



FACT SHEET

CalPERS Strengthens Accountability and Transparency

A Track Record of Reforms and Actions

OVERVIEW

CalPERS has taken aggressive steps to ensure full transparency and implement policies and reforms that strengthen the pension fund's accountability. The actions are aimed at providing CalPERS members, employers, and the public complete confidence in the System's decision-making process while ensuring the CalPERS Board is meeting its fiduciary duty.

CALPERS ACTIONS

CALPERS EXPANDS PROXY VOTING INFORMATION AVAILABLE ON ITS WEBSITE

December 2015 – CalPERS expands its online offering of [proxy voting decisions](#) made by the Fund to include those for the more than 10,000 publicly held companies in the portfolio. Prior to this expansion, CalPERS provided proxy voting information for the 300 largest public company holdings in its portfolio.

CALPERS REPORTS PRIVATE EQUITY PROFIT SHARING

November 2015 – CalPERS staff develops the PEARS system, a proprietary tool that allows CalPERS to comprehensively report carried interest and other information from private equity investments. Utilizing this tool, CalPERS reports annually on the amount of profit shared with its external investment partners.

CalPERS has been a leader in calling for additional transparency and disclosure by the private equity industry. It helped found the Institutional Limited Partners Association, an organization dedicated to advancing the interests of private equity limited partners, and frequently advocates to federal regulators, and state and federal leaders, in favor of improved transparency, standardized reporting and greater fairness within the private equity industry.

CALPERS LAUNCHES NEW WEBSITE

July 2015 – CalPERS launches a [new website](#) with custom content for active members, retirees, and employer agencies. The site features multiple improvements including a new interface, upgraded search capability, and compatibility with mobile devices. Streamlined content and pathways make information delivery easier for the user. Video and social media are also key components in the site's new structure.

CALPERS BOARD ADOPTS PENSION BELIEFS

May 2014 – CalPERS Board adopts a set of [Pension Beliefs](#) that articulate the Pension Fund's views on public pension design, funding and administration. The Board Members, executives and staff use the 11 Pension

Beliefs in their communication with members, employers, policy makers, other pension systems, the media and other stakeholders. These principles are an important guide for the ongoing State and national policy debates about pensions and retirement security.

CALPERS BOARD ADOPTS AN EDUCATION POLICY FOR NEW AND CURRENT BOARD MEMBERS

March 2014 – The CalPERS Board adopts a Board Education Policy that requires new Board members attend orientation within three months of joining the Board, and describes the mandatory elements of new member training, including individual briefings by the CEO, the Board President, and executive management. The Education Policy also requires new members to receive education on specified topics during the first year of their term, including the duties and responsibilities of a System trustee, CalPERS health benefits plan design and funding, and CalPERS investment policy.

Furthermore, the Education Policy requires all members to attend annual training on the fiduciary duties applicable to trustees of a public pension system, and addresses training areas mandated by law, including governmental ethics and sexual harassment prevention. It also identifies the kinds of activities that qualify as educational and encourages members to focus education activities on subjects relevant to their committee assignments, and develop knowledge and expertise in the matters and policy areas set forth in the Board Member Competencies.

CALPERS BOARD UPDATES UNDUE INFLUENCE POLICY

March 2014 – The CalPERS Board revised the June 2012 policy by requiring staff to implement policies to support an environment that promotes ethical decision-making that is free of improper influences for all staff.

CALPERS BOARD ADOPTS A SET OF CORE COMPETENCIES FOR ITS BOARD MEMBERS

December 2013 – The CalPERS Board adopts a set of core competencies that are desired for those who might serve as a member of the CalPERS Board of Administration. The list of competencies specifies more than 20 criteria in the areas of board governance, health care, pension plans, financial markets, and communication. They are part of the CalPERS Board governance policy and will be used to develop future training and educational opportunities for Board members.

CALPERS BOARD ADOPTS INVESTMENT BELIEFS

September 2013 – CalPERS Board adopts a set of 10 [Investment Beliefs](#) that provide a basis for strategic management of the investment portfolio, inform organizational priorities and ensure alignment between the Investment Office and CalPERS staff. Each Investment Belief also includes more detailed sub-beliefs that are actionable statements providing insight as to how the Investment Beliefs will be implemented.

