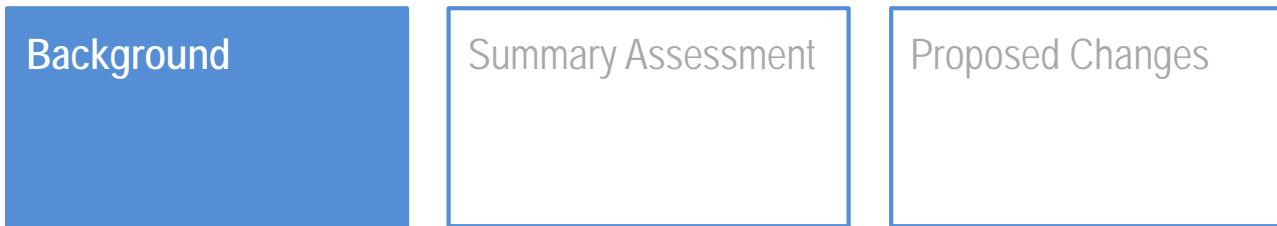


CalPERS Personal Trading Regulation Amendment

Presented to
Risk and Audit Committee
June 20, 2018

Roadmap | Background



Background | Why does CalPERS have Personal Trading Regulations?

Federal and state laws require organizations like CalPERS to have processes in place to detect and prevent the misuse of material, non-public information (i.e., insider trading).

Personal Trading policies are consistent with investment industry standards, and aim to:

Detect and prevent insider trading

Avoid potential conflicts of interest

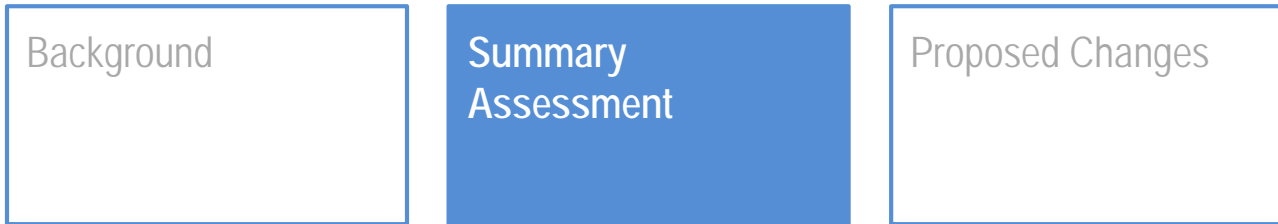
Help ensure CalPERS meets its fiduciary duty

Prevent "front running"

Protect CalPERS team members

CalPERS Personal Trading Regulations (Title 2 CCR § 558.1) became effective December 1, 2012. Currently, CalPERS has more than 650 "Covered Persons," and monitors approximately 525 Covered Securities transactions each month.

Roadmap | Summary Assessment



Summary Assessment

CalPERS current Personal Trading Regulations meet many of the industry standards identified in SEC Guidance:¹

Pre-Clearances

Restricted Lists

Blackout Periods

Holding Periods

Designated Brokerages

Data Feeds

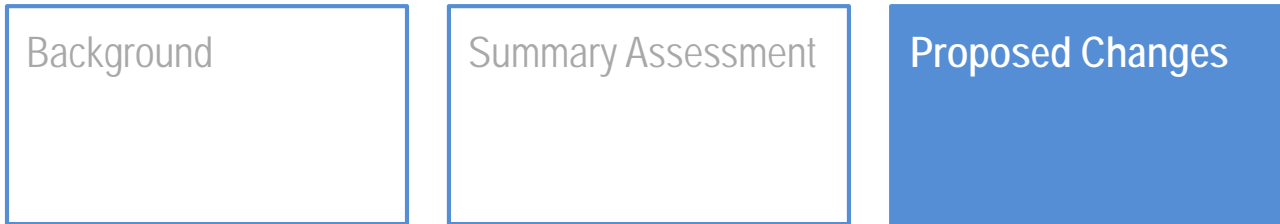
However, there are opportunities for improvement. The following slides outline changes recommended for the CalPERS Personal Trading Regulations.

The goals for these recommendations are:

- To align the CalPERS Regulations with recent SEC guidance.
- To align the CalPERS Regulations with industry standards.
- To increase the efficiency and effectiveness of CalPERS Personal Trading oversight.

¹ SEC Release Nos. IA-2256, IC-26492; File No. S7-04-04

Roadmap | Proposed Changes



Proposed Changes | Covered Persons

The Personal Trading Regulations' current definition of Covered Persons may not align with SEC recommendations or with functional re-orgs throughout the years.

Current State

CalPERS Covered persons are broader than SEC recommendations.

Proposed Changes

Eliminate "Covered Persons" not involved in the investment decision-making process.

Expected Benefits

Reduce the administration and allow for greater focus on individuals with investment access.

Proposed Changes | Exchange Traded Funds

SEC guidance¹ recommends inclusion of Exchange Traded Funds as a covered security. Additionally, our current Regulations cause confusion around which exchange traded securities are covered.

Current State

Includes only index-based ETFs as Covered Securities, which creates unintentional violations.

Proposed Changes

Add all types of ETFs to the list of Covered Securities.

Expected Benefits

Standardized and clear process for all ETF types aligned with current SEC recommendations.

¹ SEC No Action Letter, National Compliance Services, Inc., File No. 132-3 (Nov. 2005)

Proposed Changes | Clarification of Regulations

Areas of frequent confusion will be clarified in the Regulations, leading to increased ease of understanding by Covered Persons and effectiveness of CalPERS Personal Trading oversight.

Current State

Five years into implementation, common addressable questions have been identified in the Regulations.

Proposed Changes

Clarify guidance around Derivative Holding Periods, Non-Designated Brokerages & Managed Account Certifications.

Expected Benefits

FAQs will be addressed in the Regulations, leading to increased ease of compliance.