

§ 558.1. Personal Trading Regulations.

(a) Definitions.

(1) Automatic Investment Plan. A program in which periodic purchases or withdrawals are made automatically to or from a Covered Account in accordance with a predetermined schedule and allocation. Examples include Dividend Reinvestment Plans (DRIPs), Employee Stock Purchase Plans (ESPPs), and automatic mutual fund investments or withdrawals (PIPS/SWIPS).

(2) Blackout Period. Blackout Period means the three-day period of time that commences one market day before and ends one market day after a transaction in Covered Securities by CalPERS.

(3) Board Member. Board Member means the CalPERS Board members and their appointed designee(s).

(4) Covered Account.

(A) Covered Account includes the following:

(i) An account, not identified as exempt in subdivision (B), with the capability of trading Covered Securities to which a Covered Person holds legal title or over which the Covered Person has the power to place or direct trades;

(ii) Self-directed brokerage accounts offered through 401(k) or 457 accounts or sub-accounts from a current or previous employer of the Covered Person. An employer sponsored retirement savings plan that offers a brokerage account as an investment option is not a Covered Account (e.g., a Savings Plus Program account that offers a self-directed Schwab 401(k) is exempt; however, the brokerage account itself (e.g., the Schwab brokerage account) is a Covered Account).

(B) Covered Account does not include the following:

(i) The accounts in which a spouse (by virtue of marriage under section 300 of the California Family Code) or registered domestic partner (by virtue of domestic partnership established under sections 297, et seq., of the California Family Code) conducts trading activity by virtue of their employment (for example: a money manager, a financial advisor, etc.) are exempt from the regulation unless the spouse or registered domestic partner is employed by CalPERS;

(ii) Bank accounts;

(iii) Treasury direct accounts;

- (iv) Mutual fund-only accounts;
  - (v) Employer sponsored 401(k) or 457 accounts limited to transactions in exempt securities, as identified in subdivision (6)(B) (e.g., Non self-directed accounts in the State of California's Savings Plus Program);
  - (vi) 403(b) accounts;
  - (vii) 529 accounts;
  - (viii) Managed Accounts; and
  - (ix) An account where CalPERS has investment discretion or the ability to effect transactions.
- (5) Covered Person. Covered Person means a person holding any of the positions listed below.
- (A) Board Members;
  - (B) The CalPERS Chief Executive Officer;
  - (C) The CalPERS Deputy Executive Officers;
  - (D) The CalPERS Chief Financial Officer;
  - (E) The CalPERS Chief Actuary;
  - (F) All employees of the Enterprise Compliance and Enterprise Risk Management Offices;
  - (G) All employees of the CalPERS Investment Office;
  - (H) All employees (and their direct supervisor or manager) of the Financial Office who have access to planned trade information or related non-public information by their job duties;
  - (I) All employees of the CalPERS Office of Audit Services, except Senior Program Auditors (Public Agency Team) and all employees directly reporting to the Senior Program Auditor (Public Agency Team);
  - (J) All employees (and their direct supervisor and/or manager) of the CalPERS Information Technology Services Branch who have access to CalPERS planned trade information and/or non-public investment related information by virtue of their job duties;

(K) The CalPERS General Counsel and Deputy General Counsel. The Assistant Chief Counsel (Investments) and the Attorneys reporting to the Assistant Chief Counsel (Investments) or working in the Investment Advice Unit;

(L) All other employees (and their direct supervisor or manager) who have access to planned trade information or related non-public information by virtue of their job duties;

(M) The secretary, assistant, or an individual, regardless of his or her formal job title, who serves in a functional capacity of one who provides administrative assistance to any person holding a position listed in (A) through (L), above;

(N) The spouse (by virtue of marriage under section 300 of the California Family Code) or registered domestic partner (by virtue of domestic partnership established under sections 297, et seq., of the California Family Code) of any person holding a position listed in (A) through (M), above.

(6) Covered Security(ies). Covered Securities means all securities as defined by Section 2(a)(1) of the Securities Act of 1933, including all of the following except for the securities excluded in subdivision (6)(B);

(A) Covered Securities include:

(i) All equity and debt securities, including derivatives of securities (such as options, warrants, and American Depository Receipts (ADR's)), with the exception of publicly traded instruments identified in subsection (B)).

(ii) Any option, future, forward contract or other obligation involving securities or indices thereof, including an instrument whose value is derived or based on any of the above;

(iii) Any separate security which is convertible into or exchangeable for, or which confers a right to purchase, a Covered Security;

(iv) Shares of a closed-end investment company (e.g., closed-end mutual funds);

(v) Shares of exchange-traded funds (ETF's) or notes (ETN's);

(vi) Private placement offerings;

(vii) Initial Public Offerings;

(viii) Interests in real estate (limited to transactions made through a Private Placement Offering); and

(ix) Exchange traded futures and options on futures.

