



# CalPERS

## *Monthly Update – Investment Compliance*



MONTH ENDED JULY 31, 2017



**CalPERS Monthly Update - Investment Compliance**

For the month ended July 31, 2017

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Items Completed Under Delegated Authority

Disclosure of Placement Agent Fees

Investment Proposal Activity Summary

Policy Exceptions

Disclosure of Closed Session Action Items

Investment Transactions

**Items Completed Under Delegated Authority (for the month ended July 31, 2017)**

Program Area	Name of Investment	Commitment (\$ million)	Initial Funding Date of Partnership	Complies with Delegation Number
Global Equity	CalPERS-managed Internal EM Large/Mid strategy	\$1,035	Aug-08	INV-16-04
Global Equity	CalPERS-managed Internal International Developed Large/Mid Index strategy	\$570.0	May-05	INV-16-04
Global Equity	CalPERS-managed U.S. Domestic Total Market Index 3000 Custom Index strategy	\$540	Dec-91	INV-16-04
Global Equity	CalPERS-managed Internal Volatility Adjusted U.S. Total Market Index 3000 strategy	\$535	May-13	INV-16-04
Global Equity	CalPERS-managed Internal Volatility Adjusted Ex U.S. All Capitalization strategy	\$375	Apr-14	INV-16-04
Global Equity	CalPERS-managed Internal Emerging Market Volatility Adjusted strategy	\$90	Oct-08	INV-16-04
Global Equity	Arrowstreet Global All Cap strategy	\$1,000	Jan-16	INV-16-04
Private Equity	Onex Partners V LP	\$500	Jul-17	INV-16-06
Real Assets	CalEast Solstice, LLC	\$250	Jul-17	INV-16-07
Real Assets	Canyon Catalyst Fund, LLC	\$100	Jul-17	INV-16-07
Real Assets	Fifth Street Properties, LLC	\$1,200	Jul-17	INV-16-07
Real Assets	GRI - Base	\$300	Jul-17	INV-16-07
Real Assets	GRI - DT 2012 and Beyond	\$100	Jul-17	INV-16-07
Real Assets	Golden Reef Infrastructure Trust	\$277	Jul-17	INV-16-07
Real Assets	Institutional Mall Investors, LLC	\$250	Jul-17	INV-16-07
Real Assets	Institutional Multifamily Partners, LLC - Base	\$700	Jul-17	INV-16-07
Real Assets	Institutional Multifamily Partners, LLC - DT 2012 and Beyond	\$150	Jul-17	INV-16-07
Real Assets	Institutional Logistics Partners, LLC	\$350	Jul-17	INV-16-07
Real Assets	Land Management Company, LLC	\$3	Jul-17	INV-16-07
Real Assets	Pacific Multifamily Investors, LLC	\$250	Jul-17	INV-16-07
Real Assets	TechCore, LLC	\$300	Jul-17	INV-16-07
Real Assets	ARA China Long Term Hold	\$2	Jun-12	INV-16-07
Real Assets	CalEast Solstice - Base	\$14	Mar-12	INV-16-07
Real Assets	CalEast Solstice - DT Land	\$14	Mar-12	INV-16-07
Real Assets	CalEast Solstice - DT Other	\$235	Mar-12	INV-16-07
Real Assets	CalWest - CalPERS	\$3	Feb-13	INV-16-07
Real Assets	FSP - Base	\$94	Apr-12	INV-16-07
Real Assets	FSP - DT 2012 and Beyond	\$46	Apr-12	INV-16-07
Real Assets	GRI - Base	\$129	Jul-12	INV-16-07
Real Assets	GRI - DT 2012 and Beyond	\$15	Jul-12	INV-16-07
Real Assets	Golden Reef Infrastructure Trust	\$1	May-15	INV-16-07
Real Assets	HCB LTH	\$15	May-12	INV-16-07
Real Assets	HCR LTH LLC	\$1	May-12	INV-16-07

**Items Completed Under Delegated Authority (for the month ended July 31, 2017)**

Program Area	Name of Investment	Commitment (\$ million)	Initial Funding Date of Partnership	Complies with Delegation Number
Real Assets	IMI - Base	\$279	Jan-13	INV-16-07
Real Assets	IMP - Base	\$48	Jul-12	INV-16-07
Real Assets	IMP - DT 2012 and Beyond	\$92	Jul-12	INV-16-07
Real Assets	Institutional Core Multifamily Investors	\$8	Mar-13	INV-16-07
Real Assets	Institutional Logistics Partners, LLC	\$27	Jan-13	INV-16-07
Real Assets	KC 2011, LLC	\$31	Apr-11	INV-16-07
Real Assets	KSC Affordable Housing Investment Fund, LLC	\$1	Jul-02	INV-16-07
Real Assets	Land Management Company, LLC	\$201	Jul-14	INV-16-07
Real Assets	Pacific Multifamily Investors, LLC	\$25	Nov-13	INV-16-07
Real Assets	TechCore, LLC	\$31	Mar-12	INV-16-07
Real Assets	Whitney Ranch Venture, LLC	\$24	Sep-13	INV-16-07

