CalPERS

Investment Committee
Agenda Item 5c

March 14, 2016

Item Name: Revision of Affiliate Fund Policies and Repeal of Legacy Policies – Second Reading

Program: Affiliate Funds

Item Type: Action

Recommendation
Approve staff's recommendations as presented regarding:

1. Revision of seven Affiliate Fund policies:
    a. California Employers' Benefit Trust (CERBT)
    b. Public Employees' Health Care Fund (HCF)
    c. Judges' Retirement System (JRS) Fund
    d. Judges' Retirement System II (JRS II) Fund
    e. Legislators' Retirement System (LRS) Fund
    f. Public Employees' Long-Term Care (LTC) Fund
    g. Supplemental Income Plans (SIP)

2. Repeal of two legacy Affiliate-Fund-related policies:
    a. Treasury Inflation-Protected Securities (TIPS) Policy
    b. SIP Target Retirement Date Funds Policy

The proposed new Affiliate Fund policies (items 1a-1g above) are provided as Attachment 1. The current Affiliate Fund policies for comparison purposes are included as Attachment 2. The TIPS and SIP Target Retirement Date Funds policies that staff recommends for repeal are included as Attachment 3. Attachment 4 is Wilshire Associates' opinion letter.

Executive Summary
Following the first reading of the proposed policy changes presented at the February 16, 2016 Investment Committee (Committee) meeting, this item seeks Committee action on staff's proposal to revise seven Affiliate Fund policies, and repeal two legacy policies. The proposed policy changes were developed to reflect the new format and content guidelines established as part of the Investment Policy Revision Project (Project).

Strategic Plan
This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent, and innovative organization. The proposed policy revisions, once approved by the Committee, will strengthen CalPERS' ability to achieve the System's investment objectives by maintaining clear, actionable, and testable investment policies.

Investment Beliefs
This item supports CalPERS Investment Belief 10, that strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives, by improving the documentation governing the management of the Affiliate Funds.

Background
This item builds upon previous agenda items presented to the Committee as part of the Project, which focused first on the Total Fund Policy, then on "asset-class specific" program policies. Over the course of the Project, staff has developed an updated template and a set of guiding principles and a methodology (as discussed in the February 2015 Committee meeting) for taking a holistic approach to CalPERS' investment policies. The methodology, as related to policy content, is summarized below:

1. Retained in the policy – Requirements that the Committee conduct, set, approve, or oversee an activity, testable limits and constraints, and reporting requirements

2. Incorporated from delegations of authority - Investment limits and constraints contained within investment delegations

3. Moved to staff guidelines - Procedural elements oriented towards implementation of policy objectives

4. Removed from policies - Language that staff identified as duplicative, aspirational, or editorial in nature

The same template, guiding principles, and methodology applied to the Total Fund Policy and asset-class specific program policies have been applied to the Affiliate Fund policies presented herein.

Analysis
Overall, no policy revisions have been proposed that materially affect investment risk management or measurement. In addition to the changes required as part of the Project, adjustments have been made to align the strategic asset allocation review schedules to be consistent with the four-year schedule established in the Total Fund Policy for the Public Employees' Retirement Fund (PERF). The revised schedule is designed to better align with the routine review of actuarial assumptions and methods. Additional information on the key components of staff's recommendations is outlined in the sections below.

<u>Revision of Affiliate Fund Policies in Accordance with Project Methodology</u>
The proposed revised policies (Attachment 1) have been simplified to reflect the policy template and content methodology as outlined below.

1. Testable limits and constraints, Committee reporting requirements, and requirements specific to the roles outlined in the Committee's delegation of authority (set, conduct, approve, and oversee), were retained as applicable.
    a. Testable investment limits and constraints were consolidated within *Appendix 3 Investment Constraints/Limitations* to each policy.
    b. Reporting requirements to the Committee were consolidated within *Appendix 1 Reporting to the Investment Committee* to each policy.

c. Committee, staff, consultant, and manager responsibilities were consolidated within *Appendix 2 Investment Responsibilities.*

2. The Affiliate Funds delegation of authority document (number 07-04-INV) was reviewed and found to contain no investment limits or constraints that require inclusion in the policies.

3. The Affiliate Fund policies proposed for revision (Attachments 1 and 2) were reviewed and no procedural content was identified for relocation from the policies. However, in preparation for the proposed repeal of the TIPS Policy, staff has relocated to internal staff guidelines the specific limits for sector and duration risk related to the management of the Affiliate Fund TIPS exposures.

4. Consistent with prior policy revisions undertaken as part of the Project, duplicative, aspirational, or editorial content was removed.

<u>Proposed Repeal of TIPS and SIP Target Retirement Date Fund Policies</u>
To support the overall project goals to streamline CalPERS' investment policy documentation, staff recommends that the two Affiliate Fund policies below be repealed:
1. TIPS Policy
2. SIP Target Retirement Date Fund Policy

Proposed TIPS Policy Repeal

Staff recommends the current TIPS Policy be repealed because the management of U.S. inflation-linked bonds (including TIPS), as an asset-class component, is addressed within the existing Inflation Assets Policy. With the repeal of the current stand-alone TIPS Policy, staff proposes to relocate to internal staff guidelines relevant investment constraint content regarding the management of the Affiliate Funds' TIPS exposure.

This recommendation is intended to reduce operational complexity by consolidating applicable content for management of the Affiliate Funds' TIPS exposure into a more appropriate place within CalPERS' internal staff guidelines.

Proposed Repeal of SIP Target Retirement Date Funds Policy

The current SIP Target Retirement Date Funds Policy is proposed for repeal as relevant content is being incorporated into the existing SIP Policy. This recommendation is intended to reduce complexity and duplicative language through the creation of a single consolidated policy.

Budget and Fiscal Impacts
Not Applicable.

Benefits and Risks
Staff's recommendations are consistent with Target Operating Model objectives to design, develop, and implement a robust operating model that minimizes complexity, improves transparency, and strengthens processes, systems, governance, and controls.

Staff's recommendations are expected to provide the following benefits:

- Reduce operational risk through the use of clear, consolidated language considering both the Committee and staff's roles and responsibilities, and the removal of duplicative, aspirational, or editorial language.
- Enhance alignment and consistency throughout CalPERS' policy documentation.
- Reduce documentation complexity by consolidating and repealing legacy policies where separate policies do not add value.

Risks associated with not adopting the recommendations include:

- Potential elevation in operational-risk-related events due to unclear or difficult to locate Committee directives, limits, and constraints.
- The existence of conflicting language among varying investment policy documents.

Attachments
Attachment 1 – Revised Policies Proposed for Adoption
Attachment 2 – Current Policies
Attachment 3 – Policies Proposed for Repeal
Attachment 4 – Wilshire Associates' Opinion Letter

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Katherine H. Crocker
Investment Compliance and Operational Risk
Investment Director

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Wylie Tollette
Chief Operating Investment Officer

California Public Employees' Retirement System Investment Policy for The California Employers' Retiree Benefit Trust (CERBT) Fund

Effective Date **March 14, 2016**

This policy is effective immediately upon adoption and supersedes all previous policies governing the Annuitants' Healthcare Coverage Fund, also known as the California Employers' Retiree Benefit Trust (CERBT) Fund.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes, and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the policy portfolios (Portfolios) of the California Employers' Retiree Benefit Trust (CERBT) Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Portfolios. Additionally, use of this Policy ensures sufficient flexibility in managing investment risks and returns associated with the Fund.

The Fund was established March 1, 2007 for public employers to prefund their retiree health and other post-employment benefit obligations. The Fund is currently known in statute as the Annuitants' Healthcare Coverage Fund. There are three separate Portfolios (Strategy 1, Strategy 2, and Strategy 3) for the Fund, that provide employers a choice of asset allocation strategies.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The Fund seeks to offer to employers distinct investment alternatives given their specific liabilities and cash flow needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

California Public Employees' Retirement System
Investment Policy for
The California Employers' Retiree Benefit Trust (CERBT) Fund

Investment Approaches & Parameters

A. Performance Objective and Benchmark
The benchmark for the Portfolios is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process
A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Restrictions, Prohibitions and Authorized Securities
Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for Fund investment constraints/limitations.

Glossary of CalPERS Specific Terms

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
- General Pension Consultant

Investment Office Staff	
Report Content	**Frequency**
1. Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, and Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of, and compliance with, the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3
Investment Constraints/Limitations

Portfolio Asset Class Allocation Targets & Ranges
Effective October 13, 2014

Asset Class	Strategy 1		Strategy 2		Strategy 3	
	Policy Target	Policy Range Relative to Target	Policy Target	Policy Range Relative to Target	Policy Target	Policy Range Relative to Target
Global Equity	57%	+/- 2%	40%	+/- 2%	24%	+/- 2%
Fixed Income	27%	+/- 2%	39%	+/- 2%	39%	+/- 2%
Treasury Inflation-Protected Securities (TIPS)	5%	+/- 2%	10%	+/- 2%	26%	+/- 2%
Commodities	3%	+/- 2%	3%	+/- 2%	3%	+/- 2%
Real Estate Investment Trusts (REITs)	8%	+/- 2%	8%	+/- 2%	8%	+/- 2%
Liquidity	0%	+ 2%	0%	+ 2%	0%	+ 2%
Total	**100%**		**100%**		**100%**	

Upon adoption of significant policy changes, Staff will implement the changes within a reasonable time period.

Target Tracking Error
The Portfolios will be managed in a manner that minimizes any Tracking Error.

Appendix 4
CERBT Fund Policy Document History

Date	Detail
2011-06-15 2011-08-15	Approved by the Policy Subcommittee Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2014-10-13	Approved by the Investment Committee
2016-03-14	Approved by the Investment Committee Previous versions of the California Employers' Retiree Benefit Trust Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project

The CERBT Fund Policy was previously the Annuitants' Healthcare Coverage Fund Policy and Attachment A of the Affiliate Fund Policy. The dates below reflect the revision history of those documents.

Affiliate Fund Policy

Date	Detail
2008-08-18	Approved by the Policy Subcommittee
2008-09-15	Adopted by the Investment Committee
2008-12-15	Revised by the Investment Committee
2009-06-16	Admin changes made due to Policy Review Project
2009-09-28	Admins changes due to adoption of Benchmark Policy

Annuitants' Healthcare Coverage Fund (Policy consolidated into the Affiliate Fund Policy)

Date	Detail
2006-12-15	Approved by the Policy Subcommittee
2006-12-18	Adopted by the Investment Committee
2008-08-18	Repealed by the Policy Subcommittee
2008-09-15	Admin changes made due to Policy Review Project

California Public Employees' Retirement System
Investment Policy for
Public Employees' Health Care Fund

Effective Date **March 14, 2016**
This policy is effective immediately upon adoption and supersedes all previous Public Employees' Health Care Fund policies.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes, and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the Public Employees' Health Care Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Fund.

The Fund was established to fund the self-funded health benefit plans administered by CalPERS that rely upon cash flows from premiums and investment income to fund health benefit payments.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The Fund seeks to provide stability of principal, while avoiding large losses, enhance returns within prudent levels of risk, and maintain liquidity to meet cash needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approaches & Parameters

A. Performance Objective and Benchmark
The benchmark for the Fund is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process
A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Restrictions, Prohibitions and Authorized Securities
Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for Fund investment constraints/limitations.

Glossary of CalPERS Specific Terms

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1. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3
Investment Constraints/Limitations

Fund Asset Class Allocation Targets & Ranges
Effective May 15, 2014

Asset Class	Public Employees' Health Care Fund	
	Policy Target	Policy Range Relative to Target
Fixed Income	100%	+/- 0%
Total Fund	**100%**	

Target Tracking Error
The Fund will be managed in a manner that minimizes any Tracking Error.

