

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM



Request for Proposal 2P201012

General and Specialty Investment Project Consultants Pool

**Deadline for Submission of Written Questions:
January 21, 2011 at 10:00 a.m., Pacific Standard Time (PST)**

Final File Date: February 17, 2011 at 2:00 p.m., PST

CalSTRS Contract Services
Toni Rubin, Contract Administrator
100 Waterfront Place, MS-30
West Sacramento, CA 95605-2807
Phone: (916) 414-4880
Fax: (916) 414-4888
E-mail address: contractservices@calstrs.com

January 6, 2011



REQUEST FOR PROPOSAL
Notice to Prospective Proposers

January 6, 2011

You are invited to review and respond to the California State Teachers' Retirement System (CalSTRS), Request for Proposal (RFP), entitled General and Specialty Investment Project Consultants Pool, RFP Number 2P201012. In submitting your proposal, you must comply with the instructions found herein.

The proposals must be received in the office of CalSTRS no later than February 17, 2011, by 2:00 p.m., Pacific Standard Time (PST). Proposals received after the specified date and time will be rejected.

Proposers requiring clarification of the intent and content of this RFP, or on the competitive proposal process, may request clarification only by submitting written questions to:

Toni Rubin, Contract Administrator
California State Teachers' Retirement System
100 Waterfront Place
West Sacramento, CA 95605-2807
(916) 414-4880
FAX: (916) 414-4888
E-mail: contractservices@calstrs.com

To ensure a response, questions must be received by January 21, 2011, by 10:00 a.m., PST. Questions received by this date will be answered in writing via an Addendum and sent to all RFP recipients, without identifying the source of the query. Please see Section D, Proposal Requirements and Information, Subsection 2, entitled Submission of Written Questions, for additional information.

Any attempt by a Proposer to initiate contact with any member of the Teachers' Retirement Board and/or CalSTRS' staff, other than the Contract Services staff, regarding this RFP process may disqualify the Proposer from further consideration.

Please note that no *verbal* information given will be binding upon the California State Teachers' Retirement System unless such information is issued in writing as an official addendum.

Jack Ehnes
Chief Executive Officer

Attachments

TABLE OF CONTENTS

<u>Section:</u>	<u>Page:</u>
A. INTRODUCTION	4
B. SERVICES TO BE PROVIDED	5
C. MINIMUM QUALIFICATIONS FOR THE PROPOSER	6
D. PROPOSAL REQUIREMENTS AND INFORMATION	
1. Time Schedule	6
2. Submission of Written Questions	6
3. Minimum Qualification Certification	7
4. Proposal Requirements	7
5. Submission of Proposals	9
6. Evaluation Process	10
7. Award and Protest	12
8. Disposition of Proposals	13
9. Standard Conditions of Service	13
10. Darfur Contracting Act	14
11. Disabled Veteran Business Enterprise (DVBE) Program Requirements	14
12. Proposed Authorized/Key Personnel	14
13. Disclosure of Campaign Contributions, Disclosure and Limits on Charitable Contributions and Gifts	15
14. Addenda: Errors and Omissions	16
15. Background Investigation	17
E. PREFERENCE PROGRAMS	
1. Small Business (SB)	17
2. Disabled Veteran Business Enterprise (DVBE)	17
3. Target Area Contract Preference Act (TACPA)	17
4. Enterprise Zone Act (EZA)	17
5. Local Agency Military Base Recovery Area (LAMBRA) Act	17
F. ATTACHMENTS	
1. Required Attachments	18
2. Minimum Qualifications Certification	19
3A. Proposal Questionnaire for General Investment Project Consultant	20-22
3B. Proposal Questionnaire for Specialty Investment Consultant	23
4A. Fee Proposal for General Investment Project Consultant	24
4B. Fee Proposal for Specialty Investment Consultant	25
5. Warranties Certification	26
6. Darfur Contracting Act	27
7. Statement of Commitment to Meet Disabled Veteran Business Enterprise	

	Contract Participation Goal.....	28
8.	California State Teachers' Retirement System DVBE Program Requirements	29-35
9.	Disabled Veteran Business Enterprise Incentive Information and Declaration Form.....	36-39
10.	Proposer's Authorized/Key Personnel.....	40
11.	Disclosure of Contributions and Gifts	41-42

G. EXHIBITS

1.	Exhibit A - Investment Policy and Management Plan.....	*
2.	Exhibit B – Proposal and Fee Evaluation Summary A and B.....	*
3.	Exhibit C – Sample Agreement/General Terms and Conditions	*
4.	Exhibit D - Teachers Retirement Board Policy Manual Section 600H	*
5.	Exhibit E - CalSTRS Contractor Background Investigation Policy	*

* No page number available; separate document attached to RFP

A. INTRODUCTION

The California State Teachers' Retirement System (CalSTRS) administers an investment portfolio with approximately \$129.2 billion in assets. As of June 30, 2010, the assets were invested as follows: \$67.3 billion in global equities; \$28.5 billion in fixed income securities; \$13.1 billion in real estate; \$18.1 billion in private equities; \$1.2 billion in inflation sensitive assets; and \$1.0 billion in short-term cash reserves. Governance of the investment portfolio is delegated from the Teachers Retirement Board to the CalSTRS Investment Committee, which is a committee of the whole. The Investment Committee approves all policies, asset allocation, and strategic programs. The core policy that governs the investment program is the Investment Policy and Management Plan, Exhibit A. Each asset class and specific program has an individual policy under the broad Investment Policy.