**Disclosure of Placement Agent Fees** *(for the month ended July 31, 2017)*

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Firm Name	
Asset Class	No items to report
Fund	
Placement Agent / Firm	
Placement Agent Employment	
Registered with U.S. or non-U.S. financial regulatory authority	
Registered Lobbyist(s)	
Estimated Placement Agent Compensation	
Disclosed Campaign Gifts and Contributions	
Notes	
Transaction Type	

**Investment Proposal Activity Summary (for the month ended July 31, 2017)**

	Private Equity	Forestland	Infrastructure	Real Estate	Global Equities	Commodities	Global Fixed Income	Total
Start of Month Proposals	14	1	1	4	1	0	0	21
New Proposal During the Month	5	0	5	1	6	0	4	21
Reinstated Proposal During Month	0	0	0	0	0	0	0	0
Decisions During the Month	5	1	0	4	1	0	0	11
End of Month Proposals	14	0	6	1	6	0	4	31

**Status Details**

Status	Private Asset Classes				Public Asset Classes			Total
	Private Equity	Forestland	Infrastructure	Real Estate	Global Equities	Commodities	Global Fixed Income	
<b>Start of Month Proposals</b>								
Submitted	8	0	0	0	0	0	0	8
Screening	3	1	0	4	1	0	0	9
Due Diligence	2	0	1	0	0	0	0	3
Approved	1	0	0	0	0	0	0	1
<b>Subtotal</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>21</b>
<b>New Proposals During the Month</b>								
<b>Subtotal</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>21</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>Decisions During the Month</b>								
Committed	1	0	0	0	0	0	0	1
Declined	4	1	0	3	0	0	0	8
Failed to Materialize	0	0	0	0	1	0	0	1
Referred	0	0	0	1	0	0	0	1
<b>Subtotal</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>11</b>
<b>End of Month Proposals</b>								
Submitted	4	0	0	0	0	0	0	4
Screening	8	0	5	1	6	0	4	24
Due Diligence	1	0	1	0	0	0	0	2
Approved	1	0	0	0	0	0	0	1
<b>Subtotal</b>	<b>14</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>31</b>

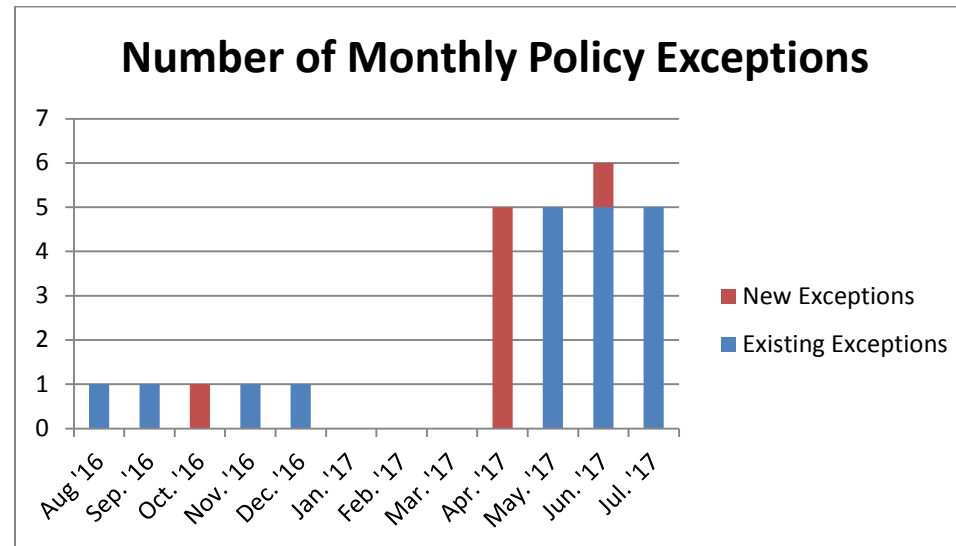
**Policy Exceptions** (for the month ended July 31, 2017)

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**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:

- Global Equity
- Global Fixed Income
- Investment Manager Engagement Programs
- Investment Risk and Performance
- Investment Servicing Division
- Sustainable Investment Program
- Trust Level Portfolio Management



