seek this disclosure from the Placement Agent.
Notes	This Placement Agent Disclosure was submitted as part of a consent request that was declined. The original investment agreement was executed prior to the formal adoption of the Placement Agent regulation, in which cases, staff obtains a new Placement Agent disclosure and ensures the appropriate Placement Agent contractual provisions are contained within the amendment to the investment agreement. The information disclosed above is in regards to the original investment transaction in 2009. Although EM Alternatives, LLC did voluntarily submit a Placement Agent Disclosure in 2009, since the Placement Agent was engaged prior to the regulation, information on regulatory authority and lobbyist registration was not obtained.
Transaction Type	Amendment

*This information is provided directly from the Placement Agent Disclosure Form as submitted to CalPERS.

Investment Proposal Activity Summary (for the month ended February 29, 2016)

	Private Equity	Forestland	Infrastructure	Real Estate	Global Equities	Commodities	Global Fixed Income	Total
Start of Month Proposals	38	5	31	3	5	0	0	82
New Proposals During the Month	13	0	14	3	6	0	1	37
Reinstated Proposals During Month	0	0	0	0	0	0	0	0
Decisions During the Month	8	0	0	0	3	0	1	12
End of Month Proposals	43	5	45	6	5*	0	0	104

Status Details

Status	Private Asset Classes				Public Asset Classes			Total
	Private Equity	Forestland	Infrastructure	Real Estate	Global Equities	Commodities	Global Fixed Income	
Start of Month Proposals								
Submitted	0	0	0	0	0	0	0	0
Screening	31	5	29	3	2	0	0	70
Due Diligence	5	0	2	0	0	0	0	7
Approved	2	0	0	0	3	0	0	5
Subtotal	38	5	31	3	5	0	0	82
New Proposals During the Month								
Subtotal	13	0	14	3	6	0	1	37
Reinstated Proposals During Month								
Subtotal	0	0	0	0	0	0	0	0
Decisions During the Month								
Committed	0	0	0	0	0	0	1	1
Declined	7	0	0	0	0	0	0	7
Failed to Materialize	0	0	0	0	1	0	0	1
Referred	1	0	0	0	2	0	0	3
Subtotal	8	0	0	0	3	0	1	12
End of Month Proposals								
Submitted	6	0	0	1	0	0	0	7
Screening	27	5	43	5	5	0	0	85
Due Diligence	5	0	2	0	0	0	0	7
Approved	5	0	0	0	0	0	0	5
Subtotal	43	5	45	6	5*	0	0	104

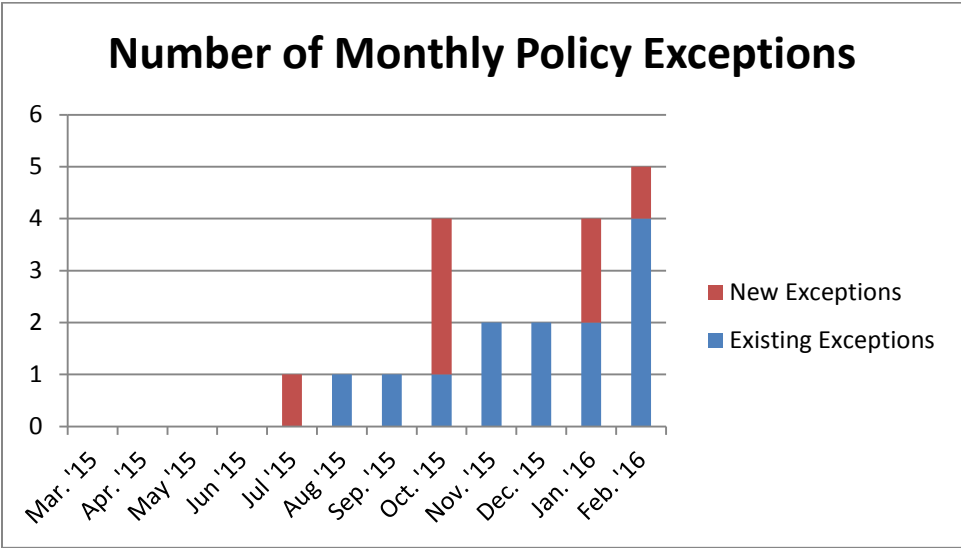
*The End of Month proposals for Global Equity were adjusted from 8 to 5 proposals. This was due to 3 proposals which were approved previously and not updated timely within IPS to reflect the appropriate status change.