As one of the largest defined benefit plans in the world, the portfolio is widely diversified and complex. CalSTRS employs an experienced investment staff of approximately 100 professionals. Additionally, 35% of the assets are managed internally and 65% are managed externally. Commencing in 1997, the Investment Committee has established a broad delegation of authority to the Chief Investment Officer (CIO) to manage the portfolio. This allows the Investment Committee to focus on policy, strategic programs and monitor the implementation and success of the investment portfolio. The Investment Committee retains a General Investment Consultant (GIC) to provide expert advice on the policies and strategy, as well as deliver performance and risk information to assist the Investment Committee in monitoring the portfolio. CalSTRS has retained Pension Consulting Alliance as the GIC who works for the Investment Committee.

The complete agenda and materials of past board meetings are available on-line at www.calstrs.com, under Learn About CalSTRS, Teachers' Retirement Board Public Meeting Notices and Agendas. Proposers are strongly encouraged to review this information to gain a better understanding of the types of issues and projects that have been undertaken in the past.

There are two (2) opportunities within this RFP. CalSTRS will establish a "pool" for each category of General Investment Project Consultants and Specialty Investment Consultants that CalSTRS can utilize quickly when a general or specialty project arises. The goal of this RFP is to give CalSTRS access to the latest research and ideas by the best and brightest in the investment industry. Proposers are invited to submit an RFP response for one or both categories as described below.

A - General Investment Project Consultants

This category is institutional investment consultants that generalize in a wide range of asset classes and topics. They will be utilized for broad research and projects relating to the asset class or highest level sub asset class research. Projects for this category may include, but are not limited to, review and research on asset classes and subset of asset classes as well as general pension investment issues and policies. We are looking for investment consultants that typically cover multiple asset classes, pension/institutional investment portfolios, and firms that have a strong practice and vast experience in a wide range of asset classes. We anticipate awarding between three (3) to seven (7) contracts for this category.

The firms that perform this general work will only be a fiduciary to CalSTRS to the extent of their work and recommendation. They are not a fiduciary as to the implementation of their advice. Whether their advice is followed is up to the discretion of the CIO and the GIC at the time.

B – Specialty Investment Project Consultants

These are firms that specialize in one (1) particular aspect of institutional investing or that have a core specialization that makes them unique. They are recognized as the top expert in a specific field, asset class, or service in the financial consultant industry. These areas could include infrastructure, minority investment manager databases, custodian searches, investment management technology consulting, or even fiduciary audit services. We anticipate awarding an unlimited number of contracts depending upon unique specializations.

The firms that perform this focused work will be a fiduciary to CalSTRS as to their advice. They will make their recommendations to the CIO and GIC at the time as well as to the Investment Committee if requested.

As CalSTRS continues to seek new investment areas and more complex strategies, consultant services will be in demand. Depending upon the situation, General Investment Project Consultants or Specialty Investment Consultants may be needed. For each and every project, the firms in the desired pool will be offered an opportunity to bid on the project. Bids will be sent by e-mail with a short form. The form will clearly describe the project, expected deliverables and the expected time frame for the project. The most qualified firm will be selected by staff. Firms that are too busy or conflicted are welcome to pass on bidding for that project. That helps ensure CalSTRS will receive the required resources. Attention will be given to spread the work as the projects allow, being as fair as possible to all firms. Under this structure, the selected firms will execute a consulting contract with CalSTRS.

B. SERVICES TO BE PROVIDED

Under the direction of the investment staff or the Investment Committee, the services to be provided by the firm shall include, but not be limited to, the following:

- General research and analysis
- Specific research on investment theory or philosophy
- Specific research on new investment and strategies
- Manager search and selections
- Investment Training

In the past projects have included: assisting staff in developing a currency hedging philosophy; researching various benchmarks; reviewing alpha from smaller equity managers; auditing staff's investment philosophy, and providing capital market assumptions for asset allocation studies. Future projects may include, but not limited to, nor guaranteed: researching innovative investment ideas, analysis of public equity energy investments, risk standards and measurement tools; best practices in pension management; reporting standards.