**Policy Exceptions (for the month ended July 31, 2017)**

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
Private Equity	6/30/2014	Est. (12/18/17)	Statement of Investment Policy for Restricting Private Equity (PE) Investments in Public Sector Outsourcers (Policy)	<p>The Policy Procedures Manual (Appendix 1 to the Policy) requires PE Staff to report the following to the Investment Committee as periodically required, or at a minimum annually:</p> <ul style="list-style-type: none"> <li>• Waivers granted by PE Staff to PE fund managers to not treat a portfolio company as an Outsourcer.</li> <li>• The results and effectiveness of the Policy.</li> <li>• The impact, if any, of the Policy on the PE Program's investment opportunities.</li> </ul> <p>PE Staff have continually provided annual reporting to the Committee on waivers (there have been no waivers requested). However, there has been a gap in PE Staff annual reporting on the results and effectiveness of the Policy and the impact of the Policy on investment opportunities.</p>	<p>The PE Program's Board reporting documents have not addressed two of the three annual reporting requirements in the Outsourcers Policy Procedures Manual since 2013. The inadvertant cessation of this component of the reporting appears to have coincided with other Board reporting changes and refinements that occurred in 2014. PE Staff will provide this annual reporting to the Committee at the next PE annual review, which is expected to occur in December 2017.</p> <p>PE Staff have confirmed that to date there have been no adverse impacts on the PE Program's investment opportunities or compliance issues associated with implementation of the Policy. PE Staff have also confirmed that on every fund commitment, they obtain written acknowledgement from the PE manager that it will use good faith efforts to comply with the Outsourcers Policy.</p>
Real Assets	1/1/2017	TBD	Investment Policy for Real Assets Program	<p>For the beginning of the Q2'17 reporting period, the "Core" risk classification represented 74.9% of the Real Assets Program, which is slightly below the policy range of 75-100% for this risk classification.</p>	<p>The new Real Assets Program Investment Policy (RA Policy) went into effect 1/1/17. New policy parameters included the consistent application of risk classifications, geographic ranges, and leverage limits across the Real Assets Program and to each of its constituent portfolios. Given the illiquid nature of the RA portfolio, staff anticipates a lag time to make the asset shifts required to bring the portfolio in line with the new strategic plan and policy ranges, along with the required updates to systems and processes as noted to the Investment Committee (IC) at the August, 2016 IC meeting.</p> <p>When the policy exception was first reported in May 2017, the most recently available RA Program data at that time was for Q4'16. Given that 12/31/16 ending balances became 1/1/17 starting balances, the Core RA NAV was not within the new RA Policy range as of the date it took effect (1/1/17). For reporting purposes, moreover, RA staff made the conservative assumption when the policy exception was first reported that this exception would not have been cured by the end of Q1'17 due to the illiquid nature of the RA investments. Data has been finalized for 3/31/17 and the policy exception still exists.</p> <p>This slight underweight to core is a necessary consequence of implementing consistent risk classifications across RA, and is expected to be resolved within 2-4 quarters given the RA strategy focus on core assets.</p>



**Policy Exceptions (for the month ended July 31, 2017)**

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
Real Assets	1/1/2017	TBD	Investment Policy for Real Assets Program	For the beginning of the Q2'17 reporting period, the "Core" risk classification represented 44.8% of the Forestland portfolio, which is below the policy range of 75-100% for this risk classification of the Forestland portfolio.	<p>The new RA Policy went into effect 1/1/17. New policy parameters included the consistent application of risk classifications, geographic ranges, and leverage limits across the Real Assets Program and to each of its constituent portfolios. Given the illiquid nature of the RA portfolio, staff anticipates a lag time to make the asset shifts required to bring the portfolio in line with the new strategic plan and policy ranges, along with the required updates to systems and processes as noted to the Investment Committee (IC) at the August, 2016 IC meeting.</p> <p>When the policy exception was first reported in May 2017, the most recently available RA Program data at that time was for Q4'16. Given that 12/31/16 ending balances became 1/1/17 starting balances, the Core Forestland NAV was not within the new RA Policy range as of the date it took effect (1/1/17). For reporting purposes, moreover, RA staff made the conservative assumption when the policy exception was first reported that this exception would not have been cured by the end of Q1'17 due to the illiquid nature of the Forestland investments. Data has been finalized for 3/31/17 and the policy exception still exists.</p> <p>The timing of any resolution remains uncertain.</p>
Real Assets	1/1/2017	TBD	Investment Policy for Real Assets Program	For the beginning of the Q2'17 reporting period, the "Value-Add" risk classification represented 39.1% of the Forestland portfolio, which is above the policy range of 0-25% for this risk classification within the Forestland portfolio.	<p>The new RA Policy went into effect 1/1/17. New policy parameters included the consistent application of risk classifications, geographic ranges, and leverage limits across the Real Assets Program and to each of its constituent portfolios. Given the illiquid nature of the RA portfolio, staff anticipates a lag time to make the asset shifts required to bring the portfolio in line with the new strategic plan and policy, along with the required updates to systems and processes as noted to the Investment Committee (IC) at the August, 2016 IC meeting.</p> <p>When the policy exception was first reported in May 2017, the most recently available RA Program data at that time was for Q4'16. Given that 12/31/16 ending balances became 1/1/17 starting balances, the Value-Added Forestland NAV was not within the new RA Policy range as of the date it took effect (1/1/17). For reporting purposes, moreover, RA staff made the conservative assumption when the policy exception was first reported that this exception would not have been cured by the end of Q1'17 due to the illiquid nature of the Forestland investments. Data has been finalized for 3/31/17 and the policy exception still exists.</p> <p>The timing of any resolution remains uncertain.</p>