Appendix 4
Health Care Fund Policy Document History

Date	Detail
2013-04-15	Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-14	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2016-02-16	Approved by the Investment Committee Reformatted to incorporate Investment Policy Revision Project and Investment Delegation Restructuring Project revisions
2016-03-14	Approved by the Investment Committee Previous versions of the Health Care Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project

California Public Employees' Retirement System
Investment Policy for
Judges' Retirement Fund

Effective Date **March 14, 2016**

This policy is effective immediately upon adoption and supersedes all previous Judges' Retirement Fund policies.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes, and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the Judges' Retirement Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Fund.

The Fund was established under the Judges' Retirement System Law to provide retirement and death benefits for State Supreme and Appellate Court justices, and Superior Court and Municipal Court judges who were appointed or elected before November 9, 1994. The Fund is funded by the State General Fund on a pay-as-you-go basis.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies

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Strategic Objective

The Fund seeks to maintain liquidity to meet operational expenses and benefit payments.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

California Public Employees' Retirement System
Investment Policy for
Judges' Retirement Fund

Investment Approaches & Parameters

A. Performance Objective and Benchmark
The benchmark for the Fund is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process
A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Restrictions, Prohibitions and Authorized Securities
Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for Fund investment constraints/limitations.

Glossary of CalPERS Specific Terms

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
- General Pension Consultant

Investment Office Staff	
Report Content	**Frequency**
1. Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance and risk metrics.	No less than annually
2. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, and Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3
Investment Constraints/Limitations

Fund Asset Class Allocation Targets & Ranges
Effective October 13, 2014

Asset Class	Judges' Retirement Fund	
	Policy Target	Policy Range Relative to Target
Liquidity	100%	+/- 0%
Total Fund	**100%**	

Upon adoption of significant policy changes, Staff will implement the changes within a reasonable time period.

Target Tracking Error
The Fund will be managed in a manner that minimizes any Tracking Error.

Appendix 4
Judges' Retirement Fund Policy Document History

Date	Detail
2013-08-19	Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2014-10-13	Approved by the Investment Committee
2016-02-16	Approved by the Investment Committee Reformatted to incorporate Investment Policy Revision Project and Investment Delegation Restructuring Project revisions
2016-03-14	Approved by the Investment Committee Previous versions of the Judges' Retirement Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project

California Public Employees' Retirement System
Investment Policy for
The Judges' Retirement System II (JRS II) Fund

Effective Date

March 14, 2016
This policy is effective immediately upon adoption and supersedes all previous Judges' Retirement System II (JRS II) Fund policies.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the JRS II Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with the Fund.

The Fund was established in 1994 to create a fully funded actuarially-sound retirement system for Supreme and Appellate Court justices, Superior Court judges, and Municipal Court judges appointed or elected on or after November 9, 1994.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The Fund seeks to achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the Fund's liabilities, while maintaining significant diversification to temper losses from market volatility and ensuring adequate liquidity to meet cash needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approaches & Parameters	A. Performance Objective and Benchmark The benchmark for the Fund is specified in the CalPERS Total Fund Investment Policy benchmark appendix. B. Strategic Asset Allocation Process A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions. C. Restrictions, Prohibitions and Authorized Securities Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds. All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.
Investment Constraints/ Limitations	See Appendix 3 for Fund investment constraints/limitations.
Glossary of CalPERS Specific Terms	***Italicized*** terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.
Policy Document History	See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
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Report Content	**Frequency**
1. Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary.

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, and Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3
Investment Constraints/Limitations

Fund Asset Class Allocation Targets & Ranges
Effective October 13, 2014

Asset Class	JRS II Fund	
	Policy Target	**Policy Range Relative to Target**
Global Equity	50%	+/- 5%
Fixed Income	34%	+/- 5%
Treasury Inflation-Protected Securities (TIPS)	5%	+/- 3%
Commodities	3%	+/- 3%
Real Estate Investment Trusts (REITs)	8%	+/- 5%
Liquidity	0%	+ 2%
Total Fund	**100%**	

Upon adoption of significant policy changes, Staff will implement the changes within a reasonable time period.

Target Tracking Error
The Fund will be managed within a target forecast annual tracking error as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section.

Appendix 4
JRS II Fund Policy Document History

Date	Detail
2011-06-15 2011-08-15	Approved by the Policy Subcommittee Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2014-10-13	Approved by the Investment Committee
2016-03-14	Approved by the Investment Committee Previous versions of the Judges' Retirement System II Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project

The JRS II Fund Policy was previously Attachment B of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

Date	Detail
2008-08-18	Approved by the Policy Subcommittee
2008-09-15	Adopted by the Investment Committee
2008-12-15	Revised by the Investment Committee
2009-06-16	Admin changes made due to Policy Review Project
2009-09-28	Admin changes due to adoption of Benchmark Policy

California Public Employees' Retirement System
Investment Policy for
The Legislators' Retirement System (LRS) Fund

Effective Date **March 14, 2016**
This policy is effective immediately upon adoption and supersedes all previous Legislators' Retirement System (LRS) Fund policies.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' investment beliefs and overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the LRS Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Fund.

The LRS Fund was established by statute to provide retirement benefits to members of the Legislature elected prior to November 7, 1990, elected Constitutional Officers, the Insurance Commissioner, and Legislative Statutory Officers.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The Fund seeks to achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the Fund's liabilities, while maintaining significant diversification to temper losses from market volatility and ensuring adequate liquidity to meet cash needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

California Public Employees' Retirement System
Investment Policy for
The Legislators' Retirement System (LRS) Fund

Investment Approaches & Parameters

A. Performance Objective and Benchmark
The benchmark for the Fund is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process
A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Restrictions, Prohibitions and Authorized Securities
Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for Fund investment constraints/limitations.

Glossary of CalPERS Specific Terms

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
- General Pension Consultant

Investment Office Staff	
Report Content	**Frequency**
1. Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including trading, monitoring, analyzing, selecting and contracting with managers, and evaluating performance relative to the appropriate benchmark.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3
Investment Constraints/Limitations

Fund Asset Class Allocation Targets & Ranges
Effective October 13, 2014

Asset Class	LRS Fund	
	Policy Target	Policy Range Relative to Target
Global Equity	24%	+/- 5%
Fixed Income	39%	+/- 5%
Treasury Inflation-Protected Securities (TIPS)	26%	+/- 3%
Commodities	3%	+/- 3%
Real Estate Investment Trusts (REITs)	8%	+/- 5%
Liquidity	0%	+2%
Total Fund	**100%**	

Upon adoption of significant policy changes, Staff will implement the changes within a reasonable time period.

Target Tracking Error
The Fund will be managed within a target forecast annual tracking error as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section.

Appendix 4
LRS Fund Policy Document History

Date	Detail
2011-06-15 2011-08-15	Approved by the Policy Subcommittee Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2014-10-13	Approved by the Investment Committee
2016-03-14	Approved by the Investment Committee Previous versions of the Legislators' Retirement System Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project

The LRS Fund Policy was previously Attachment C of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

Date	Detail
2008-08-18	Approved by the Policy Subcommittee
2008-09-15	Adopted by the Investment Committee
2008-12-15	Revised by the Investment Committee
2009-06-16	Admin changes made due to Policy Review Project
2009-09-28	Admin changes due to adoption of Benchmark Policy

California Public Employees' Retirement System
Investment Policy for
The Public Employees' Long-Term Care (LTC) Fund

Effective Date **March 14, 2016**
This policy is effective immediately upon adoption and supersedes all previous Long-Term Care (LTC) Fund policies.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' investment beliefs and overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the Public Employees' LTC Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with the Fund.

The Fund was established for the purpose of administering any self-funded long-term care plan developed by the CalPERS Board of Administration (Board) and for recovering the administrative costs of the LTC Program from insurance carriers and premiums. CalPERS LTC Program offers long-term care benefits as an option to members and their families.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The Fund seeks to achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the Fund's liabilities, while maintaining significant diversification to temper losses from market volatility and ensuring adequate liquidity to meet cash needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approaches & Parameters

A. Performance Objective and Benchmark
The benchmark for the Fund is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process
A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Restrictions, Prohibitions and Authorized Securities
Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for Fund investment constraints/limitations.

Glossary of CalPERS Specific Terms

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
- General Pension Consultant

Investment Office Staff	
Report Content	**Frequency**
1. Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting or sooner if deemed necessary

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including monitoring, trading analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3
Investment Constraints/Limitations

Fund Asset Class Allocation Targets & Ranges
Effective June 15, 2015

Asset Class	LTC Fund	
	Policy Target	Policy Range Relative to Target
Global Equity	15%	+/- 4%
U.S. Fixed Income	61%	+/- 5%
Treasury-Inflation Protected Securities (TIPS)	6%	+/- 2%
Commodities	6%	+/- 2%
Real Estate Investment Trusts (REITs)	12%	+/- 4%
Liquidity	0%	+ 2%
Total	**100%**	

Upon adoption of policy changes, Staff will implement the changes within a reasonable time period

Target Tracking Error
The Fund will be managed within a target forecast annual tracking error as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section.

Appendix 4
LTC Fund Policy Document History

Date	Detail
2011-06-15 2011-08-15	Approved by the Policy Subcommittee Adopted by the Investment Committee
2012-05-14	Approved by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-14	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2015-06-15	Approved by the Investment Committee
2016-02-16	Approved by the Investment Committee Reformatted to incorporate Investment Policy Revision Project and Investment Delegation Restructuring Project revisions
2016-03-14	Approved by the Investment Committee Previous versions of the Long-Term Care Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project

The LTC Fund Policy was previously Attachment D of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

Date	Detail
2008-08-18	Approved by the Policy Subcommittee
2008-09-15	Adopted by the Investment Committee
2008-12-15	Revised by the Investment Committee
2009-06-16	Admin changes made due to Policy Review Project
2009-09-28	Admin changes due to adoption of Benchmark Policy

California Public Employees' Retirement System Investment Policy for Supplemental Income Plans (SIP)

Effective Date

March 14, 2016

This policy is effective immediately upon adoption and supersedes all previous Supplemental Income Plans policies including the Supplemental Income Plans CalPERS Target Retirement Date Fund polices.

Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes, and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the CalPERS Supplemental Income Plans (SIP). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Program. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

Under the SIP, CalPERS administers various deferred compensation and defined contribution plans for employees of participating public agencies, schools and the State of California which includes, the CalPERS 457 Deferred Compensation Plan (the 457 Plan), the Placer County 401(k) Plan, and the Supplemental Contributions Program (the SCP), collectively the SIP.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Total Fund Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The SIP objective is to help provide Participants with supplemental income during retirement consistent with the Participants' individual circumstances, goals, time horizons and risk tolerance. For the self-directed plans under the SIP, the Committee intends to accomplish this objective by offering the following three tiers of options:

A. Tier I will include customized Target Retirement Date Funds which are designed for Participants who do not wish to make active asset allocation decisions. The asset allocation of each Target Date Retirement Fund will change over time based on a Participant's expected time frame for entering retirement. In addition to offering Participants an all-in-one solution for retirement investing, these Target Date Retirement Funds will serve as the designated "default" option for investment of contributions by Participants who do not provide affirmative instruction on how to invest their contributions. CalPERS will develop the Target Retirement Date Funds and manage them in accordance with this Policy. Customization of the Target Retirement Date Funds will be based on CalPERS member demographic data, pension retirement income as the primary retirement income source, and average retirement age among all membership classifications.

   The investment options offered in the CalPERS Target Retirement Date Funds will be broadly diversified to minimize the effect of short-term losses within any mix of investments. The objective of these funds, in combination with defined benefit pension income and possibly social security, is to help participants achieve retirement adequacy.