(B) Covered Securities do not include:

- (i) Cash and cash-like securities (e.g., banker's acceptances, bank certificates of deposit, money market funds, commercial paper, repurchase agreements);
  - (ii) Investment grade, short-term debt instruments, including repurchase agreements or any instrument that has a maturity at issuance of fewer than 366 days that is rated in one of the two highest categories by nationally recognized statistical rating organizations);
  - (iii) Collective trust funds;
  - (iv) Direct obligations of the U.S. Government (e.g., Treasury bonds, notes, etc.);
  - (v) Open-end mutual funds;
  - (vi) Debt securities issued by state and municipal governments and agencies of the United States government;
  - (vii) Variable and fixed rate annuity insurance products and life insurance; and
  - (viii) Company stock held in a bona fide employee benefit plan of an organization on behalf of an employee of the organization who is a Covered Person by virtue of being a spouse or registered domestic partner of a Covered Person.
- (7) Designated Brokerage. Designated Brokerage means a broker or broker-dealer approved by CalPERS in accordance with subdivision (b).
- (8) Holding Period. Holding Period is a period of time designated by CalPERS and means the 30 calendar day period between the acquisition and sale, and the 30 calendar day period between sale and re-acquisition, of a Covered Security, on a last-in first-out basis.
- (9) Managed Account. Managed Account means an account with the capability of trading Covered Securities that meets all of the following criteria:
- (A) It is managed by a third party who is not a Covered Person,
  - (B) No Covered Person has the power to affect or ability to control or influence investment decisions in the account, and
  - (C) No Covered Person communicates (directly or indirectly) with the person(s) with investment discretion regarding specific trade activity in the account.
- (10) Managed Account Certification. A Managed Account Certification, provided by a third-party money manager, that certifies annually in writing the arrangement whereby a third-party Managed Account provider has full discretion to act as investment advisor and manage any investment or trading account for another person.

(11) Market Day. Market Day means a trading day when U.S. markets are open for executing trades during the regular market session (Monday through Friday 9:30 a.m. to 4 p.m. Eastern Time).

(12) Money Market Fund. A mutual fund that invests in short-term debt instruments where its portfolio is valued at amortized cost so as to seek to maintain a stable net asset value (typically of \$1 per share).

(13) Non-Volitional Transaction. A transaction in which the Covered Person does not determine price or time of the transaction. Such transactions include:

(A) Acquisitions of securities through stock dividends, automatic dividend reinvestment plans, stock splits, reverse stock splits, mergers, consolidations, spin-offs, or other similar corporate reorganizations or distributions generally applicable to all holders of the same class of such securities.

(B) Acquisition of securities through the exercise of rights by an issuer pro rata to all holders of securities, to the extent the rights were acquired in the issue; and

(C) Transactions in an approved managed account made by an independent third party adviser.

(14) On-Line Platform. On-Line Platform means a web-based, on-line compliance platform provided by CalPERS to all Covered Persons.

(15) Option. A security which gives the investor the right, but not the obligation, to buy or sell a specific security at a specified price within a specified period of time. A covered person who buys or sells an option is deemed to have correspondingly bought or sold the underlying security, as follows.

(A) Call Options

(i) The Covered Person buying a call option shall be deemed to have purchased the underlying security on the date the option was purchased.

(ii) The Covered Person selling a call option shall be deemed to have sold the underlying security on the date the option was sold.

(B) Put Options

(i) The Covered Person buying a put option shall be deemed to have sold the underlying security on the date the option was purchased.

(ii) The Covered Person selling a put option shall be deemed to have bought the underlying security on the date the option was sold.

(16) Private Placement Offering. A Private Placement Offering means an offering of securities which are exempt from registration under Section 3(a)(11), Section 4(2), Regulation A or Rules 504, 505 or 506 of Regulation D of the Securities Act of 1933 or Section 25102 of the California Corporations Code. Examples include limited partnerships, certain cooperative investments in real estate, and co-mingled investment offerings such as hedge funds. Time shares and cooperative investments in real estate used as a primary or secondary residence are not considered Private Placement Offerings.

(17) Restricted List. A Restricted List means the list of Covered Securities that identifies companies which Covered Persons have information that may be material and non-public.

(18) Transfer of a Security. Transfer of a security means to move a Covered Security to a different account(s) whereby the Covered Person continues to hold legal title, or a change in ownership from the Covered Person to a different party.

