

CalPERS Investment Policy for Insider Trading

Effective Date

This Policy is effective November 13, 2023 and supersedes all previous insider trading policies.

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Introduction

CalPERS, its Board members, and employees are subject to the anti-fraud provisions of the federal securities laws and the Rules of the Securities and Exchange Commission ("SEC"). Section 10(b) of the Securities Exchange Act of 1934 ("1934 Act") and SEC Rule 10b-5 under the 1934 Act prohibit the purchase or sale of securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. In addition, CalPERS and CalPERS employees who fail to prevent insider trading may be subject to civil penalties under Section 21A of the 1934 Act. This policy is intended to ensure that CalPERS, its Board members and employees comply with federal law, and with their fiduciary responsibilities as set forth in the CalPERS Total Fund statement of policy.

Policy

I. CONFIDENTIAL INFORMATION

It is imperative that CalPERS exercise control over the circumstances in which it and its Board members and employees receive material, nonpublic and other confidential information. In view of this policy, it is essential that CalPERS employees not obtain information that may be material and nonpublic without the prior approval of, for investment personnel, the Managing Investment Director in their direct chain of command or, for all other employees, the Deputy Executive Officer in their direct chain of command or the General Counsel.

CalPERS Board members and employees who possess material nonpublic information concerning a publicly traded company must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know such information for legitimate reasons directly related to his or her duties as a CalPERS Board member or employee.

In addition, CalPERS Board members and employees who come into possession of material nonpublic information concerning a publicly traded company must immediately inform the Legal Office. The Legal Office will add the company to which the information relates to the Restricted Company List.

II. RESTRICTIONS ON TRADING IN RESTRICTED LIST COMPANIES

If a company is on the Restricted Company List, Restricted Persons may not buy or sell any security of the company during the time period the company is on the Restricted Company List. In addition, no Restricted Person shall trade the security on CalPERS behalf unless an exception applies. In addition, no Restricted Person shall use any type of derivative (or any other instrument or device) to avoid the requirements or prohibitions contained in this policy.

A Restricted Person includes: those positions designated as Covered Persons in 2 Cal. Code Regs., Section 558.1(a)(5).

III. EXCEPTIONS TO THE RESTRICTIONS ON CalPERS TRADES IN RESTRICTED LIST COMPANIES

Exceptions will be made consistent with the affirmative defenses provided for under Rule 10b5-1(c) of the Securities Exchange Act of 1934. All exceptions to the restrictions on CalPERS trades in a Restricted Company must be authorized by the Legal Office.

IV. MATERIALITY

Generally speaking, information is material where there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy or sell the securities in question, or where the information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available. Where the nonpublic information relates to a possible or contingent event, materiality depends upon a balancing of both the probability that the event will occur and the anticipated magnitude of the event in light of the totality of the activities of the issuer involved.

Common, but by no means exclusive, examples of what may involve "material" information includes:

- A. Dividend changes
- B. Declarations of stock splits and stock dividends
- C. Financial forecasts, especially earnings estimates
- D. Changes in previously disclosed financial information
- E. Mergers, acquisitions, or tender offers
- F. Proposed issuances of new securities
- G. Stock repurchase programs
- H. Major litigation
- I. Significant changes in management or operations
- J. Significant increases or declines in backlog orders or the award of a significant contract
- K. Significant new products to be introduced and significant discoveries of oil and gas, minerals, or the like
- L. Extraordinary borrowings or liquidity problems

- M. Purchase or sale of substantial assets
- N. Governmental investigations, criminal actions, or indictments and any collateral consequences, including potential debarment from government contracts

If an employee has any doubt whether certain information is "material," the information should be considered to be and treated as material.

V. POTENTIAL LIABILITY FOR INSIDER TRADING BY CalPERS PERSONNEL

As stated above, anti-fraud provisions of the federal securities laws generally prohibit the purchase or sale of securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. In addition, Section 21A(b) of the 1934 Act provides the SEC with the authority to bring a civil action against any "controlling person who knows of, or recklessly disregards, a likely insider trading violation by a person under his control and fails to take appropriate steps to prevent the violation from occurring". Persons who violate these prohibitions are subject to potential civil damages and criminal penalties. The civil damages can consist of disgorgement of any illicit profits and a fine of up to three times the profit gained or loss avoided. The criminal penalties can be as much as \$1 million and 10 years imprisonment per violation.

Because of the serious consequences of any insider trading violation, the CalPERS Legal Office should be contacted immediately if there is any possibility of a violation of the policy or an insider trading violation.

Glossary of CalPERS Specific Terms

Bold Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the [CalPERS Specific Glossary of Terms](#).

Appendix

Policy Document History

Date	Detail
November 20, 1998	Approved by the Policy Subcommittee
February 16, 1999	Adopted by the Investment Committee
December 10, 2004	Revised by the Policy Subcommittee
February 14, 2005	Approved by the Investment Committee
December 15, 2008	Revised by the Policy Subcommittee
February 17, 2009	Approved by the Investment Committee
May 19, 2014	Approved by the Investment Committee
July 22, 2014	Administrative changes to reflect the Policy Glossary of Terms Update Project
November 13, 2023	Approved by the Investment Committee. Revised to remove imputed knowledge standard and broaden usage of affirmative defenses. Migrated to new policy template.