C. MINIMUM QUALIFICATIONS FOR THE PROPOSER

A proposing firm must meet all of the following minimum qualifications to CalSTRS' satisfaction to be given further consideration. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

1. As of February 17, 2011, the firm must provide general pension consulting services to clients with assets totaling at least \$500 million.
2. As of February 17, 2011, the primary consultant assigned to the CalSTRS account must have a minimum of five (5) years of experience providing U.S., Non-U.S. and global investment consulting services to public and/or private pension plans.
3. As of February 17, 2011, the firm must have been in business at least one (1) year.
4. As of February 17, 2011, the firm must have at least three (3) defined benefit pension plan clients.

D. PROPOSAL REQUIREMENTS AND INFORMATION

1. Time Schedule

<u>Event</u>	<u>Date</u>	<u>Time</u>
RFP Available to Prospective Proposers	January 6, 2011	
Written Question Submittal Deadline	January 21, 2011	10:00 a.m. PST
Final Date for Proposal Submission	February 17, 2011	2:00 p.m. PST
Prequalification Evaluation	beginning February 18, 2011	
Proposal Evaluation	beginning February 18, 2011	
Notice of Intent to Award	TBD	
Contract Award Date	TBD	

CalSTRS will use its best efforts to adhere to the time schedule. However, CalSTRS reserves the right to amend the time schedule, as it deems necessary.

2. Submission of Written Questions

Questions Proposers may have regarding the information presented in this RFP must be received by CalSTRS' Contract Office in writing via United States mail, e-mail at contractservices@calstrs.com, or facsimile transmission at (916) 414-4888, no later than January 21, 2011, at 10:00 a.m., PST. To ensure questions have been received, please call Toni Rubin at (916) 414-4880. CalSTRS will answer all questions received by this date in writing without divulging the source of the query. Copies of all questions and CalSTRS'

responses will be posted via an Addendum available on the Internet at <https://www.bidsync.com>.

3. Minimum Qualification Certification

The proposer must complete the Minimum Qualification Certification, Attachment 2, substantiating that the proposer satisfies all minimum qualifications and requirements. Failure to provide complete information will result in the immediate rejection of the proposal.

4. Proposal Requirements

To be eligible for evaluation, a proposal must adhere strictly to the format set forth below; failure to do so may result in disqualification. Proposers must address each of the required sections indicated below. Please label and separate each section to allow for ease of review by the team of reviewers. The content and sequence of the proposal will be as follows:

<u>Section</u>	<u>Title</u>
a.	Cover Letter
b.	Table of Contents
c.	Proposal Questionnaire
d.	Fee Proposal
e.	Required Attachments

a. Cover Letter

The cover letter, which shall be a part of the proposal package, must be signed by the individual(s) authorized to bind the Proposer contractually. An unsigned cover letter may cause the proposal to be rejected. The letter must also contain the following:

- 1) Name of the proposer firm;
- 2) Organizational structure of the firm (e.g., corporation, partnership, etc.);
- 3) The Federal Employer Identification Number and Corporate Identification Number for proposing organization, as applicable;
- 4) Address, telephone number, and facsimile number;
- 5) Name and telephone number of the firm's representative who is designated as primary liaison to CalSTRS;
- 6) Name, title, and telephone number of the representative who is authorized to bind the firm in contract;
- 7) Should proposer organization's proposal contain proprietary information a statement to that effect must be included in the cover letter;
- 8) A statement that the firm agrees to disclose all potential conflicts of interest as such exist or occur, and annually disclose all sources of revenue and all affiliations.
- 9) A clear **bold and underlined** statement indicating to which pool(s) the proposer is applying.

10) A statement to the effect that the proposal is a firm and irrevocable offer good for one (1) year.

b. Table of Contents

Immediately following the cover letter, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

c. Proposal Questionnaire

The Proposal Questionnaire is intended to provide CalSTRS with specific information concerning the organization's capability to provide the services as described in this RFP. Please limit your response to this questionnaire to essential information and type each question in the same number order as in the questionnaire. Please complete the appropriate Proposal Questionnaire for the pool of consultants to which you are applying. If you are applying for more than one (1) pool, you must complete the appropriate Proposal Questionnaire for each pool.

- 1) Attachment 3A, Proposal Questionnaire for General Investment Project Consultants
AND/OR
- 2) Attachment 3B, Proposal Questionnaire for Specialty Investment Consultants

d. Fee Proposal

Proposers must submit their fee schedule in the format prescribed in Fee Proposal, Attachment 4. Any deviation from the prescribed format, which in the opinion of CalSTRS is material, will result in the rejection of the proposal. The proposed fee shall include all expenses for providing to CalSTRS the services as described in this RFP, and shall be guaranteed for the term of the contract. Once the Contractor is selected, the fee may be further refined depending on factors which may affect the proposed fee. In no case, will the refined cost be higher than the cost contained in the proposal.

Please complete the appropriate Fee Proposal form for the pool of consultants to which you are applying. If you are applying for more than one (1) pool, you must complete the appropriate Fee Proposal form for each pool.