**Policy Exceptions** (for the month ended July 31, 2017)

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
Real Assets	1/1/2017	TBD	Investment Policy for Real Assets Program	For the beginning of the Q2'17 reporting period, DSCR for the Forestland portfolio was 0.71, which is below the minimum DSCR of 1.25, as required by the new RA Policy.	<p>The new RA Policy went into effect 1/1/17. New policy parameters included the consistent application of risk classifications, geographic ranges, and leverage limits across the Real Assets Program and to each of its constituent portfolios. Given the illiquid nature of the RA portfolio, staff anticipates a lag time to make the asset shifts required to bring the portfolio in line with the new strategic plan and policy, along with the required updates to systems and processes as noted to the Investment Committee (IC) at the August, 2016 IC meeting.</p> <p>When the policy exception was first reported in May 2017, the most recently available RA Program data at that time was for Q4'16. Given that 12/31/16 ending balances became 1/1/17 starting balances, the Forestland portfolio DSCR did not meet the required minimum DSCR for that portfolio as of the date the new RA Policy took effect (1/1/17). For reporting purposes, moreover, RA staff made the conservative assumption when the policy exception was first reported that this exception would not have been cured by the end of Q1'17 due to the illiquid nature of the Forestland investments. Data has been finalized for 3/31/17 and the policy exception still exists.</p> <p>The timing of any resolution remains uncertain.</p>

**Disclosure of Closed Session Action Items** *(for the month ended July 31, 2017)*

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

**Investment Transactions (for the month ended July 31, 2017)**

	Total Fund - Public Markets					
	Public Equity	Income	Inflation	ARS	Liquidity	MAC
<b>Beginning Market Value</b>	156,166,021,513	62,858,136,620	25,280,340,914	285,893,666	15,491,042,073	1,265,934,850
<b>+ Purchases</b>	4,920,388,627	2,168,633,708	1,815,450,892	-	606,630,000	-
<b>- Sales</b>	(6,348,085,211)	(3,334,441,041)	(1,441,085,262)	(12,004,610)	(932,704,000)	-
<b>+ Unitized Fund Purchases</b>	-	-	-	-	-	-
<b>- Unitized Fund Sales</b>	-	-	-	-	-	-
<b>+/- Other Changes in MV</b>	5,844,037,259	1,536,061,658	148,574,539	(2,761,821)	2,032,135,032	26,209,150
<b>Ending Market Value</b>	160,582,362,188	63,228,390,944	25,803,281,084	271,127,235	17,197,103,105	1,292,144,000

	Total Fund - Private Markets			
	Private Equity	Real Estate	Forestland	Infrastructure
<b>Beginning Market Value</b>	25,892,133,351	30,536,038,429	1,980,213,699	3,775,110,965
<b>+ Contributions</b>	233,047,351	418,631,284	-	106,210,315
<b>- Distributions</b>	(390,909,085)	(114,399,390)	-	(3,237,462)
<b>+/- Other Changes in MV</b>	153,690,314	(910,672,109)	(7,877,538)	(356,787,932)
<b>Ending Market Value</b>	25,887,961,931	29,929,598,214	1,972,336,161	3,521,295,886

	Total Public Markets	Total Private Markets	Total Fund
<b>Beginning Market Value</b>	261,347,369,636	62,183,496,444	323,530,866,080
<b>+ Contributions</b>	9,511,103,227	757,888,950	10,268,992,177
<b>- Distributions</b>	(12,068,320,124)	(508,545,937)	(12,576,866,061)
<b>+ Unitized Fund Purchases</b>	-	-	-
<b>- Unitized Fund Sales</b>	-	-	-
<b>+/- Other Changes in MV</b>	9,584,255,817	(1,121,647,265)	8,462,608,552
<b>Ending Market Value</b>	268,374,408,557	61,311,192,191	329,685,600,748

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