B. Tier II will include a Core fund lineup for Participants who wish to actively design their own asset allocation based on their individual circumstances, goals, time horizons and risk tolerance. The Core funds are intended to offer an appropriate range of investment alternatives with materially different risk and return characteristics, which are style neutral, passively managed and provide exposure to major asset classes that are highly correlated with the market and bear lower fees. The Core investment fund lineup will include the following major asset classes:

   1. U.S. Equity
   2. International Equity
   3. U.S. Short-Term Fixed Income
   4. U.S. Fixed Income
   5. Cash Equivalent
   6. Inflation Hedging/Real Asset

Strategic Objective (continued)

C. Tier III is the Self-directed brokerage window, which is available for employers that contract for this optional plan service. The Self-directed brokerage window, if elected by participating SIP employers, offers Participants a wide array of investment options in addition to the Core menu, if desired. It is generally designed for investors who have investing experience, are comfortable choosing from a wide variety of investments and understand how to research and evaluate a wide variety of investments on their own. The investments available under the Self-directed brokerage window are not endorsed, monitored, or selected by the CalPERS staff or the Committee.

Responsibilities

Details regarding various levels of responsibility for this Program are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approaches & Parameters

A. Performance Objective and Benchmark
The benchmark for the Funds is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process
A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Excessive Short-Term Trading
The overall investment plan and the available individual investment options under the SIP are designed to help Participants achieve their long-term retirement income goals. Excessive short-term or disruptive trading of the funds is counter-productive to the long-term investment design of the SIP. To achieve a balance between the right of individual Participants to self-direct their investments, and the right of all Participants to enjoy appropriate growth of their assets in proportion to the risk they bear and at reasonable cost through investment in prudently managed investment funds, the SIP will employ administrative and procedural measures to restrain the use of excessive short-term or disruptive trading strategies by individual Participants that may occur at the expense of other

Investment Approaches & Parameters (continued)

Participants and result in the dilution of Participant value in the funds.

D. Restrictions, Prohibitions and Authorized Securities
Restrictions, Prohibitions and Authorized Securities of the funds are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for program investment constraints/limitations.

Glossary of CalPERS Specific Terms

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this policy.

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
- General Pension Consultant

Investment Office Staff	
Report Content	**Frequency**
1. Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2. Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary

General Pension Consultant	
Report Content	**Frequency**
1. The Consultant shall monitor, evaluate, and report on the performance of the Program relative to the benchmarks and this policy and other applicable CalPERS Policies.	No less than annually

Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- General Pension Consultant
- External Manager

Investment Committee Responsibilities
1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities
1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Manage the asset class allocations within Policy ranges approved by the Committee, in accordance with Policy guidelines.
3. Where applicable provide asset allocation strategy recommendations to the Committee including selection of asset classes, benchmarks, Policy targets and ranges.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities
1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities
1. Manage the Funds in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Funds.

Appendix 3
Investment Constraints/Limitations

Asset Class Policy Targets and Ranges

The policy asset class targets and permissible ranges for the Target Retirement Date Funds are shown in the glidepath below. Each Fund has asset allocation targets based on an expected retirement year. The Funds' asset allocation targets are adjusted annually by moving each Fund to the asset allocation one row down in the glidepath table.

Target Retirement Date Funds Glidepath

Asset allocations become effective on October 1 of each year

Year	Target Retirement Date Fund	US Equity		International Equity		US Fixed Income		Cash		Real Assets	
		Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
2013	2055	37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2014		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2015		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2016		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2017		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2013	2050	37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2014		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2015		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2016		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2017		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2013	2045	37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2014		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2015		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2016		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2017		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1
2013	2040	36%	+/- 4	42%	+/- 4	11%	+/- 2	1%	+/- 1	10%	+/- 1
2014		35%	+/- 4	41%	+/- 4	13%	+/- 2	2%	+/- 1	9%	+/- 1
2015		34%	+/- 4	40%	+/- 4	14%	+/- 2	3%	+/- 1	9%	+/- 1
2016		33%	+/- 4	39%	+/- 4	16%	+/- 2	4%	+/- 1	8%	+/- 1
2017		32%	+/- 4	37%	+/- 4	17%	+/- 2	6%	+/- 1	8%	+/- 1
2013	2035	31%	+/- 4	36%	+/- 4	18%	+/- 2	7%	+/- 1	8%	+/- 1
2014		30%	+/- 4	35%	+/- 4	20%	+/- 4	8%	+/- 1	7%	+/- 1
2015		29%	+/- 4	34%	+/- 4	21%	+/- 4	9%	+/- 1	7%	+/- 1
2016		28%	+/- 4	33%	+/- 4	23%	+/- 4	10%	+/- 1	6%	+/- 1
2017		27%	+/- 4	32%	+/- 4	24%	+/- 4	11%	+/- 2	6%	+/- 1
2013	2030	26%	+/- 4	31%	+/- 4	25%	+/- 4	12%	+/- 2	6%	+/- 1
2014		25%	+/- 4	30%	+/- 4	27%	+/- 4	13%	+/- 2	5%	+/- 1
2015		24%	+/- 4	28%	+/- 4	29%	+/- 4	14%	+/- 2	5%	+/- 1
2016		23%	+/- 4	27%	+/- 4	30%	+/- 4	15%	+/- 2	5%	+/- 1
2017		22%	+/- 4	26%	+/- 4	31%	+/- 4	17%	+/- 2	4%	+/- 1
2013	2025	21%	+/- 4	25%	+/- 4	32%	+/- 4	18%	+/- 2	4%	+/- 1
2014		20%	+/- 2	24%	+/- 4	34%	+/- 4	19%	+/- 2	3%	+/- 1
2015		19%	+/- 2	23%	+/- 4	35%	+/- 4	20%	+/- 2	3%	+/- 1
2016		18%	+/- 2	22%	+/- 4	37%	+/- 4	21%	+/- 4	2%	+/- 1
2017		18%	+/- 2	20%	+/- 4	38%	+/- 4	22%	+/- 4	2%	+/- 1
2013	2020	17%	+/- 2	19%	+/- 2	39%	+/- 4	23%	+/- 4	2%	+/- 1
2014		15%	+/- 2	17%	+/- 2	42%	+/- 4	25%	+/- 4	1%	+/- 1
2015		13%	+/- 2	15%	+/- 2	45%	+/- 4	26%	+/- 4	1%	+/- 1
2016		12%	+/- 2	14%	+/- 2	46%	+/- 4	27%	+/- 4	1%	+/- 1
2017		11%	+/- 2	13%	+/- 2	48%	+/- 4	28%	+/- 4	0%	
2013	2015	10%	+/- 2	12%	+/- 2	49%	+/- 4	29%	+/- 4	0%	
2014		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2015		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2016		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2017		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	

California Public Employees' Retirement System
Supplemental Income Plans (SIP) Policy Appendices

Target Retirement Date Funds Glidepath (continued)

Asset allocations become effective on October 1 of each year

Year	Target Retirement Date Fund	US Equity		International Equity		US Fixed Income		Cash		Real Assets	
		Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
2013	2010 (Income)	9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2014		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2015		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2016		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	
2017		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%	

Upon adoption of significant policy changes, staff will implement the changes within a reasonable time period.

Appendix 4
SIP Policy Document History

Date	Detail
2007-10-12 2007-12-17	Approved by the Policy Subcommittee Adopted by the Investment Committee
2008-12-15 2009-02-17	Revised by the Policy Subcommittee Approved by the Investment Committee
2009-06-16	Administrative changes made due to Policy Review Project
2009-09-29	Administrative changes due to adoption of Benchmark Policy
2012-08-13	Approved by the Investment Committee
2013-06-17	Approved by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2015-04-14	Administrative changes to reflect closure of the State Peace Officers & Firefighters (POFF) Fund
2016-03-14	Approved by the Investment Committee The Supplemental Income Plans Policy was reformatted to align with investment policy updates that were incorporated during the Investment Policy Revision Project. The SIP CalPERS Target Retirement Date Funds Policy was merged into the Supplemental Income Plans Policy and the stand alone Target Retirement Date Funds Policy was repealed.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT) FUND

October 13, 2014

This policy is effective immediately upon adoption and supersedes all previous policies governing the Annuitants' Healthcare Coverage Fund, also known as the California Employers' Retiree Benefit Trust (CERBT) Fund.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the policy portfolios ("Portfolios") of the California Employers' Retiree Benefit Trust ("CERBT"). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Portfolios. Additionally, use of this Policy ensures sufficient flexibility in managing investment risks and returns associated with the CERBT.

The CERBT was established March 1, 2007 for public employers to prefund their retiree health and other post-employment benefit obligations. The CERBT is currently known in statute as the Annuitants' Healthcare Coverage Fund. There are three separate Portfolios ("Strategy 1", "Strategy 2", and "Strategy 3") for the CERBT, which provide employers a choice of asset allocation strategies.

II. STRATEGIC OBJECTIVE

Each of the CERBT Portfolios shall be managed to accomplish the following:

A. Offer to employers a distinct investment alternative.

B. Invest in an asset allocation mix with targets and ranges based on a periodic asset liability management review.

C. Maintain significant diversification to temper losses from market volatility.

D. Ensure that the asset class policy ranges approved by the Committee are adhered to, and that any rebalancing is performed efficiently and prudently.

E. Maintain adequate liquidity to meet cash needs.

III. RESPONSIBILITIES

A. In addition to the Committee's responsibilities outlined in the Total Fund Statement of Investment Policy, the Committee is also responsible for approving asset classes for investment and approving a policy target allocation, permissible range, and benchmark for each asset class.

B. CalPERS Investment Staff ("Staff") is responsible for the following:

1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.

2. Providing individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.

3. Managing the asset class allocations of the Portfolios within Policy ranges approved by the Committee, in accordance with Policy guidelines.

4. Creating internally managed funds and soliciting externally managed funds to be used in the composition of the Portfolios.

5. Identifying opportunities and making recommendations to the Committee consistent with pertinent delegations.

6. Reporting to the Committee no less than annually concerning the implementation of this Policy. This report shall include, but is not limited to, the current market value and asset class allocations compared to the Policy targets and ranges.

7. Monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of Guidelines and Policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

C. The ***General Pension Consultant*** ("Consultant") is responsible for monitoring, evaluating, and reporting to the Committee no less than annually on the three CERBT Portfolios' performance relative to the benchmark and Policy.

D. ***External Managers*** ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and shall fulfill the following duties:

1. Communicate with CalPERS staff, as needed, regarding investment strategies and investment results.

2. Monitor, analyze, and evaluate performance relative to the agreed-upon benchmark.

3. Cooperate fully with CalPERS staff, Custodian and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

A. The benchmark for the CERBT is specified in the Benchmarks Policy.

B. CalPERS shall invest the assets of each of the CERBT Portfolios to meet or exceed the individualized benchmark designated in the Policy.

V. INVESTMENT APPROACHES AND PARAMETERS

A. Philosophy and Approach

The CERBT Portfolios shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section V.C. Strategic Asset Allocation Process.

C. Fund Structure/Parameters

Staff shall manage the Portfolios in accordance with the approved strategic asset allocation. CalPERS Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAV's) for each asset class.

D. Policy Asset Class Allocation Targets and Ranges

The Committee shall approve Policy asset class allocation targets and ranges expressed as a percentage of total assets. The Committee shall set Policy ranges sufficiently wide to permit efficient and flexible implementation, yet sufficiently narrow to maintain the basic risk and return relationship established by the allocation targets.