- 1) Attachment 4A, Fee Proposal for General Investment Project Consultants
AND/OR
- 2) Attachment 4B, Fee Proposal for Specialty Investment Consultants

e. Required Attachments

Proposer shall include all documents identified in Required Attachments, Attachment 1. Proposals not including the proper "required attachments" for each

proposal shall be deemed non-responsive. A non-responsive proposal is one that does not meet mandatory submittal requirements and may be rejected.

5. Submission of Proposals

- a. Submit two (2) hard copies and one (1) CD/DVD of your proposal in a sealed package. Label one (1) hard copy as "Reproduction Copy"; this copy should not contain any binding, binders, staples, etc. One (1) hard copy must contain original signatures, be labeled "Master Copy," and placed in a loose-leaf, three-ringed binder, which displays the Proposer's name on the outside front cover and the spine. (Do not submit the Master Copy with spiral binding.)
- b. All proposals must be delivered to the California State Teachers' Retirement System by February 17, 2011, 2:00 p.m., PST. Proposals received after this date and time will not be considered. Proposals must be delivered to the following address:

California State Teachers' Retirement System
100 Waterfront Place
West Sacramento, CA 95605-2807

Go to the link below for exact driving directions. Do not rely on GPS or Internet directions to be accurate.

<http://www.calstrs.com/About%20CalSTRS/HQInfoCenter/HQDrivingDirections.aspx>

- c. The sealed proposal envelopes must be plainly marked with the RFP number and title, your organization name and address, and must be marked with "DO NOT OPEN," as shown in the following example:

RFP NUMBER 2P201012
General and Expert Specialty Investment Project Consultants Pool
California State Teachers' Retirement System
Toni Rubin, Contract Administrator
100 Waterfront Place, MS 30
West Sacramento, CA 95605-2807
MAIL ROOM - DO NOT OPEN

- d. Proposals must be submitted for the performance of all the services described herein. Any deviation from the work specifications will not be considered and will cause a proposal to be rejected.
- e. A proposal may be rejected if it is conditional or incomplete, deemed non-responsive, or if it contains any alterations of form or other irregularities of any kind. CalSTRS may reject any or all proposals and may waive any immaterial deviation in a proposal. CalSTRS waiver of immaterial defect shall in no way modify the RFP document or excuse the proposer from full compliance with all requirements if awarded the Agreement.

- f. Costs for developing proposals and in anticipation of award of the Agreement are entirely the responsibilities of the proposer and shall not be charged to CalSTRS.
- g. A proposer may modify a proposal, after its submission, by withdrawing its original proposal and resubmitting a new proposal prior to the proposal submission deadline date. Proposal modifications offered in any other manner, oral or written, will not be considered.
- h. A proposer may withdraw its proposal by submitting a written withdrawal request to CalSTRS, signed by the proposer or an agent authorized, through the contact person named in Section c. above. A proposer may thereafter submit a new proposal prior to the proposal submission deadline. Proposals may not be withdrawn without cause subsequent to proposal submission deadline.
- i. CalSTRS may modify the RFP prior to the date fixed for submission of proposals by issuing an addendum to all parties that received a proposal package.
- j. CalSTRS reserves the right to reject all proposals for reasonable cause. If the costs of all proposals are excessive, CalSTRS is not required to award an agreement.
- k. Proposers are cautioned to not rely on CalSTRS to discover and report to the proposer any defects and errors in the submitted documents during the evaluation. Proposers, before submitting their documents, should carefully proof them for errors and adherence to the RFP requirements.

6. Evaluation Process

- a. The proposal must be organized to correspond with all requirements and formats set forth in this RFP. The proposal should be clear, concise and must be complete. All information must be contained in the proposal. No assumptions will be made by CalSTRS regarding the intentions of the proposer in submitting the proposal. Written proposals must be bound and organized in a manner to facilitate ease of review by evaluators. All sections will be used in the evaluation. Proposers not providing all requested information may be rejected.
- b. All proposals submitted will be evaluated for form and content in accordance with the provisions stated in the final solicitation document. Clarifications may be requested from the proposer at any phase of the evaluation process for the purpose of clarifying ambiguities in the information presented in the proposal.
- c. Proposals and any subsequent presentations should be submitted with the most favorable terms the proposer can offer. If CalSTRS is unable to execute an Agreement with the apparent successful competitor, CalSTRS reserves the right to award the Agreement to the next highest scoring responsive responsible proposer whose proposal conforms to the requirements of this solicitation document.

d. The purpose of the proposal evaluation process is two-fold: (1) to assess the responses for compliance with the minimum qualifications, content and format requirements; and (2) to identify the Proposers that have the highest probability of satisfactorily performing the services as described herein. The evaluation process will be conducted in a comprehensive and impartial manner as set forth in:

1) Prequalification Evaluation

- a) Each proposal package will be dated and the time will be recorded when received.
- b) Each proposal package will be inspected to ascertain that it is properly sealed and labeled. Proposals not passing this inspection may not be accepted.
- c) All proposals will remain sealed and in a secured area until opening, at which time all proposals will be opened together. Contents of all proposals may be considered public information when a Notice of Intent to Award is posted.
- d) All proposals will be reviewed to determine if they satisfy the minimum qualifications specified in Section C, Minimum Qualifications for the Proposer and contain the required submittals specified in Section D Proposal Requirements and Information, Subsection 4 Proposal Requirements.
- e) All proposals that pass the prequalification evaluation will be assessed by a panel of CalSTRS staff appointed by the CalSTRS' Chief Investment Officer or designee.

