

October 12, 2023

Mr. David Miller  
Chair of the Investment Committee  
California Public Employees' Retirement System  
400 P Street  
Sacramento, CA 95814

Re: [Agenda Item 5a Revisions to the CalPERS Investment Policy for Insider Trading](#)

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Dear Mr. Miller:

Wilshire has reviewed the proposed revisions to the Insider Trading Policy, which is consistent with the version presented earlier this year. The revised policy in Section II. covers the handling of material non-public information (MNPI) and represents a shift in treatment. The previous policy took the view that possession of MNPI by any Board member or employee would be treated as if it were possessed by *all* team members. This umbrella view is no longer appropriate given the increase in private market activity and subsequent potential for INVO personnel to come into contact with MNPI. As the potential volume of MNPI grows, the current treatment also increases the risk of inadvertent policy violations.

In order to ensure that the investment teams can continue managing their portfolios without undue restrictions, INVO recommends adopting information barriers to help mitigate the risk that MNPI is used inappropriately. The barriers are designed such that the investment teams who have *not* come into contact with MNPI remain unrestricted in their portfolio management and trading activities. These physical and technical barriers maintain MNPI within a reasonably proscribed number of employees who, while aware of the information, are not utilizing it in violation of applicable securities law and regulation. The information barriers are further supplemented with compliance training to ensure that INVO personnel understand the appropriate steps to take regarding MNPI. It is also worth noting that these information barriers are widely used by other complex investment organizations in managing the risks around insider trading. The revisions to Section IV. are designed to directly reference applicable securities laws, allowing CalPERS to utilize all lawful exemptions and making the policy more evergreen.

As the Board's consultant, Wilshire reviewed and discussed the revisions with Staff. The previous policy language, while straight forward, is no longer appropriate given the portfolio evolution towards private markets and innovative opportunities. **Wilshire is comfortable that the proposed changes support strong compliance in a more complex investment environment.**

Regards,



Thomas Toth, CFA  
Managing Director, Wilshire Advisors