CALPERS BOARD ADOPTS PERSONAL TRADING REGULATIONS

December 2012 – The CalPERS Board approves the adoption of a Personal Trading Regulation, which is designed to identify potential business risks of front running, insider trading, and other illegal trading practices. The regulation and policy requires Board members and certain CalPERS staff to seek approval prior to trading certain types of securities in their personal accounts and allows CalPERS to monitor activities via an automated personal trading platform.

CALPERS BOARD APPROVES NEW UNDUE INFLUENCE POLICY

June 2012 – The CalPERS Board approves a new undue influence policy, which requires that all executives certify in writing that they have been free from undue influence by any individual Board member, executive, or third party. Additionally, the policy requires staff to report, and CalPERS to promptly investigate, potential instances of undue influence.

CALPERS BOARD ADOPTS GIFT POLICY

April 2012 – The CalPERS Board approves a new policy that limits gifts that its Board members and certain staff can accept from individuals and firms doing business with the pension fund or seeking to do business with the fund. The new CalPERS policy limits gifts to Board members to a total of \$50 per calendar year from any one person or entity that does business with CalPERS or is seeking to do business with the pension fund. This includes financial and other service providers, but does not include, for example, non-profit trade associations, governmental advisory committees, or companies that issue publicly traded securities when the only “business” that CalPERS conducts with these companies is the purchase, sale, or holding of its securities.

CALPERS EXPANDS WINDOW TO DECISION MAKING, PENSION COSTS

March 2012 – CalPERS begins live webcasting of its monthly meetings over the pension fund’s website and posts more than 2,000 actuarial reports that provide a snapshot of the cost of pensions for public employees for its contracting cities, counties, and local public agencies. In addition, CalPERS releases for the first time a monthly report of all public record requests received by the System.

CALPERS BOARD APPROVES NEW GOVERNANCE POLICY

February 2012 – The CalPERS Board approves a new Governance Policy to guide the Board in managing the effectiveness and integrity of the Board’s processes, including oversight, accountability, transparency, efficiency, and decision making. The Policy requires Board members to avoid conflicts of interest and to take steps to prohibit unauthorized communications with individuals seeking to influence the Board or who may receive personal benefit or gain as a result of Board actions. The Policy further requires all Board members to attend annual fiduciary training.

CALPERS BOARD ADOPTS GOVERNANCE REFORMS

September 2011 – The CalPERS Board adopts sweeping governance reforms. The changes provide a framework for supporting new policies and practices to improve the effectiveness of the 13-member Board, its committees, and governance processes. The Board adopted six Principles for Effective Public Pension Fund Governance that reflect each Board member’s commitment to be effective and capable fiduciaries; ethical leaders; open and accountable to CalPERS stakeholders; risk intelligent and insightful in their decisions; focused on a long-term view for the needs of our members, retirees, and their families; and committed to continuous learning, while being flexible for changing environmental, political, and economic conditions.

The governance reforms also call for:

- An independent third party to assess Board performance once every two years.

- New roles and responsibilities for the Board President, Vice President, Committee Chairs and Vice Chairs.
- A new Powers Reserved structure for the Board and its committees that outlines responsible parties for approvals, standards of conduct, strategy, policy, and performance.

NEW ONLINE TOOL SIMPLIFIES REQUESTS FOR PUBLIC RECORDS

May 2011 – CalPERS launches a new online application tool that makes it easier for members of the public to file a Public Records Act request. Individuals seeking information through the Public Records Act can now detail their request by filling out a form on the CalPERS website and submitting it online. The request is then routed through the CalPERS Office of Stakeholder Relations, which will track it through to completion.

CALPERS POSTS TRAVEL COSTS, FORM 700 FORMS ONLINE

April 2011 – CalPERS begins posting on its website travel costs and statements of economic interests submitted by Board members and key executives. The travel information is posted online within one month of the date of reimbursement. Out-of-state travel by CalPERS Board members must be approved by the full CalPERS Board. The statement of economic interests – known as Form 700 – is posted by the end of the month following the month in which the filing is received.