2) Proposal Evaluation

All proposals that pass the prequalification evaluation review will be assessed by a panel of CalSTRS staff selected by CalSTRS' Chief Investment Officer or designee. Each panel member will independently evaluate and score the proposals based on the categories enumerated in the Proposal and Fee Evaluation Summary, Exhibit B for the pool(s) to which the proposer is responding. A proposer who is applying for both pools will have two (2) separate proposal scores. Proposal and Fee Evaluation Summary – A will be used for the General Investment Project Consultant pool and Proposal and Fee Evaluation Summary – B will be used for the Specialty Investment Consultant pool.

Proposers must receive a minimum of 80 points on each pool evaluation (if responding to more than one [1] pool) in order to advance to the fee proposal evaluation.

3) Fee Proposal Evaluation

The Fee Proposal, Attachment 4A and/or 4B, will be evaluated and scored separately for each pool to which the proposer is responding. If the proposer is applying for more than one (1) pool, the proposer must complete the appropriate Fee Proposal form for each pool. The proposer with the lowest hourly rate within each pool will receive 100 points. Other proposals submitted for that pool will be rated proportionally as follows:

$$\frac{\text{Lowest Hourly Rate}}{\text{Proposer's Hourly Rate}} \times \text{Maximum Number of Points} = \text{Proposer's Score}$$

The work on each specific project will be bid at the time of the project. The successful firms will be allowed to bid the number of hours. The hours bid time their hourly rate will equal to the total fee for a specific project. It is advised that firms should include in their proposal their blended and typical firm-wide hourly rate, including travel and other incidentals.

7. Award and Protest

- a. If at anytime during or at the conclusion of this RFP process CalSTRS determines that, in its opinion, the results of this process are unsatisfactory, CalSTRS reserves the right to discontinue this process and decline to award a contract. If a contract award is made, the contract award will be made to the Proposer having the highest Finalist Interview score, but may be subject to final negotiations, and satisfaction of all requirements including the DVBE contract participation requirements for this RFP.
- b. All Proposers will be notified of the outcome of the RFP. Notice of the contractors who have been selected to be part of the pool will be posted on CalSTRS' website at www.calstrs.com. News releases pertaining to the award resulting from this RFP shall not be made without prior written approval by CalSTRS Chief Executive Officer or his designee.
- c. Any Proposer may file a protest against the awarding of the vendor pool. The protest must be filed during the five (5) business days that the Notice of Intent to Award is posted. Within five (5) business days after filing the protest, the protesting Proposer shall file with CalSTRS a full and complete written statement specifying the grounds for the protest. Protests are limited to the following grounds:
 - 1) CalSTRS failed to substantially adhere to any specified procedures as set out in the RFP.
 - 2) CalSTRS failed to apply correctly the standard for reviewing the format requirements or failed to evaluate the proposals as specified in the RFP.

- 3) CalSTRS failed to follow evaluation and rating methods as specified in the RFP.
 - 4) CalSTRS used a method other than that set out in the RFP to determine the vendor pool.
- d. Protests shall be made in writing and delivered to:

Contract Services
California State Teachers' Retirement System
100 Waterfront Place, MS 30
West Sacramento, California 95605-2807

Once a protest has been filed, the Agreement may not be awarded until either the protest is withdrawn or CalSTRS has decided the matter. Following the receipt of a protest, the CalSTRS Legal Office will either decide the matter or refer it to a committee appointed by the Teachers' Retirement Board for resolution. The decision by the Legal Office or the committee shall be final. Notification of the decision will be sent to the protesting proposer within thirty (30) days after a decision has been reached.

8. Disposition of Proposals

Proposals that contain proprietary information should have a statement to that effect included in the proposal with a list of all so designated pages following the Cover Letter. (Please label "Proprietary Information" in the upper right hand corner of any pages so designated). CalSTRS will use reasonable efforts to exempt such pages or items from public disclosure except to the extent provided in any resulting contract or the extent required by law. CalSTRS makes no representations or warranties that such efforts will be successful. Please note that the entire proposal cannot be considered proprietary. Proposal packages may be returned only at the Proposer's expense.

9. Standard Conditions of Service

- a) All performance under the Agreement shall be completed on or before the termination date of the Agreement.
- b) CalSTRS does not accept alternate Agreement language from a prospective contractor. A proposal with alternate language will be considered a counter proposal and may be rejected. The CalSTRS' General Terms and Conditions are not negotiable. Please refer to Exhibit C for a sample of the Agreement and general terms and conditions that will be awarded.
- c) No oral understanding or agreement shall be binding on either party.

