



CalPERS

Monthly Update – Investment Compliance



MONTH ENDED FEBRUARY 28, 2018



CalPERS Monthly Update – Investment Compliance

For the month ended February 28, 2018

Items Completed Under Delegated Authority

Disclosure of Placement Agent Fees

Investment Proposal Activity

Policy Exceptions

Disclosure of Closed Session Action Items

Investment Transactions

Items Completed Under Delegated Authority *(for the month ended February 28, 2018)*

Program Area		Name of Investment	Commitment (million)	Initial Funding Date	Complies with Delegation Number
Fixed Income		Voya Investment Management	\$25.00	Mar-2013	INV-16-05
Global Equity		CalPERS-managed QSI Global ESG strategy	\$1,000.00	Feb-2018	INV-16-04
Global Equity		CalPERS-managed Synthetic Enhanced Equity strategy	\$260.00	Jun-2009	INV-16-04

Disclosure of Placement Agent Fees *(for the month ended February 28, 2018)*

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	

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

Investment Proposal Activity (for the month ended February 28, 2018)

	Private Equity	Forestland	Infrastructure	Real Estate	Global Equities	Commodities	Global Fixed Income	Total
Start of Month Proposals	15	0	9	6	4	1	0	35
New Proposals During the Month	5	1	2	3	1	0	0	12
Reinstated Proposals During Month	0	0	0	0	0	0	0	0
Decisions During the Month	3	0	3	4	5	1	0	16
End of Month Proposals	17	1	8	5	0	0	0	31

Status Details

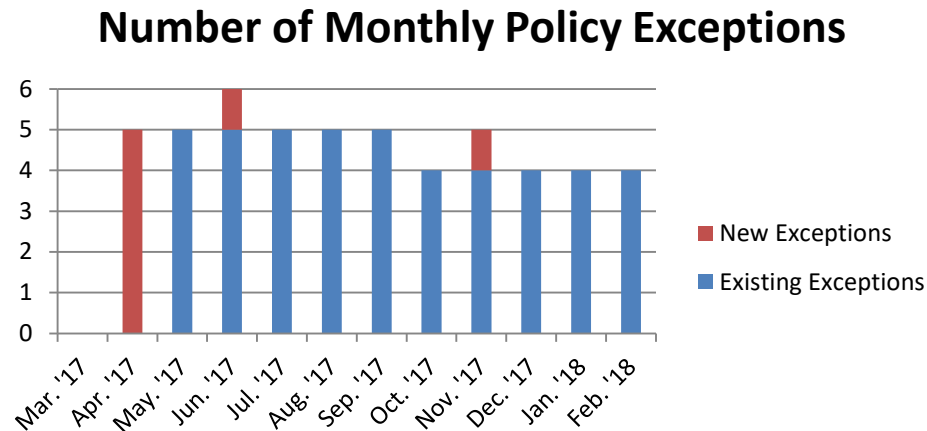
Status	Private Asset Classes				Public Asset Classes			Total
	Private Equity	Forestland	Infrastructure	Real Estate	Global Equities	Commodities	Global Fixed Income	
Start of Month Proposals								
Submitted	2	0	3	0	0	0	0	5
Screening	8	0	6	6	4	1	0	25
Due Diligence	5	0	0	0	0	0	0	5
Approved	0	0	0	0	0	0	0	0
Subtotal	15	0	9	6	4	1	0	35
New Proposals During the Month								
Subtotal	5	1	2	3	1	0	0	12
Reinstated Proposals During Month								
Subtotal	0	0	0	0	0	0	0	0
Decisions During the Month								
Committed	0	0	0	0	0	0	0	0
Declined	3	0	3	4	1	1	0	12
Failed to Materialize	0	0	0	0	1	0	0	1
Referred	0	0	0	0	3	0	0	3
Subtotal	3	0	3	4	5	1	0	16
End of Month Proposals								
Submitted	4	1	3	0	0	0	0	8
Screening	7	0	5	5	0	0	0	17
Due Diligence	5	0	0	0	0	0	0	5
Approved	1	0	0	0	0	0	0	1
Subtotal	17	1	8	5	0	0	0	31

Policy Exceptions *(for the month ended February 28, 2018)*

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
- Opportunistic Strategies
- Private Equity
- Sustainable Investment Program
- Trust Level Portfolio Management



Policy Exceptions (for the month ended February 28, 2018)

New:

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
No items to report					

Existing:

Program Area or Asset Class	Event Date	Resolution Date	Policy	Exception Description	Event Description and Resolution (expected) or Next Steps
Investment Servicing Division / Investment Risk and Performance	8/15/2016	2/12/2018	Total Fund Investment Policy: Plan Level & Asset Class Transition Portfolios Section	<p>The Plan Level & Asset Class Transition Portfolios section of the Total Fund Investment Policy requires that staff report on the usage of transition portfolios no less than annually.</p> <p>Annual reporting on the usage of transition portfolios was last presented at the Investment Committee meeting on August 17, 2015.</p>	<p>Policy testing of the Total Fund Investment Policy identified that the usage of transition portfolios was last reported in the "CalPERS Trust Level Review: Trust Summary" at the Investment Committee meeting on August 17, 2015. The lapse in annual reporting was due to an organizational update that resulted in a change of responsibilities.</p> <p>This exception was resolved at the Investment Committee meeting held on February 12, 2018. Staff reported the latest usage of the Plan Level & Asset Class Transition Portfolios, dating from the last report through Fiscal Year 2016/2017.</p> <p>Note that, as part of the upcoming review of the Total Fund Investment Policy, staff will review the Policy and bring forward any proposed changes (including responsible parties and reporting requirements).</p>
Real Assets	1/1/2017	TBD	Investment Policy for Real Assets Program	<p>For the Q3'17 reporting period, the "Core" risk classification represented 45.1% of the Forestland portfolio, which is below the policy range of 75-100% for this risk classification of the Forestland portfolio.</p>	<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>The Core Forestland NAV has not been within the new RA Policy range since the date it took effect (1/1/17). Data has been finalized through 3Q17 and the policy exception still exists. The timing of any resolution remains uncertain due to the illiquid nature of the Forestland investments.</p>

Policy Exceptions (for the month ended February 28, 2018)

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 Q3'17 reporting period, the "Value-Add" risk classification represented 38.5% 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>The Value-Added Forestland NAV has not been within the new RA Policy range since the date it took effect (1/1/17). Data has been finalized through 3Q17 and the policy exception still exists. The timing of any resolution remains uncertain due to the illiquid nature of the Forestland investments.</p>
Real Assets	1/1/2017	TBD	Investment Policy for Real Assets Program	For the Q3'17 reporting period, DSCR for the Forestland portfolio was 0.78, 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>The Forestland portfolio DSCR has not been within the new RA Policy range since the date it took effect (1/1/17). Data has been finalized for 3Q17 and the policy exception still exists. The timing of any resolution remains uncertain due to the illiquid nature of the Forestland investments.</p>

Disclosure of Closed Session Action Items *(for the month ended February 28, 2018)*

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

Investment Transactions (for the month ended February 28, 2018)

Total Fund - Public Markets						
	Public Equity	Income	Inflation	ARS	Liquidity	TLPM
Beginning Market Value	181,336,953,488	69,375,222,956	27,758,004,659	261,724,438	15,714,316,223	2,596,008,210
+ Purchases	4,033,162,257	2,233,651,414	1,523,752,083	-	1,976,815,395	339,166,841
- Sales	(5,975,494,153)	(3,963,141,348)	(1,715,445,234)	(2,639,456)	(1,984,539,182)	(363,578,661)
+ Unitized Fund Purchases	-	-	-	-	-	-
- Unitized Fund Sales	-	-	-	-	-	-
+/- Other Changes in MV	(5,330,064,546)	639,948,042	(347,547,278)	(508,167)	(934,257,322)	(66,537,770)
Ending Market Value	174,064,557,047	68,285,681,063	27,218,764,230	258,576,815	14,772,335,113	2,505,058,621

Total Fund - Private Markets				
	Private Equity	Real Estate	Forestland	Infrastructure
Beginning Market Value	26,661,202,499	30,680,668,702	1,954,651,767	4,092,230,750
+ Contributions	243,602,830	158,272,410	-	2,755,067
- Distributions	(454,787,472)	(176,346,026)	-	(12,474,388)
+ Unitized Fund Purchases	-	-	-	-
- Unitized Fund Sales	-	-	-	-
+/- Other Changes in MV	317,028,847	291,175,463	-	54,587,297
Ending Market Value	26,767,046,705	30,953,770,549	1,954,651,767	4,137,098,726

	Total Public Markets	Total Private Markets	Total Fund
Beginning Market Value	297,042,229,975	63,388,753,719	360,430,983,694
+ Contributions	10,106,547,990	404,630,307	10,511,178,297
- Distributions	(14,004,838,034)	(643,607,886)	(14,648,445,920)
+ Unitized Fund Purchases	-	-	-
- Unitized Fund Sales	-	-	-
+/- Other Changes in MV	(6,038,967,041)	662,791,607	(5,376,175,434)
Ending Market Value	287,104,972,890	63,812,567,747	350,917,540,637

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