Policy Exceptions (for the month ended February 29, 2016)

Material Exceptions to Policy

According to policy requirements, the following is a summary of investment policy exceptions as reported by the Investment Office program areas. The following program areas had no exceptions to report for the month:

- Private Equity
- Real Assets
- Investment Servicing Division
- Global Equity
- Investment Portfolio Analytics



Policy Exceptions (for the month ended February 29, 2016)

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
Global Fixed Income	2/25/2016	2/29/2016	Investment Policy for Inflation Assets	<p>The Investment Policy for Inflation Assets allows holdings of non-investment grade inflation linked government bonds within the Inflation Linked Bonds component to vary by 0-5% of the benchmark allocation. Since the benchmark has a 0% allocation, the maximum allowable allocation to non-investment grade inflation linked government bonds is 5%.</p> <p>On 2/25/16, the allocation to non-investment grade inflation linked government bonds went from 0% to 5.51% due to a downgrade of Brazil to non-investment grade status.</p>	<p>On 2/24/16, Brazil sovereign debt was downgraded to non-investment grade status by Moody's, and was already rated non-investment grade by Fitch and Standard and Poor's. The downgrade of Brazil from investment to non-investment grade by Moody's caused the allocation to non-investment grade inflation linked government bonds to breach the limit of 5%.</p> <p>Global Fixed Income reduced its holdings of Brazil sovereign debt to bring the allocation back into compliance with the Policy. These activities were completed by 2/29/16.</p>

Existing:

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
Global Governance	8/17/2015	2/16/2016	Statement of Investment Policy for Global Governance	<p>The Global Governance Policy requires that a summary of publicly traded company proxy votes be presented to the Investment Committee quarterly.</p> <p>Reporting was not provided timely for two quarters as required by the policy.</p>	<p>The summary was last presented to the Investment Committee on May 18, 2015 covering the quarter ending March 31, 2015. Reporting for the two subsequent quarters was not provided due to prioritization of other agenda items.</p> <p>A summary was presented at the February 2016 Board meeting in order to resolve the outstanding exception.</p>
Asset Allocation and Risk Management	1/1/2016	4/18/2016 (Est.)	Total Fund Policy, Section XII, Terminated Agency Pool	<p>There were two exceptions identified as follows:</p> <ol style="list-style-type: none"> 1. The policy requires staff to provide an annual report to the Board of "the current market value of assets and an analysis of the adequacy of the current Program allocation to meet the forecasted Program liabilities." 2. The policy also requires that staff ensures "that program rebalancing and restructuring is performed efficiently and prudently on an annual basis." <p>The last annual report to the Board occurred on December 15, 2014 and the associated rebalancing activity was completed on October 31, 2014.</p>	<p>The TAP rebalance and reporting is dependent upon the timely receipt by INVO of the actuarial valuation reports. The production of these reports was delayed due to the first year implementation of the Governmental Accounting Standards Board 68 (GASB) Accounting and Financial Reports and additional new plans under the Public Employees' Pension Reform Act (PEPRA). The actuarial valuation reports were provided to INVO in November 2015 and INVO expects to implement rebalancing activities by the end of February 2016 to minimize transaction costs.</p> <p>An update to the Board is expected to be provided at the April 2016 Investment Committee meeting.</p>

Disclosure of Closed Session Action Items *(for the month ended February 29, 2016)*

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

Investment Transactions (for the month ended February 29, 2016)

	Total Fund - Public Markets					
	Public Equity	Income	Inflation	ARS	Liquidity	MAC
Beginning Market Value	145,062,515,676	56,494,507,626	13,949,634,383	470,039,479	3,748,891,186	1,171,471,050
+ Purchases	3,895,467,468	3,032,825,259	1,733,478,060	-	179,000,000	-
- Sales	(9,220,770,316)	(6,010,247,493)	(2,128,780,460)	(8,500,000)	(358,560,000)	-
+ Unitized Fund Purchases	-	-	-	-	-	-
- Unitized Fund Sales	-	-	-	-	-	-
+/- Other Changes in MV	3,252,375,071	3,819,959,589	421,410,368	(9,059,606)	(665,451,320)	(4,633,450)
Ending Market Value	142,989,587,899	57,337,044,982	13,975,742,352	452,479,873	2,903,879,866	1,166,837,600

	Total Fund - Private Markets			
	Private Equity	Real Estate	Forestland	Infrastructure
Beginning Market Value	27,190,397,584	26,912,282,965	2,199,756,148	2,311,527,633
+ Contributions	226,562,686	211,162,523	-	13,862,015
- Distributions	(242,530,410)	(151,009,398)	-	-
+/- Other Changes in MV	(93,748,615)	(60,179,377)	-	(13,862,015)
Ending Market Value	27,080,681,245	26,912,256,713	2,199,756,148	2,311,527,633

	Total Public Markets	Total Private Markets	Total Fund
	Beginning Market Value	220,897,059,400	58,613,964,330
+ Contributions	8,840,770,788	451,587,224	9,292,358,012
- Distributions	(17,726,858,268)	(393,539,808)	(18,120,398,076)
+ Unitized Fund Purchases	-	-	-
- Unitized Fund Sales	-	-	-
+/- Other Changes in MV	6,814,600,652	(167,790,008)	6,646,810,644
Ending Market Value	218,825,572,572	58,504,221,739	277,329,794,310

Note: Numbers will not tie exactly to the Asset Allocation/Performance categories due to classification differences.