10. Darfur Contracting Act

Pursuant to the Darfur Contracting Act of 2008 (Act), “scrutinized companies” are ineligible to submit a proposal for a contract/agreement with a state agency. As such, the proposer must complete the Darfur Contracting Act, Attachment 6 either (1) substantiating that certification is not required or (2) certifying that the proposer is not a scrutinized company, as defined by the Act. Proposals submitted without a completed Darfur Contracting Act, Attachment 6 will be deemed ineligible.

11. Disabled Veteran Business Enterprise (DVBE) Program Requirements

The California Public Contract Code (PCC) Section 10115 et seq. requires a participation goal of three (3%) percent DVBE for Agreements awarded by CalSTRS. This goal applies to the total contract dollars expended by CalSTRS annually.

The Teachers’ Retirement Board has adopted a policy that directs staff to encourage, promote, and facilitate the fullest possible participation by Disabled Veteran Business Enterprise (DVBE) in contracts awarded by CalSTRS. In accordance with this policy, CalSTRS encourages its contractors to seek opportunities, to do business with DVBE firms.

All Proposers must complete and return Attachment 7, Statement of Commitment to Meet Disabled Veteran Business Enterprise Contract Participation Goal, or submit both Attachment 8, DVBE Program Requirements, demonstrating the three percent (3%) participation and Attachment 9, Disabled Veteran Business Enterprise Incentive Information and Declaration Form. Proposers who submit Attachments 8 and 9 will receive ten (10) incentive points added to their score as identified on Exhibit B, Proposal, Fee and Finalist Evaluation Summary.

12. Proposer’s Authorized/Key Personnel

- a. Attachment 10, Proposer’s Authorized/Key Personnel, names certain members (authorized/key individuals who perform services under the Agreement that will be awarded by CalSTRS) of Contractor's staff who will exercise a significant role under the Agreement. These personnel shall be hereafter referred to (both individually and collectively) as "Authorized/Key Personnel."
- b. Contractor shall not substitute, replace or reassign Authorized/Key Personnel without CalSTRS' prior approval. However, with CalSTRS' prior approval, the parties may agree in writing to a change in the Authorized/Key Personnel, which writing shall become a part of the Agreement awarded by CalSTRS.
- c. An Agreement awarded by CalSTRS may be terminated immediately, in CalSTRS' sole discretion and upon written notice from CalSTRS to Contractor, because of any change in or departure of Contractor's Authorized/Key Personnel.

13. Disclosure of Campaign Contributions, Disclosure and Limits on Charitable Contributions, and Gifts

a) Policy

Section 600 H of the Teachers Retirement Board Policy Manual set forth policies requiring entities engaging in business with CalSTRS to disclose campaign contributions in excess of \$250, prohibits providing charitable contributions in excess of \$250, and gifts in excess of \$390, as well as requiring the periodic disclosure of campaign contributions, charitable contributions, and gifts. A copy of the current policy is attached as Exhibit D.

b) Application of Policy to Contractor

This policy applies to all Contractors having a business relationship or seeking a business relationship with CalSTRS or to any business relationship that is considered by the Teachers Retirement Board in a closed session meeting.

c) Disclosure of Campaign Contributions

Contractor and each of its Authorized/Key Personnel shall disclose campaign contributions, as defined by the Political Reform Act, valued in excess of \$250, made to or on behalf of any existing Teachers Retirement Board member, candidates for Board member, Controller, Treasurer, and Superintendent of Public Instruction, and to any CalSTRS officer or employee.

d) Charitable Contributions

1) Limit on Charitable Contributions

Contractor and each of its Authorized/Key Personnel shall not provide any charitable contribution, as defined by the Political Reform Act, in excess of \$250, individually or in the aggregate in any calendar year, directly to or at the request of any Teachers Retirement Board member, or CalSTRS officer or employee.

2) Disclosure of Charitable Contributions

Contractor and each of its Authorized/Key Personnel shall disclose charitable contribution, as defined by the Political Reform Act, valued in excess of \$50, made to or at the request of any Teachers Retirement Board member, or CalSTRS officer or employee.

e) Gifts

1) Limit on Gifts

Contractor and each of its Authorized/Key Personnel shall not provide any gifts, as defined by the Political Reform Act, in excess of \$390, individually or in the aggregate in any calendar year, to any Teachers Retirement Board member, or CalSTRS officer or employee.