There are three separate CERBT Portfolios ("Strategy 1", "Strategy 2", and "Strategy 3"). Levels of expected return and risk vary among the Portfolios. The Policy asset class allocation targets and permissible ranges are as follows:

Asset Class	**Strategy 1**		**Strategy 2**		**Strategy 3**	
	Policy Target	**Policy Range Relative to Target**	**Policy Target**	**Policy Range Relative to Target**	**Policy Target**	**Policy Range Relative to Target**
Global Equity	57%	+/- 2%	40%	+/- 2%	24%	+/- 2%
Fixed Income	27%	+/- 2%	39%	+/- 2%	39%	+/- 2%
Treasury Inflation-Protected Securities (TIPS)	5%	+/- 2%	10%	+/- 2%	26%	+/- 2%
Commodities	3%	+/- 2%	3%	+/- 2%	3%	+/- 2%
Real Estate Investment Trusts (REITs)	8%	+/- 2%	8%	+/- 2%	8%	+/- 2%
Liquidity	0%	+ 2%	0%	+ 2%	0%	+ 2%
Total	100%		100%		100%	

E. Rebalancing

Adherence to the Policy asset class allocation targets and ranges shall be monitored and reported to the Committee no less than annually. This report shall display a comparison between the Portfolios' asset class allocations and the Policy asset class allocation targets and ranges. The report shall also compare the investment performance results of each asset class and the benchmark returns.

Asset class allocations shall be managed to be within Policy ranges. Allocations may temporarily deviate from Policy ranges due to employer contributions/distributions and/or extreme market volatility and will be reported as set forth above. If an asset class allocation exceeds the Policy range, staff shall return the asset class allocation to within its Policy range in a timely manner, with the exact time period primarily dependent on transaction costs and liquidity.

Changes in asset class allocations may be achieved by the movement of capital between asset classes through the trading of pooled funds or through the use of derivatives. The intent is for asset class allocations to be actively managed rather than being allowed to passively drift with recent relative asset class returns.

F. Target Tracking Error

The CERBT Portfolios will be managed in a manner which minimizes any Tracking Error.

G. Restrictions, Prohibitions and Authorized Securities

Restrictions, Prohibitions and Authorized Securities of the CERBT are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the Global Derivatives and Counterparty Risk Policy.

VI. CALCULATIONS AND COMPUTATIONS

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

VII. GLOSSARY OF CALPERS-SPECIFIC TERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

California Employers' Retiree Benefit Trust

Approved by the Policy Subcommittee Adopted by the Investment Committee	June 15, 2011 August 15, 2011
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014
Approved by the Investment Committee	October 13, 2014

The California Employers' Retiree Benefit Trust was previously the Annuitants' Healthcare Coverage Fund and Attachment A of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

<u>Affiliate Fund Policy</u>

Approved by the Policy Subcommittee:	August 18, 2008
Adopted by the Investment Committee:	September 15, 2008
Revised by the Investment Committee:	December 15, 2008
Admin changes made due to Policy Review Project:	June 16, 2009
Admins changes due to adoption of Benchmark Policy:	September 28, 2009

<u>Annuitants' Healthcare Coverage Fund (Policy consolidated into the Affiliate Fund Policy)</u>

Approved by the Policy Subcommittee:	December 15, 2006
Adopted by the Investment Committee:	December 18, 2006
Repealed by the Policy Subcommittee:	August 18, 2008
Repealed by the Investment Committee:	September 15, 2008

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
PUBLIC EMPLOYEES' HEALTH CARE FUND

May 15, 2014

This policy is effective immediately upon adoption and supersedes all previous Public Employees' Health Care Fund policies.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the Public Employees' Health Care Fund ("Health Care Fund"). The Health Care Fund was established to fund the self-funded health benefit plans administered by CalPERS that rely upon cash flows from premiums and investment income to fund health benefit payments. The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Health Care Fund. Additionally, use of this policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

II. STRATEGIC OBJECTIVE

The Health Care Fund shall be managed to accomplish the following:

A. Provide stability of principal, while avoiding large losses.

B. Enhance returns within prudent levels of risk.

C. Maintain liquidity to meet cash needs.

III. RESPONSIBILITIES

A. CalPERS Investment Staff ("Staff") is responsible for the following:

1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmarks.

2. Reporting internally to the Committee no less than annually concerning the implementation of this Policy.

3. Overseeing ***external managers*** secured to provide investment services for the Health Care Fund.

4. Creating internally-managed funds and soliciting externally-managed funds or asset allocation services to be used in the composition of the Health Care Fund.

5. Monitoring the implementation of and compliance with Policy. Staff shall report concerns, problems, material changes, and all violations of guidelines and policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

B. CalPERS Health Staff is responsible for providing guidance for the strategic objective of the Health Care Fund.

C. The ***General Pension Consultant*** ("Consultant") is responsible for monitoring, evaluating, and no less than annually reporting to the Committee on the Health Care Fund's performance relative to the benchmark and Policy.

D. External Managers ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and may fulfill the following duties:

1. Communicate with CalPERS staff, as needed, regarding investment strategies and investment results.

2. Monitor, analyze, and evaluate performance relative to the agreed upon benchmark.

3. Cooperate fully with CalPERS staff, Custodian, and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

A. The benchmark for the Health Care Fund is specified in the Benchmarks Policy.

B. The fund will be invested to meet the returns of its benchmark by investing primarily in investment grade debt instruments.

V. INVESTMENT APPROACHES AND PARAMETERS

A. Philosophy and Approach

The Health Care Fund shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

A comprehensive asset allocation strategy analysis shall be completed at least once every three years and will be presented to the Committee for review and approval of the Policy target asset allocations. The Chief Investment Officer ("CIO") may recommend a more frequent analysis if expected returns, risks or liability values have substantially changed since the prior analysis. The CIO may also recommend to the Committee changes in the Policy asset allocation targets.

C. Fund Structure

When Health Care Fund is invested with other CalPERS administered trust assets, the Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAV's) for the Health Care Fund.

D. Restrictions, Prohibitions and Authorized Securities

Restrictions, prohibitions and authorized securities of the Health Care Fund are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the Global Derivatives and Counterparty Risk Policy.

VI. CALCULATIONS AND COMPUTATIONS

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

VII. GLOSSARY OF CALPERS-SPECIFIC TERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms

Public Employees' Health Care Fund

Adopted by the Investment Committee	April 15, 2013
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
JUDGES' RETIREMENT FUND

October 13, 2014

This policy is effective immediately upon adoption and supersedes all previous Judges' Retirement Fund policies.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the Judges' Retirement Fund. The Judges' Retirement Fund was established under the Judges' Retirement System Law to provide retirement and death benefits for State Supreme and Appellate Court justices, and Superior Court and Municipal Court judges who were appointed or elected before November 9, 1994. The Judges' Retirement Fund is funded by the State General Fund on a pay-as-you-go basis.

The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Judges' Retirement Fund. Additionally, use of this policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

II. STRATEGIC OBJECTIVE

The Judges' Retirement Fund shall be managed to accomplish the following:

A. Maintain liquidity to meet operational expenses and benefit payments.

III. RESPONSIBILITIES

A. CalPERS Investment Staff ("Staff") is responsible for the following:

1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmarks.

2. Reporting to the Committee no less than annually concerning the implementation of this Policy.

3. Overseeing ***external managers*** secured to provide investment services for the Judges' Retirement Fund.

4. Creating internally-managed funds and soliciting externally-managed funds for the Judges' Retirement Fund.

5. Monitoring the implementation of and compliance with Policy. Staff shall report concerns, problems, material changes, and all violations of guidelines and policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

B. External Managers ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and may fulfill the following duties:

1. Communicate with CalPERS Staff, as needed, regarding investment strategies and investment results.

2. Monitor, analyze, and evaluate performance relative to the agreed upon benchmark.

3. Cooperate fully with CalPERS Staff, Custodian, and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

A. The benchmark for the Judges' Retirement Fund is specified in the Benchmarks Policy.

B. The fund will be invested to provide sufficient liquidity for operational expenses and benefit payments.

V. INVESTMENT APPROACHES AND PARAMETERS

A. Philosophy and Approach

The Judges' Retirement Fund shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

To the extent that the Judges' Retirement Fund contributions are used to pay benefits only and not to pre-fund liabilities, a comprehensive Asset Allocation Strategy analysis is not applicable or required. If the Judges' Retirement Fund begins to pre-fund future liabilities, then a comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section V.C. Strategic Asset Allocation Process.

C. Fund Structure

When the Judges' Retirement Fund is invested with other CalPERS administered trust assets, the Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAVs) for the Judges' Retirement Fund.

D. Policy Asset Class Allocation Targets and Ranges

The Committee shall approve Policy asset class allocation targets and ranges expressed as a percentage of total assets. The Judges' Retirement Fund Policy asset class allocation targets and permissible ranges are as follows:

	Judges' Retirement Fund	
Asset Class	**Policy Target**	**Policy Range Relative to Target**
Liquidity	100%	+/- 0%
Total Fund	**100%**	

E. Rebalancing

Since the entire portfolio is invested in the Liquidity asset class, no rebalancing will be required to maintain the 100% Liquidity allocation.

F. Target Tracking Error

The Judges' Retirement Fund will be managed in a manner which minimizes any Tracking Error.

G. Restrictions, Prohibitions and Authorized Securities

Restrictions, prohibitions and authorized securities of the Judges' Retirement Fund are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the Global Derivatives and Counterparty Risk Policy.

VI. CALCULATIONS AND COMPUTATIONS

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

VII. GLOSSARY OF CALPERS SPECIFIC TERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Adopted by the Investment Committee	August 19, 2013
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014
Approved by the Investment Committee	October 13, 2014

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
THE JUDGES' RETIREMENT SYSTEM II (JRS II) FUND

October 13, 2014

This policy is effective immediately upon adoption and supersedes all previous Judges' Retirement System II ("JRS II") Fund policies.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the JRS II Fund. The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the JRS II Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with the JRS II Fund.

The JRS II Fund was established in 1994 to create a fully funded actuarially-sound retirement system for Supreme and Appellate Court justices, Superior Court judges, and Municipal Court judges appointed or elected on or after November 9, 1994.

II. STRATEGIC OBJECTIVE

The JRS II Fund shall be managed to accomplish the following:

A. Invest in an asset allocation mix with targets and ranges based on a periodic asset liability management review.

B. Achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the JRS II Fund's liabilities.

C. Maintain significant diversification to temper losses from market volatility.

D. Ensure that the asset class policy ranges approved by the Committee are adhered to, and that any rebalancing is performed efficiently and prudently.

E. Maintain adequate liquidity to meet cash needs.

III. RESPONSIBILITIES

A. In addition to the Committee's responsibilities outlined in the Total Fund Statement of Investment Policy, the Committee is also responsible for approving asset classes for investment and approving a policy target allocation, permissible range, and benchmark for each asset class.

B. CalPERS Investment Staff ("Staff") is responsible for the following:

1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.

2. Providing individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.

3. Managing the asset class allocations of the JRS II Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.

4. Creating internally managed funds and soliciting externally managed funds to be used in the composition of the JRS II Fund.

5. Identifying opportunities and making recommendations to the Committee consistent with pertinent delegations.

6. Reporting to the Committee no less than annually concerning the implementation of this Policy. This report shall include, but is not limited to, the current market value and asset class allocations compared to the Policy targets and ranges.

7. Monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of Guidelines and Policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

C. The ***General Pension Consultant*** ("Consultant") is responsible for monitoring, evaluating, and no less than annually reporting to the Committee on the JRS II Fund performance relative to the benchmark and Policy.