CALPERS RELEASES SPECIAL REVIEW REPORT ON PLACEMENT AGENTS

March 2011 – CalPERS releases an 18-month special review of fees paid by its external managers to placement agents that considered more than 70 million pages of information collected from more than 400 custodians within CalPERS, and more than 140 interviews. As a result of the special review, CalPERS has institutionalized more than a dozen new reforms and policies to guard against future wrongdoing. CalPERS continues to dedicate itself to pursuing and implementing all of the appropriate policy changes and all of the remedies available to us to both hold accountable the wrongdoers and prevent future misconduct.

CALPERS APPROVES SERIES OF MEASURES FROM SPECIAL REVIEW

February 2011 – The CalPERS Board approves a series of measures to put in place recommendations made by Steptoe & Johnson, the law firm that conducted the special review on placement agents. The Investment Office undertook the responsibility for eight initiatives. All of these initiatives have either been completed or, as necessary, have been incorporated into the Investment Compliance and Operational Risk (ICOR) compliance testing and monitoring process. They include:

- Tracking and reporting the use of placement agents to the Investment Committee on a monthly basis.
- Adopting a Real Estate Alignment of Interest Policy with ongoing tracking and reporting to the Investment Committee.
- Implementing a focused program to obtain below-market fees on new commitments to Private Equity and Real Estate.

- Working with the Institutional Limited Partners Association (ILPA) to increase the numbers of Private Equity General Partners who are ILPA signers. In addition, Private Equity implemented an adapted version of the ILPA standardized capital call and distribution templates for all Private Equity General Partners. This new report will enable staff to be more focused on risk management, transparency, and good governance.
- Implementing a new travel policy with a compliance pre-clearance process. The new policy established stringent new procedures for staff when traveling for meetings with investment managers. Staff travel is approved and monitored by ICOR.
- Adopting a mandate that for those investments where CalPERS is the sole limited partner, all meetings are conducted at the General Partners' office or at CalPERS.
- Revising the Role of the Private Asset Class Board Investment Consultant Policy to prohibit consultants from advising on transactions or managing money except in limited circumstances.
- Reorganizing the Investment Office to separate and functionalize negotiation and monitoring roles in Private Equity and Real Estate.

CALPERS REQUIRES CONTRACTORS TO DISCLOSE BUSINESS CONNECTIONS

November 2010 – CalPERS will now require contractors to disclose whether they're using agents to seek pension fund business. Contractors also must disclose how much they paid the agents in fees and whether the contractors have financial or familial relationships with current or former Board members. They also must generally identify payments, gifts, loans, and other items of value offered to Board members or CalPERS staff.

CALPERS-SPONSORED LEGISLATION RESTRICTING PLACEMENT AGENTS SIGNED INTO LAW

October 2010 – Legislation requiring placement agents who solicit pension fund business to register as lobbyists is enacted into law. The new law, AB 1743, also bans placement agents from receiving fees contingent on whether CalPERS invests with the external money managers who hire them. AB 1743 was authored by Assembly Member Dr. Ed Hernandez, D-Baldwin Park, and co-sponsored by CalPERS, State Treasurer Bill Lockyer, and State Controller John Chiang.

CALPERS LAUNCHES ETHICS HELPLINE TO IDENTIFY POSSIBLE FRAUD AND WASTE

September 2010 – CalPERS launches an Ethics Helpline enabling individuals to report concerns about possible workplace misconduct, including allegations of fraud, waste, abuse, conflicts of interest, safety violations, harassment, and other potential misdeeds. The new Ethics Helpline operates 24 hours a day, online and on the phone.

NEW DEALS END USE OF PLACEMENT AGENTS AND SHARPLY CUT FEES

October 2010 – CalPERS investment partner CIM Group agrees to cut its fees by \$50 million over a five-year period. CIM also agrees not to use placement agents when seeking business from CalPERS.

June 2010 – Relational Investors LLC and Ares Management LLC agree to cut their fees by \$30 million and \$10 million, respectively, over the next five years. The two firms also agree not to use placement agents when seeking CalPERS business.

April 2010 – CalPERS strikes a new strategic relationship with Apollo Global Management LLC that calls for Apollo to reduce its fees by \$125 million over the next five years. Apollo also agrees not to use placement agents when seeking business from the pension fund in the future.