2) Disclosure of Gifts

Contractor and each of its Authorized/Key Personnel shall disclose gifts, as defined by the Political Reform Act, valued in excess of \$50, made to or at the request of any Teachers Retirement Board member, or CalSTRS officer or employee.

f) Submission of Disclosures

Contractor and each of its Authorized/Key Personnel shall, with the submission of an initial proposal to do business with CalSTRS, and then with the offering of an Agreement for execution, submit disclosures of contributions and gifts described in this section on a form prescribed by CalSTRS. The current disclosure form required to be submitted with the submission of a proposal is Attachment 11. After execution of an Agreement contractor must submit annual disclosures as specified in the Agreement.

g) Violation of Policy by Contractor

Violations of any of the provisions of this section may, at the discretion of CalSTRS, subject the Contractor to disqualification from doing future or additional business with CalSTRS for a period of two (2) years.

h) Changes in Laws or Policy

CalSTRS reserves the right to amend, upon prior written notice, the above provisions to conform with any subsequent amendments to the political reform laws and CalSTRS policies. Contractor shall have the right to terminate the Contract upon thirty (30) days written notice should it deem any such amendment unacceptable.

14. Addenda: Errors and Omissions

CalSTRS may modify any part of the RFP in writing by issuance of an addendum. Addenda issued prior to the final filing date for submission of proposals will be sent to all parties who were sent the RFP and also available on the Internet at www.bidsync.com. Addenda issued after the final filing date will be sent to all responding Proposers as appropriate.

If a Proposer discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, the Proposer shall immediately notify the CalSTRS Contract Office of such error in writing and request clarification or modification of the document. Such notice shall be given prior to the final filing date for submission of proposals. Modifications of the RFP by CalSTRS shall be made by addenda. Clarifications by CalSTRS shall be issued by written notice to all parties who were sent the RFP. If, prior to the final filing date for submission, a Proposer fails to notify CalSTRS of a known error, or an error that reasonably should have been known, the Proposer shall not be entitled to additional compensation or time by reason of the error or its late correction.

The provisions of any written amendment hereto or clarification hereof issued by CalSTRS pursuant to this section shall be incorporated by reference and made a part of the Agreement awarded as a result of this RFP.

15. Background Investigation

Selected Contractor(s) must demonstrate compliance with CalSTRS' Contractor Background Investigation Policy, Exhibit E for all contract employees that will provide services to CalSTRS under the resulting contract.

E. PREFERENCE PROGRAMS

Proposers who may have questions regarding the following bid preferences may contact the Office of Small Business and DVBE Certification at (916) 375-4940, for Small Business Preference, DVBE Incentive and the TACPA/EZA/LAMBRA Preference Program Group at (916) 375-4609.

1. Small Business Preference – <http://www.pd.dgs.ca.gov/smbus/sbpref.htm>
2. Disabled Veteran Business Enterprise Incentive
– <http://www.pd.dgs.ca.gov/dvbe/dvbeincentive.htm>
3. Target Area Contract Preference Act (TACPA) – <http://www.pd.dgs.ca.gov/edip/tacpa.htm>
4. Enterprise Zone Act (EZA) – <http://www.pd.dgs.ca.gov/edip/eza.htm>
5. Local Agency Military Base Recovery Area (LAMBRA) Act
– <http://www.pd.dgs.ca.gov/edip/lambra.htm>

ATTACHMENT 1
REQUIRED ATTACHMENTS

Proposer Firm Name

For each proposal submitted, please complete this checklist confirming the items included in your proposal. Place a check mark or “X” next to each item that you are submitting to CalSTRS. For your proposal to be responsive, all required attachments must be returned, including this checklist. Submit two (2) hard copies and one (1) CD/DVD of your proposal in a sealed package. Label one (1) hard copy as “Reproduction Copy.” One (1) hard copy must be labeled “Master Copy” and contain the original signatures of the individual who is authorized to bind the Proposer contractually.

<u>Attachments</u>	<u>Attachment Name/Description</u>
_____ <i>Attachment 1</i>	Required Attachments
_____ <i>Attachment 2</i>	Minimum Qualifications Certification
_____ <i>Attachment 3A</i>	Proposal Questionnaire for General Investment Project Consultant
_____ <i>Attachment 3B</i>	<i>AND/OR</i> Proposal Questionnaire for Specialty Investment Consultant
_____ <i>Attachment 4A</i>	Fee Proposal for General Investment Project Consultant
_____ <i>Attachment 4B</i>	<i>AND/OR</i> Fee Proposal for Specialty Investment Consultant
_____ <i>Attachment 5</i>	Warranties Certification
_____ <i>Attachment 6</i>	Darfur Contracting Act
_____ <i>Attachment 7</i>	Statement of Commitment to Meet Disabled Veteran Business Enterprise (DVBE) Contract Participation Goal
_____ <i>Attachment 8</i>	or California State Teachers’ Retirement System DVBE Program Requirements,
_____ <i>Attachment 9</i>	and Disabled Veteran Business Enterprise Incentive Information and Declaration Form
_____ <i>Attachment 10</i>	Authorized/Key Personnel
_____ <i>Attachment 11</i>	Disclosure of Contributions and Gifts

ATTACHMENT 2

MINIMUM QUALIFICATIONS CERTIFICATION

Proposer Firm Name

The Proposer must substantiate that the firm satisfies each of the minimum qualifications, to CalSTRS' satisfaction, to be given further consideration for a contract/agreement award. The statement must contain sufficient information as prescribed to assure CalSTRS of its accuracy. Failure to provide complete information, based on CalSTRS' sole judgment, will result in the immediate rejection of the bid.