D. ***External Managers*** ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and shall fulfill the following duties:

1. Communicate with CalPERS staff, as needed, regarding investment strategies and investment results.

2. Monitor, analyze, and evaluate performance relative to the agreed-upon benchmark.

3. Cooperate fully with CalPERS staff, Custodian, and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

A. The benchmark for the JRS II Fund is specified in the Benchmarks Policy.

B. CalPERS shall invest the assets of the JRS II Fund to meet or exceed the actuarial rate over the long-term.

V. INVESTMENT APPROACHES AND PARAMETERS

A. Philosophy and Approach

The JRS II Fund shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section V.C. Strategic Asset Allocation Process.

C. Fund Structure/Parameters

Staff shall manage the JRS II Fund in accordance with the approved strategic asset allocation. CalPERS Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAVs) for each asset class.

D. Policy Asset Class Allocation Targets and Ranges

The Committee shall approve Policy asset class allocation targets and ranges expressed as a percentage of total assets. The Committee shall set Policy ranges sufficiently wide to permit efficient and flexible implementation, yet sufficiently narrow to maintain the basic risk and return relationship established by the allocation targets.

The JRS II Fund Policy asset class allocation targets and permissible ranges are as follows:

	JRS II Fund	
Asset Class	**Policy Target**	**Policy Range Relative to Target**
Global Equity	50%	+/- 5%
Fixed Income	34%	+/- 5%
Treasury Inflation-Protected Securities (TIPS)	5%	+/- 3%
Commodities	3%	+/- 3%
Real Estate Investment Trusts (REITs)	8%	+/- 5%
Liquidity	0%	+ 2%
Total Fund	**100%**	

E. Rebalancing

Adherence to the Policy asset class allocation targets and ranges shall be monitored and reported to the Committee no less than annually. This report shall display a comparison between the JRS II Fund asset class allocations and the Policy asset class allocation targets and ranges. The report shall also compare the investment performance results of each asset class and the benchmark returns.

Asset class allocations shall be managed to be within Policy ranges. Allocations may temporarily deviate from Policy ranges due to extreme market volatility and will be reported as set forth above. If an asset class allocation exceeds the Policy range, staff shall return the asset allocation to within its Policy range in a timely manner, with the exact time period primarily dependent on transaction costs and liquidity.

Changes in asset class allocations may be achieved by the movement of capital between asset classes through the trading of pooled funds or through the use of derivatives. The intent is for asset class allocations to be actively managed rather than being allowed to passively drift with recent relative asset class returns.

F. Target Tracking Error

The JRS II Fund will be managed within a target forecast annual tracking error as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section VI.F. Target Tracking Error.

G. Restrictions, Prohibitions and Authorized Securities

Restrictions, Prohibitions and Authorized Securities of the JRS II Fund are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the Global Derivatives and Counterparty Risk Policy.

VI. CALCULATIONS AND COMPUTATIONS

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

VI. GLOSSARY OF CALPERS-SPECIFICTERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Judges' Retirement System II

Approved by the Policy Subcommittee Adopted by the Investment Committee	June 15, 2011 August 15, 2011
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Project Update	May 15, 2014
Approved by the Investment Committee	October 13, 2014

The Judges' Retirement System II was previously Attachment B of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

Affiliate Fund Policy

Approved by the Policy Subcommittee:	August 18, 2008
Adopted by the Investment Committee:	September 15, 2008
Revised by the Investment Committee:	December 15, 2008
Admin changes made due to Policy Review Project:	June 16, 2009
Admin changes due to adoption of Benchmark Policy:	September 28, 2009

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
THE LEGISLATORS' RETIREMENT SYSTEM (LRS) FUND

October 13, 2014

This policy is effective immediately upon adoption and supersedes all previous Legislators' Retirement System ("LRS") Fund policies.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the LRS Fund. The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the LRS Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with the LRS Fund.

The Legislators' Retirement System was established by statute to provide retirement benefits to members of the Legislature elected prior to November 7, 1990, elected Constitutional Officers, the Insurance Commissioner, and Legislative Statutory Officers.

II. STRATEGIC OBJECTIVE

The LRS Fund shall be managed to accomplish the following:

A. Invest in an asset allocation mix with targets and ranges based on a periodic asset liability management review.

B. Achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the LRS Fund's liabilities.

C. Maintain significant diversification to temper losses from market volatility.

D. Ensure that the asset class policy ranges approved by the Committee are adhered to, and that any rebalancing is performed efficiently and prudently.

E. Maintain adequate liquidity to meet cash needs.

III. RESPONSIBILITIES

A. In addition to the Committee's responsibilities outlined in the Total Fund Statement of Investment Policy, the Committee is also responsible for approving asset classes for investment and approving a policy target allocation, permissible range, and benchmark for each asset class.

B. CalPERS Investment Staff ("Staff") is responsible for the following:

1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.

2. Providing individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.

3. Managing the asset class allocations of the LRS Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.

4. Creating internally managed funds and soliciting externally managed funds to be used in the composition of the LRS Fund.

5. Identifying opportunities and making recommendations to the Committee consistent with pertinent delegations.

6. Reporting to the Committee no less than annually concerning the implementation of this Policy. This report shall include, but is not limited to, the current market value and asset class allocations compared to the Policy targets and ranges.

7. Monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of Guidelines and Policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

C. The ***General Pension Consultant*** ("Consultant") is responsible for monitoring, evaluating, and reporting no less than annually to the Committee on the LRS Fund performance relative to the benchmark and Policy.

D. ***External Managers*** ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and shall fulfill the following duties:

1. Communicate with CalPERS staff, as needed, regarding investment strategies and investment results.

2. Monitor, analyze, and evaluate performance relative to the agreed-upon benchmark.

3. Cooperate fully with CalPERS staff, Custodian, and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

A. The benchmark for the LRS Fund is specified in the Benchmarks Policy.

B. CalPERS shall invest the assets of the LRS Fund to meet or exceed the actuarial rate over the long-term.

V. INVESTMENT APPROACHES AND PARAMETERS

A. Philosophy and Approach

The LRS Fund shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section V.C. Strategic Asset Allocation Process.

C. Fund Structure/Parameters

Staff shall manage the LRS Fund in accordance with the approved strategic asset allocation. CalPERS Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAVs) for each asset class.

D. Policy Asset Class Allocation Targets and Ranges

The Committee shall approve Policy asset class allocation targets and ranges expressed as a percentage of total assets. The Committee shall set Policy ranges sufficiently wide to permit efficient and flexible implementation, yet sufficiently narrow to maintain the basic risk and return relationship established by the allocation targets.

The LRS Fund Policy asset class allocation targets and permissible ranges are as follows:

	LRS Fund	
Asset Class	**Policy Target**	**Policy Range Relative to Target**
Global Equity	24%	+/- 5%
Fixed Income	39%	+/- 5%
Treasury Inflation-Protected Securities (TIPS)	26%	+/- 3%
Commodities	3%	+/- 3%
Real Estate Investment Trusts (REITs)	8%	+/- 5%
Liquidity	0%	+2%
Total Fund	**100%**	

E. Rebalancing

Adherence to the Policy asset class allocation targets and ranges shall be monitored and reported to the Committee no less than annually. This report shall display a comparison between the LRS Fund asset class allocations and the Policy asset class allocation targets and ranges. The report shall also compare the investment performance results of each asset class and the benchmark returns.

Asset class allocations shall be managed to be within Policy ranges. Allocations may temporarily deviate from Policy ranges due to extreme market volatility and will be reported as set forth above. If an asset class allocation exceeds the Policy range, staff shall return the asset allocation to within its Policy range in a timely manner, with the exact time period primarily dependent on transaction costs and liquidity.

Changes in asset class allocations may be achieved by the movement of capital between asset classes through the trading of pooled funds or through the use of derivatives. The intent is for asset class allocations to be actively managed rather than being allowed to passively drift with recent relative asset class returns.

F. Target Tracking Error

The LRS Fund will be managed within a target forecast annual tracking error as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section VI.F. Target Tracking Error.

G. Restrictions, Prohibitions and Authorized Securities

Restrictions, Prohibitions and Authorized Securities of the LRS Fund are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the Global Derivatives and Counterparty Risk Policy.

VI. CALCULATIONS AND COMPUTATIONS

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

VII. GLOSSARY OF CALPERS-SPECIFIC TERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Legislators' Retirement System

Approved by the Policy Subcommittee	June 15, 2011
Adopted by the Investment Committee	August 15, 2011
Admin changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013

Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014
Approved by the Investment Committee	October 13, 2014

The Legislators' Retirement System was previously Attachment C of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

<u>Affiliate Fund Policy</u>

Approved by the Policy Subcommittee:	August 18, 2008
Adopted by the Investment Committee:	September 15, 2008
Revised by the Investment Committee:	December 15, 2008
Admin changes made due to Policy Review Project:	June 16, 2009
Admin changes due to adoption of Benchmark Policy:	September 28, 2009

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
THE LONG-TERM CARE (LTC) FUND

June 15, 2015

This policy is effective immediately upon adoption and supersedes all previous Long-Term Care ("LTC") Fund policies.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Total Fund Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), sets forth CalPERS overarching investment beliefs, purposes, and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the LTC Fund. The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the LTC Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with the LTC Fund.

CalPERS Long-Term Care Program ("Program") offers long-term care benefits as an option to members. It is not a public employer provided benefit and is entirely funded by enrollee premiums. The Long-Term Care Fund was established to administer and finance the Program, which is directed by CalPERS Board of Administration ("Board").

II. STRATEGIC OBJECTIVE

The LTC Fund shall be managed to accomplish the following:

A. Invest in an asset allocation mix with targets and ranges based on a periodic asset liability management review.

B. Achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the LTC Fund's liabilities.

C. Maintain significant diversification to temper losses from market volatility.

D. Ensure that the asset class policy ranges approved by the Committee are adhered to, and that any rebalancing is performed efficiently and prudently.

E. Maintain adequate liquidity to meet cash needs.

III. RESPONSIBILITIES

A. In addition to the Committee's responsibilities outlined in the CalPERS Total Fund Investment Policy, the Committee is also responsible for approving asset classes for investment and approving a policy target allocation, permissible range, and benchmark for each asset class.

B. CalPERS investment staff is responsible for the following:

1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.

2. Providing individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.

3. Managing the asset class allocations of the LTC Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.

4. Creating internally managed funds and soliciting externally managed funds or asset allocation services to be used in the composition of the LTC Fund.

5. Overseeing ***external managers*** secured to provide investment or asset allocation services for the LTC Fund.

6. Identifying opportunities and making recommendations to the Committee consistent with pertinent delegations.

7. Reporting to the Committee no less than annually concerning the implementation of this Policy. This report shall include, but is not limited to, the current market value and asset class allocations compared to the Policy targets and ranges.

8. Monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of Guidelines and Policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

C. The ***General Pension Consultant*** ("Consultant") is responsible for monitoring, evaluating, and reporting to the Committee no less than annually on the LTC Fund performance relative to the benchmark and Policy.

D. External Managers ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and shall fulfill the following duties:

1. Communicate with CalPERS staff, as needed, regarding investment strategies and investment results.

2. Manage the asset class allocations of the LTC Fund within Policy ranges approved by the Committee.

3. Monitor, analyze, and evaluate performance relative to the agreed-upon benchmark.

4. Cooperate fully with CalPERS staff, Custodian, and Consultant concerning requests for information.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

The benchmark for the LTC Fund is specified in the CalPERS Total Fund Investment Policy, Appendix 5, Investment Benchmarks Tables.

V. INVESTMENT APPROACHES AND PARAMETERS

A. Philosophy and Approach

The LTC Fund shall be managed in accordance with the CalPERS Total Fund Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

B. Strategic Asset Allocation Process

A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Section II, Asset Allocation Strategy and Appendix 1, Reporting to the Investment Committee, Investment Office Staff – Asset Allocation. As further described in CalPERS Total Fund Investment Policy in Section II, Asset Allocation Strategy, Investment Approaches & Parameters, Implementation, Item B, the schedule may be altered to accommodate pending Board actions.