(19) Transfer of an Account. Transfer of an account means the transfer of one Covered Account to another account. An example of this would be the consolidation of Individual Retirement Accounts (IRAs). This activity is permissive; however, the accounts and their securities are still considered covered after the transfer.

(b) Designated Brokerages.

(1) All Covered Accounts of Covered Persons must be maintained at a Designated Brokerage.

(2) CalPERS shall maintain a list of approved Designated Brokerages. The addition of a broker or broker-dealer to this list of Designated Brokerages will be based on the broker or broker-dealer's ability to provide account activity information electronically to the On-Line Platform, CalPERS ability to meet any broker or broker-dealer account minimums, and cost. All upfront and ongoing expenses to establish the connection between the broker or broker-dealer with the On-Line Platform will be paid by CalPERS.

(3) A Covered Person has 60 days from (A) the commencement of his or her employment with CalPERS, as a Covered Person or (B) the date he or she assumes office as a Board Member to move all his or her Covered Accounts and the Covered Accounts of his or her spouse or registered domestic partner to a Designated Brokerage.

(4) If it is not possible to move a particular account to a Designated Brokerage, the Covered Person is responsible for obtaining an exception to maintain the Covered Account from the Chief Compliance Officer. If the request is approved, the Covered

Person will be required to authorize their broker to provide duplicate confirmations and statements to Enterprise Compliance. These Covered Accounts will require pre-clearance as outlined under subdivision (c).

(c) Pre-Clearance Approval. Covered Persons are required to obtain pre-clearance approval before the purchase, sale or transfer of Covered Securities of any size is executed in a Covered Account, unless the transaction is exempt from the requirement of pre-clearance approval under subdivision (h).

(1) Pre-Clearance Approval of Publicly Traded Covered Securities.

(A) To obtain pre-clearance approval of a publicly traded Covered Security, a Covered Person must receive approval of the proposed trade from the On-Line Platform and attest the transaction is not prohibited under subdivision (i) of this section. The On-Line Platform require that Covered Persons input standard trade details when requesting pre-clearance approval through the On-Line Platform. Information required for public securities includes: brokerage account, security type, security identifier, number of shares, the action (buy or sell), and the type of order (market or limit) as applicable.

(B) The Covered Person will normally receive immediate notification as to whether the proposed trade is approved or denied. Requests for pre-clearance approval shall only be denied if the transaction would violate any of the trading restrictions set forth in subdivisions (d), (e), (f) or (i) of this section. The notice of denial shall indicate the reason for denial. If the proposed trade is approved, the approval is valid only during the current market session, or the next open market session if the approval is received by the Covered Person after the market closes. The same standard applies for pre-clearance requests placed for extended hours trading (5am - 5pm, Monday through Friday, Pacific Time). Separate pre-clearance approval is required for extended hours trading and is only valid for that extended market trading session. Limit and stop order approvals will remain valid for all pre-clearance requests for the term of the order.

(C) If the information in a pre-clearance request is a modification to a previously approved order, the pre-clearance process must be completed again prior to undertaking the transaction.

(D) If the transaction is not executed within the approved market session, the pre-clearance process must be repeated prior to undertaking a new transaction (excluding limit and stop orders). Limit and stop order approvals will remain valid for the term of the order.

(2) Pre-Clearance Approval of Covered Securities Not Publicly Traded. To obtain pre-clearance approval of Covered Securities that are not publicly traded, a request must be submitted to the Enterprise Compliance through the Pre-Clearance for Non-Public

Securities accessible through the On-Line Platform. A Covered Person must input the details of the proposed transaction and attest the transaction is not prohibited under subdivision (i) of this section. The On-Line Platform requires that Covered Persons input standard trade details when requesting pre-clearance approval through the On-Line Platform. Information required for private securities includes: legal name, the investment value and questions relating to whether or not potential conflicts exist with CalPERS investment activities. The Covered Person will receive notification within one CalPERS business day as to whether the proposed trade is approved or denied. Requests for pre-clearance approval will only be denied if the transaction would violate any of the trading restrictions set forth in subdivisions (d), (e), (f) or (i) of this section.

(3) Pre-Clearance Request by a Disabled Covered Person. In the event a Covered Person is unable to pre-clear trades as the result of a disability, he or she will be provided a reasonable accommodation and offered an alternative method to obtain pre-clearance with Enterprise Compliance. This alternative method will also exist for reconsideration and reporting requirements as described in subdivision (j), (k) and (l).