CALPERS BOARD SUPPORTS ENHANCED BOARD CANDIDATE CAMPAIGN REPORTING

March 2010 – The CalPERS Board votes to support Senate Bill 1007 (Chapter 633, Statutes of 2010) sponsored by California's State Controller John Chiang. As enacted, this bill requires CalPERS' six elected Board members and the three elected board members of CalSTRS to file routine campaign reports and maintain related records after an election is concluded consistent with the requirements for state officials.

CALPERS BECOMES FIRST PUBLIC PENSION FUND TO DISCLOSE PLACEMENT AGENT DATA

January 2010 – CalPERS releases more than 600 placement agent disclosures obtained by the fund from its external managers. The pension fund receives 100 percent compliance with all its managers responding to the request. The disclosures show that about 80 percent of managers did not use a placement agent when seeking CalPERS business. They also showed that money management firms paid 10 placement agent companies more than \$125 million in fees over a period of more than a decade.

CALPERS ENHANCES REVIEW OF STATEMENT OF ECONOMIC INTEREST

December 2009 – CalPERS' General Counsel and Office of Enterprise Compliance implements a new enhanced process requiring the review of Form 700s by the filer's supervisor, manager, or contract manager for the purpose of identifying any potential conflict of interest. The process extends to all CalPERS Board members and representatives who file with the California Fair Political Practices Commission.

CALPERS BOARD TIGHTENS ITS OWN RULES

December 2009 – The CalPERS Board votes to tighten its ethics policies, creating new rules for communication between Board members and staff concerning investment proposals and giving the Board President authority to discipline Board members who violate policy. Board members also will be required to attend annual training sessions detailing their responsibilities to fund participants and beneficiaries.

CALPERS TAKES STEPS TO ENSURE IT WAS NOT VICTIMIZED

October 2009 – CalPERS hires Steptoe & Johnson, a Washington, D.C., law firm, to conduct a special review of the fees paid by its external managers to placement agents to ensure CalPERS has not been victimized by placements agents. The review was prompted by CalPERS' disclosure that a company headed by former Board member Alfred Villalobos, who served from 1993-95, received more than \$50 million in placement fees over a five-year period.

CALPERS POLICY SERVES AS MODEL FOR STATE LAW

September 2009 – CalPERS' internal policy requiring disclosure of placement agent names and fees paid by investment managers serves as a model for state legislation (AB 1584, Chapter 301, Statutes of 2009) introduced by Assembly Member Ed Hernandez, D-West Covina, supported by CalPERS, and signed by the Governor. AB 1584 also requires disclosure of campaign contributions by placement agents to retirement Board members; prohibits Board members from selling investments to other public pension

funds; and increases the time that former Board members and pension fund executives must wait before they can represent third parties before CalPERS.

LIFTING THE VEIL ON PLACEMENT AGENTS

June 2009 – The CalPERS Board directs staff to ask its investment partners to disclose the names of placement agents used currently or in the past when seeking CalPERS business and the amount of fees that the investment partner paid to the placement agent.

May 2009 – The CalPERS Board adopts a policy requiring external money managers to disclose fees and other information about placement agents that the external managers have hired to seek CalPERS business. Third-party placement agents conducting business in the United States need to be registered as broker-dealers with the Securities and Exchange Commission. The Board also asks money managers it has previously done business with to voluntarily disclose whether they used a placement agent to gain CalPERS business, and, if so, how much they paid in fees. The policy was prompted by improper activities between placement agents and New York State and City pension funds.

INVESTMENT DECISIONS DELEGATED TO CHIEF INVESTMENT OFFICER

March 2009 – The CalPERS Board adopts a revised delegation of authority that includes a provision that requires the CEO to delegate to the Chief Investment Officer (CIO) the authority to negotiate and execute investment transactions approved by the Board, or within those discretionary areas delegated from the Board to staff. The delegation further provides that the CEO shall have no reservation of right over such matters delegated (i.e., the authority delegated to the CIO to negotiate and execute investment transactions). For this reason, only the CIO, not the CEO, has authority to negotiate and execute investment transactions.