C. Fund Structure/Parameters

Staff shall manage the LTC Fund in accordance with the approved strategic asset allocation. CalPERS may employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAV's) for each asset class.

D. Policy Asset Class Allocation Targets and Ranges

The Committee shall approve Policy asset class allocation targets and ranges expressed as a percentage of total assets. The Committee shall set Policy ranges sufficiently wide to permit efficient and flexible implementation, yet sufficiently narrow to maintain the basic risk and return relationship established by the allocation targets.

The Statement of Investment Policy for the LTC Fund asset class allocation targets and permissible ranges are as follows:

Asset Class	**LTC Fund**	
	Policy Target	**Policy Range Relative to Target**
Global Equity	15%	+/- 4%
U.S. Fixed Income	61%	+/- 5%
Treasury-Inflation Protected Securities (TIPS)	6%	+/- 2%
Commodities	6%	+/- 2%
Real Estate Investment Trusts (REITs)	12%	+/- 4%
Liquidity	0%	+ 2%
Total	100%	

E. Rebalancing and Policy Changes

Adherence to the Policy asset class allocation targets and ranges shall be monitored by staff. Compliance with asset class allocation targets and ranges along with investment performance results will be reported to the Committee no less than annually.

Asset class allocations shall be managed to be within Policy ranges. Allocations may temporarily deviate from Policy ranges due to extreme market volatility and will be reported as set forth above. If an asset class allocation exceeds the Policy range, staff shall return the asset class allocation to within its Policy range in a timely manner, with the exact time period primarily dependent on transaction costs and liquidity.

Changes in asset class allocations may be achieved by the movement of capital between asset classes through the trading of pooled funds or through the use of derivatives. The intent is for asset class allocations to be actively managed rather than being allowed to passively drift with recent relative asset class returns. Upon adoption of significant policy changes, a reasonable time period will be allowed to transition to the new asset class allocations.

F. Target Tracking Error

The LTC Fund will be managed within a target forecast annual tracking error as described in the CalPERS Total Fund Investment Policy, Section II. Asset Allocation Strategy, Investment Approaches & Parameters, Implementation, Item G, Target Tracking Error.

G. Restrictions, Prohibitions and Authorized Securities

Restrictions, Prohibitions and Authorized Securities of the LTC Fund are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Section V, Global Derivatives and Counterparty Risk.

VI. CALCULATIONS AND COMPUTATIONS

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

VII. GLOSSARY OF CALPERS-SPECIFICTERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms

Long-Term Care	
Approved by the Policy Subcommittee Adopted by the Investment Committee	June 15, 2011 August 15, 2011
Approved by the Investment Committee	May 14, 2012
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to “no less than annually”	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014
Approved by the Investment Committee	June 15, 2015

The Long-Term Care Fund was previously Attachment D of the Affiliate Fund Policy. The dates below reflect the revision history of the Affiliate Fund Policy:

<u>Affiliate Fund Policy</u>

Approved by the Policy Subcommittee:	August 18, 2008
Adopted by the Investment Committee:	September 15, 2008
Revised by the Investment Committee:	December 15, 2008
Admin changes made due to Policy Review Project:	June 16, 2009
Admin changes due to adoption of Benchmark Policy:	September 28, 2009

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
SUPPLEMENTAL INCOME PLANS

April 14, 2015

This policy is effective immediately upon adoption and supersedes all previous Supplemental Income Plans policies.

I. PURPOSE

The California Public Employee's Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the CalPERS Supplemental Income Plans ("SIP" or "the SIP") and guidelines for the business needs and legal requirements applicable to the SIP program. Under the SIP, CalPERS administers various deferred compensation and defined contribution plans for employees of participating public agencies, schools and the State of California.[1] The Policy provides criteria against which results will be measured, and serves as a review document to guide ongoing operations and oversight. The Policy is also intended to ensure the Committee is fulfilling its fiduciary responsibilities in the management of the SIP.

The Committee intends this Policy to be a dynamic document and will review it from time to time. The Policy will be modified periodically to reflect the changing nature of the SIP. In addition, the Committee has delegated to the CalPERS Staff certain authority that pertains to the ongoing management and administration of the SIP.

All of CalPERS SIP investment activities are designed and executed in order to serve the best interests of the Participants and beneficiaries of the SIP. All transactions will be for the sole economic benefit of CalPERS SIP Participants and beneficiaries and for the sole purpose of providing benefits to them.

[1] As of July 1, 2012, the Customer Services and Support Branch administers the CalPERS 457 Deferred Compensation Plan (the "457 Plan"), the Placer County 401(k) Plan, and the Supplemental Contributions Program (the "SCP"), collectively the "SIP".

The purpose of this Policy is to provide assurance to Participants that managers, consultants, and other entities selected by CalPERS take prudent and careful action while administering and managing the SIP. Under the SIP, Participants have an efficient and convenient method of setting aside and accumulating supplemental retirement savings over their period of employment. Overall investment plan and available individual investment options under the SIP will be designed to help Participants achieve their long-term retirement income goals by providing a diversified range of alternatives with materially different risk and return characteristics. Since SIP Participants' needs represent a wide range of investment time horizons, risk tolerances and return expectations, an appropriate range of investment options will be available while avoiding an overly complex fund line-up that might confuse the average Participant.

II. STRATEGIC OBJECTIVE

The SIP objective is to help provide Participants with supplemental income during retirement consistent with the Participants' individual circumstances, goals, time horizons and risk tolerance. For the self-directed plans under the SIP, the Committee intends to accomplish this objective by offering the following three tiers of options:

A. Tier I will include customized Target Retirement Date Funds which are designed for Participants who do not wish to make active asset allocation decisions. The asset allocation of each Target Date Retirement Fund will change over time based on a Participant's expected time frame for entering retirement. In addition to offering Participants an all-in-one solution for retirement investing, these Target Date Retirement Funds will serve as the designated "default" option for investment of contributions by Participants who do not provide affirmative instruction on how to invest their contributions. CalPERS will develop the Target Retirement Date Funds and manage them in accordance with the Supplemental Income Plans Target Retirement Date Funds Policy. Customization of the Target Retirement Date Funds will be based on CalPERS member demographic data, pension retirement income as the primary retirement income source, and average retirement age among all membership classifications.

B. Tier II will include a Core fund lineup for Participants who wish to actively design their own asset allocation based on their individual circumstances, goals, time horizons and risk tolerance. The Core funds are intended to offer an appropriate range of investment alternatives with materially different risk and return characteristics, which are style neutral, passively managed and provide exposure to major asset classes that are highly correlated with the market and bear lower fees. The Core investment fund lineup will include the following major asset classes:

1. U.S. Equity;

2. International Equity;

3. U.S. Short-Term Fixed Income;

4. U.S. Fixed Income;

5. Cash Equivalent; and

6. Inflation Hedging/Real Asset.

C. Tier III is the Self-directed brokerage window, which is available for employers that contract for this optional plan service. The Self-directed brokerage window, if elected by participating SIP employers, offers Participants a wide array of investment options in addition to the Core menu, if desired. It is generally designed for investors who have investing experience, are comfortable choosing from a wide variety of investments and understand how to research and evaluate a wide variety of investments on their own. The investments available under the Self-directed brokerage window are not endorsed, monitored, or selected by the CalPERS staff or the Committee.

III. RESPONSIBILITIES

To assist the Committee in fulfilling the management and administration responsibilities of the SIP, including selecting investment fund options consistent with the Policy's Strategic Objective, those involved will have the following responsibilities.

A. CalPERS Investment Staff ("Staff") is responsible for the following:

1. Selecting, monitoring, analyzing, and evaluating performance of each investment fund relative to an appropriate benchmark. The ongoing monitoring and evaluation of investment options will be a regular and disciplined process in accordance with established Investment Office Policies and procedures;

2. Establishing the fund line-up using internally and externally managed funds, including the default fund offerings;

3. Creating internally managed portfolios as fund offerings, as appropriate;

4. Directing cash contributions and rebalancing asset allocation funds as set forth in policy approved by the Committee;

5. Identifying fund line up considerations and making recommendations to the Committee consistent with pertinent delegations;

6. Reporting to the Committee no less than annually on the investment performance of the investment fund options for the SIP; and,

7. Monitoring implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of guidelines and policies at the next Committee meeting. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective actions.

B. CalPERS Deputy Executive Officer – Customer Services and Support Branch ("DEO – CSS") is responsible for providing guidance for the strategic objectives of the SIP funds.

C. Internal and ***External Managers*** ("Manager") are responsible for aspects of portfolio management as set forth in their respective investment management contracts, guidelines or policies and shall fulfill the following duties:

1. Communicate with Staff as needed regarding investment strategy and investment results. The Manager(s) are expected to perform their duties in accordance with the objectives of each fund and to monitor, analyze, and evaluate performance relative to the agreed upon benchmark;

2. Cooperate fully when Staff, SIP's custodian, the Third-Party Administrator and the consultant(s) request information; and,

3. Provide the fund fact sheets for the SIP investment fund options that include the fund's investment objective, strategy, exposures, risks, performance history, fees and expenses, and other material investment characteristics to help inform and educate the Participants and employers.

D. The SIP Participants may, if authorized by the applicable plan, choose to self-direct their investments, rather than accepting the default investment option. Individual accounts are established for each Participant and allow the Participants to exercise control over the assets in their accounts. In addition, Participants have the independence and authority to select those investment options they deem suitable to meet their retirement income goals and investment objectives, subject to certain investment and trading restrictions that may be adopted, from time to time, under the SIP program.

E. The ***General Pension Consultant*** is responsible for monitoring, evaluating, and reporting to the Committee, no less than annually, about the internally and externally managed fund performance relative to the benchmarks and Policy guidelines.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

A. The benchmark for each of the SIP investment options is specified in the Total Fund Investment Policy, Appendix 5, Investment Benchmarks Tables.

B. The objective is for each investment option under the SIP to track its respective benchmark.

V. EXCESSIVE SHORT-TERM TRADING

The overall investment plan and the available individual investment options under the SIP are designed to help Participants achieve their long-term retirement income goals. Excessive short-term or disruptive trading of the funds is counter-productive to the long-term investment design of the SIP. To achieve a balance between the right of individual Participants to self-direct their investments, and the right of all Participants to enjoy appropriate growth of their assets in proportion to the risk they bear and at reasonable cost through investment in prudently managed investment funds, the SIP will employ administrative and procedural measures to restrain the use of excessive short-term or disruptive trading strategies by individual Participants that may occur at the expense of other Participants and result in the dilution of Participant value in the funds. Specifically, Staff in coordination with external managers will monitor all Participant trades to identify excessive short-term or disruptive trading. If such trading is identified, Staff will provide written notification to the Participant to explain the long-term focus of the SIP and to request that the Participant cease from engaging in this type of trading.

If after written notification, the Participant continues excessive short-term or disruptive trading, Staff will confer with the CalPERS Legal Office regarding the suitability of other measures used singly or in combination with one another as may be reasonably necessary to further address excessive trades, or other excessive short-term or disruptive trading by a Participant in contradiction of the Policy.

To avoid the need to monitor Participant trading while ensuring equitable treatment for all Participants, external managers may employ fair value pricing practices. Fair value pricing adjusts security prices when significant events occur after the closing of the local market. This price adjustment attempts to eliminate the potential profit a short-term trading strategy would seek to extract from the funds and therefore discourages the practice.

VI. APPROACHES AND PARAMETERS

A. Philosophy and Approach

The SIP shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Upon adoption of significant Policy changes, a reasonable time period will be allowed to transition to the new Policy.