(4) Pre-Clearance of a Transfer of an Account. The pre-clearance of the transfer of an account from one account to another account, from one institution to another institution or a consolidation of two accounts (for example, the consolidation of two IRA accounts) is not required. For the transfer of Covered Securities between any accounts, refer to (1)(A) of this subdivision.

(d) Holding Period. Unless the transaction is a limit or stop order, or is exempted by subdivision (h), Covered Persons are prohibited from buying, selling or transferring to another person Covered Securities during the Holding Period. Trading activity to circumvent the Holding Period requirement is not permitted and will be considered a violation of this section.

(e) Blackout Period. Unless the transaction is exempted by subdivision (h), Covered Persons are prohibited from buying, selling or transferring to another person Covered Securities during the Blackout Period. The Blackout Period prohibition does not apply to a Covered Person's transactions in the Covered Securities that CalPERS has traded (during the Blackout Period) in a passively managed portfolio (i.e., a portfolio that is designed to track the performance of a broad-based securities index). In addition, an exemption to the prohibition to the Blackout Period has been granted by CalPERS if pre-clearance approval of the transaction was obtained in accordance with the pre-clearance process outlined in subdivision (c) prior to CalPERS inputting a transaction in the same or equivalent Covered Security.

(f) Restricted List. Unless the transaction is exempted by subdivision (h), Covered Persons are prohibited from buying, selling or transferring to another person a Covered



Security while it is on the Restricted List. The purchase or sale of a Covered Security on the Restricted List that is the result of the execution of a previously pre-cleared limit or stop order is not a violation of this prohibition provided the Covered Security was not on the Restricted List at the time the limit or stop order was placed.

(g) Requirements for Trading Options. The following requirements must be met when trading options.

(1) Call Options

(A) Covered Persons may purchase listed call options only if the call option has a period to expiration of at least thirty days from the date of purchase and the Covered Person holds the call option for at least thirty days prior to sale. If the call option is exercised, the Covered Person must hold the underlying security delivered pursuant to the exercise for thirty days.

(B) Covered Persons may sell (or “write”) a call option only if the Covered Person has held the underlying security in corresponding quantity for at least thirty days.

(2) Put Options

(A) Covered Persons may purchase listed put options only if the put has a period to expiration of at least thirty days from the date of purchase and the Covered Person holds the put option for at least thirty days prior to sale. If the Covered Person purchases a put option on a security the Covered Persons already owns, the put may only be exercised once the underlying security has been held for thirty days.

(B) Covered Persons may sell (or “write”) a put option only if the Covered Person has not sold the underlying security for at least thirty days, purchased a put option on the underlying security for at least thirty days, or sold a call option on the underlying security for at least thirty days.

(h) Transactions Exempt from Pre-Clearance, Holding Period, Blackout Period, and Reporting Provisions. Transactions in the following types of Covered Securities, instruments or accounts are exempt from the pre-clearance requirements of subdivision (c), the Holding Period requirements of subdivision (d), the Blackout Period prohibition of subdivision (e), and the reporting requirements of subdivision (k):

(1) Scheduled transactions made through the use of an automatic investment plan (pre-clearance is required when a Covered Security is added or modified);

(2) Non-volitional actions that occurred without the input of the Covered Person (e.g., option expiration, called bond, converted Covered Security, merger, acquisition, etc.).

(i) Prohibited Transactions. Covered Persons are prohibited from executing the following transactions:

(1) A transaction that would constitute insider trading under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder or that would violate any other state or federal securities law.

(2) A transaction based on confidential information that a Covered Person learns by virtue of his or her employment with CalPERS, position on the Board, or relationship with a Covered Person.

(3) A transaction that is executed on a Covered Security while taking advantage of knowledge of a pending CalPERS order in the same Covered Security, thereby trading "in front of" CalPERS (front-running).

(4) A transaction that is effected through an account other than a Covered Account in order to circumvent the requirements of or prohibitions contained in this section.

(5) Derivatives of any kind (and any other instrument or device) used to avoid the requirements or prohibitions contained in this section.

(j) Reconsideration of Pre-Clearance Denials.

(1) If a request for a Pre-Clearance Approval under subdivision (c)(1) is denied, a Covered Person may submit a request for reconsideration through the On-Line Platform. Pre-Clearance Approval shall only be denied for violating one or more trading restrictions set forth in subdivisions (d), (e), (f), or (i) of this section. A reconsideration request must be submitted for each violation and all reconsiderations must be approved prior to placing the trade. A Covered Person will receive notification by close of business the next CalPERS business day as to whether the proposed trade is approved or denied. Denials shall indicate the reason(s) for the denial. In addition, the Covered Person must provide the following information:

(A) For denials based on a violation of the Blackout Period, the Covered Person must provide a certification that the Covered Person had no knowledge at the time the Covered Person requested Pre-Clearance Approval that CalPERS had traded or would trade the same or equivalent Covered Securities during the Blackout Period. All such requests will require review from Enterprise Compliance. Enterprise Compliance will respond to the request by close of business the next CalPERS business day.