B. Strategy Process

A comprehensive strategy analysis shall be completed at least every three years and will be presented to the Committee for review and approval of the Policy. The Chief Investment Officer may recommend a more frequent analysis if expected returns, risks or liability value have substantially changed since the prior analysis.

C. Fund Structure

When SIP is invested with other CalPERS administered trust assets, the Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAV's) for the SIP.

D. Restriction, Prohibitions and Authorized Securities

Restrictions, prohibitions and authorized securities of the SIP are defined in the policy governing each asset class or external investment guidelines.

All transactions involving derivatives are governed by the Total Fund Investment Policy, Section V, Global Derivatives and Counterparty Risk.

VII. CALCULATIONS AND COMPUTATIONS

The Third-Party Administrator, Managers, consultants, and other entities selected by CalPERS shall make all calculations and computations on a market value basis as recorded by CalPERS custodian.

VIII. GLOSSARY OF TERMS

Italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Approved by the Policy Subcommittee Adopted by the Investment Committee	October 12, 2007 December 17, 2007
Revised by the Policy Subcommittee Approved by the Investment Committee	December 15, 2008 February 17, 2009
Administrative changes made due to Policy Review Project	June 16, 2009
Administrative changes due to adoption of Benchmark Poli	September 29, 2009
Approved by the Investment Committee	August 13, 2012
Approved by the Investment Committee	June 17, 2013
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014
Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014
Administrative changes to reflect closure of the State Peace Officers & Firefighters (POFF) Fund	April 14, 2015

~~CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM~~
~~STATEMENT OF INVESTMENT POLICY~~

~~FOR~~
~~SUPPLEMENTAL INCOME PLANS (SIP)~~
~~CalPERS TARGET RETIREMENT DATE FUNDS~~

~~April 14, 2015~~

~~This policy is effective upon adoption and supersedes all previous Supplemental Income Plans CalPERS Target Retirement Date Fund policies.~~

~~I. PURPOSE~~

~~The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.~~

~~This document sets forth the investment policy ("Policy") for the CalPERS Supplemental Income Plans ("SIP") Target Retirement Date Funds Strategy ("Program"). The design of this policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Program. Additionally, use of this policy assures sufficient flexibility in managing investment risks and returns associated with this Program.~~

~~The Program furthers these goals by establishing asset class allocation targets and ranges, and managing asset class allocations within their policy ranges. For the Target Retirement Date Funds the asset class allocations are designed to change over time according to a pre-determined glidepath.~~

~~II. STRATEGIC OBJECTIVE~~

~~The investment options offered in the CalPERS Target Retirement Date Funds will be broadly diversified to minimize the effect of short-term losses within any mix of investments. The objective of these funds, in combination with defined benefit pension income and possibly social security, is to help participants achieve retirement adequacy. The Program shall further these objectives by seeking to accomplish the following:~~

~~A. Recommend asset allocation policies with targets and ranges based on a periodic assessment of estimated participant information such as: retirement objectives and time horizons, demographics, other retirement assets and risk tolerances.~~

~~B. Offer asset allocation funds that achieve the highest rate of total return reasonably possible within prudent levels of risk and liquidity.~~

~~C. Maintain sufficient diversification to avoid large losses and preserve capital.~~

~~D. Ensure that the asset class policy ranges approved by the Committee are adhered to, and that any rebalancing is performed efficiently and prudently.~~

~~III. RESPONSIBILITIES~~

~~A. In addition to the Committee's responsibilities outlined in the SIP Statement of Investment Policy, the Committee is also responsible for approving asset classes for investment and approving a policy target allocation, permissible range, and benchmark for each asset class.~~

~~B. CalPERS Investment Staff ("Staff") is responsible for the following:~~

~~1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.~~

~~2. Managing CalPERS asset class allocations within policy ranges approved by the Committee, in accordance with Policy guidelines.~~

~~3. Reporting to the Committee no less than annually and more frequently if needed about Program allocations, returns, risks, and activity.~~

~~4. Monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of Policies at the next Committee meeting, or sooner if deemed necessary. These reports shall include explanations of any violations and appropriate recommendations for corrective action.~~

~~5. Providing recommendations to the Committee concerning the identification of asset classes and selection of asset class benchmarks, policy targets and ranges.~~

~~C. The ***General Pension Consultant*** ("Consultant") is responsible for monitoring, evaluating, and reporting no less than annually, to the Committee, on the performance of the Program relative to the appropriate benchmark and Policy.~~

~~D. Internal and ***External Managers*** ("Manager") are responsible for aspects of portfolio management as set forth in their respective investment management contracts, guidelines or policies and shall fulfill the following duties:~~

~~1. Communicate with staff as needed regarding investment strategy and investment results.~~

~~2. Manage to the objectives of each fund.~~

~~3. Monitor, analyze, and evaluate performance relative to the agreed upon benchmark.~~

~~4. Cooperate fully with Staff, SIP's custodian, the Third Party Administrator and the consultant concerning requests for information.~~

~~IV. PERFORMANCE OBJECTIVE AND BENCHMARK~~

~~A. The benchmark for the Supplemental Income Plans CalPERS Target Retirement Date Funds is specified in the Total Fund Investment Policy, Appendix 5, Investment Benchmarks Tables.~~

~~B. The objective is for the funds to meet the return of the appropriate benchmark.~~

~~V. INVESTMENT APPROACHES AND PARAMETERS~~

~~A. Asset Class Policy Targets and Ranges~~

~~The policy asset class targets and permissible ranges for the Target Retirement Date Funds are shown in the glidepath below. Each Fund has asset allocation targets based on an expected retirement year. The Funds' asset allocation targets are adjusted annually by moving each Fund to the asset allocation one row down in the glidepath table. When a Fund's asset allocation reaches those of the Income Fund, the Fund will be closed and participants in the Fund will be mapped to the Income Fund. Participants may self-select funds either based on their expected retirement date or based on their individual asset allocation preference. If no selection is made, the participant assets will be defaulted based on the participant age with an assumed retirement age of 60. Funds were built~~

~~and assigned with an initial retirement age of 60, based on CalPERS member demographic data.~~

~~Target Retirement Date Funds Glidepath~~

Year	Target Retirement Date Fund	US Equity		International Equity		US Fixed Income		Cash		Real Assets		Expected Return	Expected Risk
		Target	Range	Target	Range	Target	Range	Target	Range	Target	Range		
2013	2055	37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2014		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2015		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2016		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2017		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2013	2050	37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2014		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2015		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2016		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2017		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2013	2045	37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2014		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2015		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2016		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2017		37%	+/- 4	43%	+/- 4	10%	+/- 2	0%		10%	+/- 1	7.6%	15.9%
2013	2040	36%	+/- 4	42%	+/- 4	11%	+/- 2	1%	+/- 1	10%	+/- 1	7.5%	15.5%
2014		35%	+/- 4	41%	+/- 4	13%	+/- 2	2%	+/- 1	9%	+/- 1	7.3%	15.1%
2015		34%	+/- 4	40%	+/- 4	14%	+/- 2	3%	+/- 1	9%	+/- 1	7.2%	14.7%
2016		33%	+/- 4	39%	+/- 4	16%	+/- 2	4%	+/- 1	8%	+/- 1	7.1%	14.3%
2017		32%	+/- 4	37%	+/- 4	17%	+/- 2	6%	+/- 1	8%	+/- 1	7.0%	13.9%
2013	2035	31%	+/- 4	36%	+/- 4	18%	+/- 2	7%	+/- 1	8%	+/- 1	6.8%	13.4%
2014		30%	+/- 4	35%	+/- 4	20%	+/- 4	8%	+/- 1	7%	+/- 1	6.7%	13.0%
2015		29%	+/- 4	34%	+/- 4	21%	+/- 4	9%	+/- 1	7%	+/- 1	6.6%	12.6%
2016		28%	+/- 4	33%	+/- 4	23%	+/- 4	10%	+/- 1	6%	+/- 1	6.5%	12.2%
2017		27%	+/- 4	32%	+/- 4	24%	+/- 4	11%	+/- 2	6%	+/- 1	6.3%	11.8%
2013	2030	26%	+/- 4	31%	+/- 4	25%	+/- 4	12%	+/- 2	6%	+/- 1	6.2%	11.4%
2014		25%	+/- 4	30%	+/- 4	27%	+/- 4	13%	+/- 2	5%	+/- 1	6.1%	11.0%
2015		24%	+/- 4	28%	+/- 4	29%	+/- 4	14%	+/- 2	5%	+/- 1	6.0%	10.6%
2016		23%	+/- 4	27%	+/- 4	30%	+/- 4	15%	+/- 2	5%	+/- 1	5.8%	10.2%
2017		22%	+/- 4	26%	+/- 4	31%	+/- 4	17%	+/- 2	4%	+/- 1	5.7%	9.8%
2013	2025	21%	+/- 4	25%	+/- 4	32%	+/- 4	18%	+/- 2	4%	+/- 1	5.6%	9.4%
2014		20%	+/- 2	24%	+/- 4	34%	+/- 4	19%	+/- 2	3%	+/- 1	5.5%	9.0%
2015		19%	+/- 2	23%	+/- 4	35%	+/- 4	20%	+/- 2	3%	+/- 1	5.3%	8.6%
2016		18%	+/- 2	22%	+/- 4	37%	+/- 4	21%	+/- 4	2%	+/- 1	5.2%	8.2%
2017		18%	+/- 2	20%	+/- 4	38%	+/- 4	22%	+/- 4	2%	+/- 1	5.1%	7.8%
2013	2020	17%	+/- 2	19%	+/- 2	39%	+/- 4	23%	+/- 4	2%	+/- 1	5.0%	7.5%
2014		15%	+/- 2	17%	+/- 2	42%	+/- 4	25%	+/- 4	1%	+/- 1	4.8%	6.8%
2015		13%	+/- 2	15%	+/- 2	45%	+/- 4	26%	+/- 4	1%	+/- 1	4.6%	6.3%
2016		12%	+/- 2	14%	+/- 2	46%	+/- 4	27%	+/- 4	1%	+/- 1	4.4%	5.9%
2017		11%	+/- 2	13%	+/- 2	48%	+/- 4	28%	+/- 4	0%		4.3%	5.5%
2013	2015	10%	+/- 2	12%	+/- 2	49%	+/- 4	29%	+/- 4	0%		4.2%	5.3%
2014		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.2%
2015		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2016		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2017		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2013	2010 (Income)	9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2014		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2015		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2016		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%
2017		9%	+/- 2	11%	+/- 2	50%	+/- 4	30%	+/- 4	0%		4.1%	5.1%

~~* Asset allocations become effective on October 1 of each year.~~

~~B. Asset Allocation Fund Design Process~~

~~1. A comprehensive design analysis shall be completed for each asset allocation fund at least once every three years and will be presented to the Committee for review and approval of policy asset allocation targets and ranges. The Chief Investment Officer (“CIO”) may recommend a more frequent analysis of asset allocation targets and ranges if expected returns, risks or estimated participant characteristics have substantially changed since the prior analysis. Additionally, the Program shall be reviewed by Staff at least annually to ensure that all assumptions used in establishing the Program continue to be reasonable. The CIO may also recommend to the Committee changes in the policy targets and ranges.~~

~~2. The Program analyses shall also encompass the expected long-term capital markets outlook and expected inflation.~~

~~a. Analyses shall identify suitable asset classes in accordance with Section V.D., and consider asset class expected returns, volatilities, and correlations.~~

~~b. Analyses shall determine a suitable glidepath for the Target Date Retirement Funds taking into consideration the estimated participant characteristics.~~

~~c. Analyses of alternative asset allocation strategies shall measure the estimated effect on expected risk and return, diversification, and likelihood of meeting participant retirement objectives.~~

~~d. The Committee shall approve policy asset allocation targets and ranges expressed as a percentage of total assets. The Committee shall set policy ranges sufficiently wide to permit efficient and flexible implementation, yet sufficiently narrow to maintain the basic risk and return relationship established by the allocation targets.~~

~~C. Asset Class Criteria~~

~~A financial or real asset type shall be considered as an asset class if it has a risk, return, and correlation profile sufficiently different from existing CalPERS asset classes, and if its inclusion or exclusion materially affects the expected risk and return of the SIP Program.~~

~~1. Criteria for consideration when evaluating an asset class shall include the following:~~

~~a. Sufficient size, liquidity, and cost efficiency to permit CalPERS SIP to invest meaningful amounts in that asset class, and have a material effect on CalPERS SIP return.~~

~~b. Availability of sufficient internal or external investment and technical expertise to ensure prudent implementation of an investment in that asset class.~~

~~c. Presence of diversification, return enhancement, liquidity provision, or some other readily identifiable attribute sufficiently different from other asset classes and which enhances CalPERS SIP ability to achieve the strategic objectives outlined in Section II.~~

~~d. Acceptance by other large pension plan sponsors as a feasible and meaningful asset class, or in the absence of such acceptance, academic support for its inclusion.~~

~~e. Availability of sufficient data, history, or expertise to assess the feasibility and benefit of the asset class to CalPERS SIP, by means of a measurable investment outcome. Further, the asset class must have a basis for developing expected investment returns, risks, and correlations for the purposes of the financial study.~~

~~2. The Committee may approve an asset class for investment provided it meets the above criteria.~~

~~3. Once CalPERS approves an asset class for investment, as part of the Program, the investment may only be made in accordance with a policy reviewed and approved by the Committee for that asset class. Such a policy shall specify the investment guidelines and provide for the monitoring of that asset class.~~

~~VI. INVESTMENT APPROACHES AND PARAMETERS – IMPLEMENTATION~~

~~A. Philosophy and Approach~~

~~The funds shall be managed in accordance with the approved Policy or Policies governing each asset class. Such policies shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.~~

~~B. Funds Structure/Parameters~~

~~Staff shall manage each fund in accordance with the approved strategic asset allocation. In order to increase the investment opportunities, selected internally managed funds shall be made available for investment in the form of pooled funds. When the Supplemental Income Plan is invested with other CalPERS administered trust assets, the custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values ("NAV's").~~

~~C. Rebalancing~~

~~Asset class allocations shall be managed to be within policy ranges. Allocations may temporarily exceed policy ranges due to extreme market volatility or due to changing allocations established for a particular fund. In this case, the asset allocation will be returned to within its policy range in a timely manner, with the exact time period dependent upon transaction costs and liquidity.~~

~~Upon adoption of significant policy changes, a reasonable time period will be allowed to transition to the new asset allocations.~~

~~D. Restrictions, Prohibitions and Authorized Securities~~

~~Restrictions, prohibitions and authorized securities of the Fund are defined in the Policy governing each asset class.~~

~~All transactions involving derivatives are governed by the Total Fund Investment Policy, Section V, Global Derivatives and Counterparty Risk.~~

~~VII. CALCULATIONS AND COMPUTATIONS~~

~~Investors, managers, consultants, and other participants selected by CalPERS SIP shall make all calculations and computations on a market value basis as recorded by CalPERS SIP Custodian.~~

~~VIII. GLOSSARY OF CALPERS-SPECIFIC TERMS~~

~~***Italicized*** terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms~~

~~Approved by the Policy Subcommittee~~ ~~Adopted by the Investment Committee~~	~~June 16, 2008~~ ~~August 18, 2008~~
~~Technical Revision to Reflect Benchmark Name Change~~	~~December 15, 2008~~
~~Revised by the Policy Subcommittee~~ ~~Approved by the Investment Committee~~	~~February 17, 2009~~ ~~March 16, 2009~~
~~Administrative changes due to Policy Review Project~~	~~June 16, 2009~~
~~Administrative changes due to adoption of Benchmark Policy~~	~~September 28, 2009~~
~~Approved by the Investment Committee~~	~~October 15, 2012~~
~~Approved by the Investment Committee~~	~~November 13, 2012~~
~~Approved by the Investment Committee~~	~~June 17, 2013~~
~~Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy~~	~~December 3, 2013~~
~~Administrative changes to standardize reporting frequencies to the Investment Committee to “no less than annually”~~	~~May 15, 2014~~
~~Administrative changes to reflect the Policy Glossary of Terms Update Project~~	~~May 15, 2014~~
~~Administrative changes to correct rounding errors to the Target Retirement Date Funds Glidepath table~~	~~September 26, 2014~~
~~Administrative changes to reflect closure of State Peace Officer & Firefighters (POFF) Fund~~	~~April 14, 2015~~

~~CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM~~
~~STATEMENT OF INVESTMENT POLICY~~

~~FOR~~
~~TREASURY INFLATION PROTECTED SECURITIES PROGRAM~~

~~May 19, ,2014~~

~~This policy is effective immediately upon adoption and supersedes all previous Treasury Inflation Protected Securities Program policies.~~

~~I. PURPOSE~~

~~The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.~~

~~This document sets forth the investment policy ("Policy") for the Treasury Inflation Protected Securities Program ("TIPS Program"). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the TIPS Program. Additionally, use of this Policy assures sufficient flexibility in controlling investment risks and returns associated with the TIPS Program.~~

~~II. STRATEGIC OBJECTIVE~~

~~The TIPS Program shall be managed to accomplish the following:~~

~~A. Diversify CalPERS overall investment programs;~~

~~B. Dampen the overall risk of CalPERS investment programs; and~~

~~C. Enhance CalPERS total returns.~~

~~III. RESPONSIBILITIES~~

~~A. CalPERS Investment Staff ("Staff") is responsible for the following:~~

~~1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.~~

~~2. Reporting no less than annually on the performance and risk metrics for the TIPS Program to the Committee.~~

~~3. Monitoring internal and ***external managers*** in the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of Policy at the next Committee meeting, or sooner if deemed necessary. These reports shall include explanations of any violations and appropriate recommendations for corrective action.~~

~~B. The ***General Pension Consultant*** ("Consultant") is responsible for:~~

~~Monitoring, evaluating and reporting no less than annually, to the Committee, on the performance of the TIPS Program relative to the benchmark and Policy.~~

~~C. For those TIPS Programs managed by an External Managers ("Manager"), the Manager is responsible for aspects of portfolio management and shall also fulfill the following duties:~~

~~1. Communicate with Staff as needed regarding investment strategy and investment results;~~

~~2. Monitor, analyze, and evaluate performance relative to the agreed upon benchmark; and~~

~~3. Cooperate fully with CalPERS Staff, Custodian, and Consultant concerning requests for information.~~

~~IV. PERFORMANCE OBJECTIVE AND BENCHMARK~~

~~The performance objective for the TIPS Program is to exceed the return of the benchmark.~~

~~The benchmark for the TIPS Program is specified in the Benchmarks Policy.~~

~~V. INVESTMENT APPROACHES AND PARAMETERS~~

~~A. Investment Approach~~

~~Investors in TIPS seek protection from future inflation and have made a specific asset allocation for this purpose. For this reason, the TIPS Program shall be principally invested in TIPS. In general, the TIPS Program is expected to have a duration that is similar to the duration of the Barclays Capital Global Real: U.S. TIPS Index unless expected returns and economic analysis dictate otherwise. Staff will identify those issues in the universe of TIPS which offer the best returns while maintaining the TIPS Program duration objective.~~

~~B. Specific Risk Parameters~~

~~CalPERS shall manage the following major categories of fixed income risk:~~

1. ~~Benchmark Risk was reviewed by the Consultant who determined that the Barclays Capital Global Real: U.S. TIPS Index was the appropriate reference point.~~

2. ~~Interest Rate Risk must be controlled using duration management. Duration shall be maintained within ±10% of benchmark duration.~~

3. ~~Real Return Risk must be monitored and managed through economic analysis that, at a minimum, looks at volatility, expected inflation, and implied inflation.~~

4. ~~Yield Curve Risk must be managed in a controlled and disciplined way by monitoring key rate durations and principal component analysis.~~

5. ~~Sector Risk must be controlled by using the ranges below.~~

~~Sector Ranges: The following ranges by which actual allocations can fluctuate from the benchmark sector weightings:~~

~~Sector~~	~~Index~~	~~Sector Ranges~~
~~TIPS~~	~~100%~~	~~80%-100%~~
~~Nominal US Treasury~~	~~0%~~	~~0%-15%~~
~~STIF~~	~~0%~~	~~0%-5%~~
~~Total~~	~~100%~~	~~NA~~

~~C. Authorized Securities~~

1. ~~U.S. Treasury Inflation Protected Securities;~~

2. ~~Nominal (not Inflation Protected) U.S. Treasury Securities; and~~

3. ~~A Short Term Investment Fund (STIF).~~

~~VI. CALCULATIONS AND COMPUTATIONS~~

~~Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis as recorded by CalPERS Custodian.~~

~~VII. GLOSSARY OF CALPERS-SPECIFIC TERMS~~

~~***Italicized*** terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.~~

~~Treasury Inflation Protected Securities:~~
~~Approved by the Policy Subcommittee: June 15, 2007~~
~~Adopted by the Investment Committee: August 13, 2007~~

~~**Name changed to Treasury Inflation Protected Securities Program**~~

~~Revised by the Policy Subcommittee~~ ~~Approved by the Investment Committee~~	~~April 21, 2008~~ ~~May 12, 2008~~
~~Technical Revision to Reflect Benchmark Name Change~~	~~December 15, 2008~~
~~Administrative changes made due to Policy Review Project~~	~~June 16, 2009~~
~~Administrative changes due to adoption of Benchmarks Policy~~	~~October 30, 2009~~
~~Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"~~	~~May 19, 2014~~
~~Administrative changes to reflect the Policy Glossary of Terms Update Project~~	~~May 19, 2014~~

Wilshire

Thomas Toth, CFA
Managing Director, Wilshire Consulting

February 29, 2016

Mr. Henry Jones
Chair of the Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Revision of Affiliate Fund Policies and Repeal of Legacy Policies – Second Reading

Dear Mr. Jones:

Overview

As part of the ongoing policy review project, Staff is bringing forward revisions to the Affiliate Fund Policies for a second reading. We did not receive additional changes from the Investment Committee at the February meeting, and as such, Wilshire's opinion letter is unchanged.

The proposed revised policies remain consistent with past policy revisions and have been simplified to reflect the policy template and content methodology outlined in Staff's memo. The repeal of the TIPS and SIP Target Date Fund Policies works to consolidate direction and controls within internal staff guidelines and does not increase constraints in a manner that would affect overall portfolio risks. In addition, the roles and responsibilities as well as investment objectives remain delineated in consolidated form. Any changes, such as the realignment of the Affiliate Funds asset allocation review timeline, work to increase efficiency in the management of the Affiliate Funds.

Investment Beliefs

As we have noted in our other policy reviews, Wilshire believes that CalPERS' Investment Belief #9 – Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error; and Belief # 4 – Long term value creation requires effective management of three forms of capital: financial, physical and human; require strong governance in the form of robust policies and procedures. In addition, the more streamlined Policies support Belief #5 - CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution. The policy revision project furthers these beliefs, as well as Belief #10 outlined in Staff's memo.

Conclusion

Wilshire supports the continued consolidation and streamlining of policies in-line with those previously brought forward to the Investment Committee. The work further enhances CalPERS' operational processes through a reduction in duplicative and potentially conflicting language across policies.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

Managing Director

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