(B) For denials based on a violation of the Holding Period, the Covered Person must provide the reason(s) why the Covered Person believes an exception to the Holding Period requirement should be approved. The On-Line Platform will allow a Covered Person to request reconsideration of his/her transaction for any of the following reasons:

(1) strong price movement in a Covered Security, (2) public announcements relating to the Covered Security, or (3) a Covered Person's unexpected personal financial hardship. Requests for reconsideration based on any other reason will require review from Enterprise Compliance. Enterprise Compliance will provide final approval or denial of reconsideration requests by close of business the next CalPERS business day after receipt of the request.

(C) For denials based on Covered Securities being included on the Restricted List, the Covered Person must provide the reason(s) why the Covered Person believes an exception should be approved. All such requests will require review from Enterprise Compliance. Enterprise Compliance will respond to the request by close of business the next CalPERS business day.

(2) If a request for a Pre-Clearance Approval under subdivision (c)(2) is denied, the Covered Person may submit a request for reconsideration through the On-Line Platform. The Covered Person must provide the reason(s) why the Covered Person believes an exception should be approved. The On-Line Platform will forward the document to Enterprise Compliance for review. The Covered Person will receive notification by close of business the next CalPERS business day as to whether the proposed trade is approved or denied.

(3) If the request for reconsideration is denied under subdivision (j)(1)(A) or (B), the Covered Person may request further reconsideration of the decision by the General Counsel who will approve or deny the request. Requests for reconsideration of denials under subdivision (j)(1)(C) require joint approval of the request by the General Counsel and the Chief Operating Investment Officer. The General Counsel and Chief Operating Investment Officer may delegate the authority to make these decisions to their subordinates.

(4) All requests for reconsideration will be examined on a case by case basis after evaluation of all surrounding facts and circumstances, including without limitation, a Covered Person's unexpected financial hardships and market conditions (e.g., a declining market, public announcements about a Covered Security).

(k) Reporting.

(1) Covered Persons must disclose all Covered Accounts and Managed Accounts to Enterprise Compliance through the On-Line Platform. If a Covered Person is not certain as to whether an account is a Covered Account or Managed Account, it is his or her responsibility to seek, and comply with the direction given by Enterprise Compliance.

(2) For Managed Accounts, the Covered Person is required to provide a copy of a Managed Account Certification, signed by the investment advisor who manages the

account, to the Enterprise Compliance within 30 calendar days of disclosing the account.

(3) A Covered Person must disclose his or her Covered Accounts and Managed Accounts and the Covered Accounts and Managed Accounts of his or her spouse or registered domestic partner within 30 calendar days of (i) the commencement of a Covered Person's employment as a Covered Person, or (ii) the assumption of office as a Board Member. In addition, a Covered Person is required to update the On-Line Platform within 30 calendar days after new accounts are opened or if existing accounts are closed or transferred.

(4) Covered Persons are required to attest annually through the On-Line Platform that all of their Covered Accounts and Managed Accounts and the Covered Accounts and Managed Accounts of their respective spouses or registered domestic partners have been disclosed as required by this section. For Covered Accounts from brokers or broker-dealers that do not provide account activity information electronically to the On-Line Platform, Covered Persons must report all purchases, sales and transfers of Covered Securities by authorizing their broker to provide duplicate confirmations and statements no less frequently than on a quarterly basis, within 30 calendar days after the first day of each new calendar quarter. This report will also include Covered Securities donated or transferred to, or received from, another party.

(l) Acknowledgment of Section. Within 30 calendar days of the commencement of employment as a Covered Person (in the case of an employee) or the date of assuming office (in the case of a Board Member), and on April 1 of every subsequent calendar year, Covered Persons must review, acknowledge and affirm through the On-Line Platform that they have read and understand this section.

(m) Violations. In the event of any alleged violation of this section 558.1, Enterprise Compliance shall conduct an investigation, which will include notification of an employee's direct supervisor. Violations will be treated in accordance with Government Code section 19990, including but not limited to, Government Code section 19572.

Note: Authority cited: Sections 20120 and 20121, Government Code. Reference: Cal. Const., art. XVI, section 17; and Section 19990, Government Code.