1. As of February 17, 2011, the firm has provided general pension consulting services to clients with assets totaling at least \$_____.
2. As of February 17, 2011, the primary consultant assigned to the CalSTRS account has _____ (#) years of experience providing U.S., Non-U.S. and global investment consulting services to public and/or private pension plans.
3. As of February 17, 2011, the firm has been in business for _____ (#) year(s).
4. As of February 17, 2011, the firm has the following defined benefit pension plan clients.
 - A. _____
 - B. _____
 - C. _____

Name of Organization

Date

Proposer's Authorized Signature

Printed Name

ATTACHMENT 3A

**PROPOSAL QUESTIONNAIRE FOR
GENERAL INVESTMENT PROJECT CONSULTANT**

Proposer Firm Name

This attachment is intended to provide CalSTRS with specific information concerning the organization's capability to provide services as described in this RFP. Please limit your response to this questionnaire to essential information. Prepare your document in exactly this format and type each question in the same number order as in the questionnaire.

A. Organization & Independence – Please limit your response to three (3) pages for this section.

1. Please give a brief history of your firm, including the year the firm was founded. Specify the number of years your organization has been providing pension consulting services to tax exempt organizations.
2. Briefly describe the ownership structure of your firm. Identify affiliated or subsidiary organization(s).
3. List the location of your headquarters and/or branch offices that will serve CalSTRS.
4. Within the past three (3) years, have there been any significant developments in your organization (changes in ownership, personnel reorganization, new business ventures, etc.)? If so, please describe. Do you expect any changes in the near future? Please briefly discuss in general your firm's future business plans in the pension consulting area?
5. Within the past three (3) years, has your organization or any officer or principal been involved in any litigation or other legal proceedings relating to your consulting activities? If so, please provide a brief explanation and indicate the current status.
6. Are you a registered investment advisor with the Securities Exchange Commission (SEC) under the Investment Advisors Act of 1940?
7. Please provide details on the number, names, and asset values of any terminated or lost consulting relationships in the last two (2) years (if applicable), with reasons for the termination.
8. Over the past three (3) years break down your revenues on a percentage basis that have come from the following:

_____ %	Investment Managers
_____ %	Brokers/Dealers
_____ %	Plan Sponsors

ATTACHMENT 3A (Continued)

9. Describe any services other than investment consulting services to the pension plan community for which you receive a fee, e.g., brokerage, investment management, etc.? What procedures do you have to reduce/eliminate any conflict of interest that could occur between investment managers and plan sponsors?
10. Please identify your ten largest revenue clients by name, including asset values and product or service the client uses. (Do not include revenues). State if any are over 30% of total revenues.
11. Please list any current relationships/contracts that involve CalSTRS, its Board Members, staff, or investment managers and consultants. Please see www.calstrs.com, for a current listing of Board members and investment managers/consultants.
12. Please list three (3) clients with assets greater than \$500 million as references for whom you have provided general pension consulting services as the lead consultant. For each reference listed include client name, address, telephone number, and name of contact person.

B. Experience & Depth

1. Professional Staff

Provide the names of professionals who will be assigned to the CalSTRS account including the primary consultant and principal assistant (identify the primary consultant with an asterisk [*]) and any individuals that will be directly involved in the CalSTRS account. Include the length of experience in pension consulting/advisory services and any direct investment management experience. Please use the following table format:

Key Professionals					
Name	Title	Years with The firm	Direct Experience		Investment Management
			Prior Consulting	= Total	

2. When we speak to individuals or past clients that are negative about your firm, what are they going to say is the single biggest negative factor with your firm.
3. Please describe in detail, two (2) capabilities or specialties of your firm that you feel truly stand out in the pension consulting industry.

ATTACHMENT 3A (Continued)

C. Project Consulting

1. Please list all the clients where you have worked as a project consultant since 2008.
2. Please include a brief description of a project you performed in the past year.
3. In summary form, please list any special research/consulting projects you performed in the past year.

- D. Please list three (3) special project ideas you think would be most interesting to research in the next twelve (12) months.

ATTACHMENT 3B

**PROPOSAL QUESTIONNAIRE FOR
SPECIALTY INVESTMENT CONSULTANT**

Proposer Firm Name

This attachment is intended to provide CalSTRS with specific information concerning the organization's capability to provide services as described in this RFP. Please limit your response to this questionnaire to essential information. Prepare your document in exactly this format and type each question in the same number order as in the questionnaire.

- A. Organization & Independence – Please limit your response to three (3) pages for this section.
1. Identify your key area of industry leading specialization and the contact person at your firm that will work with CalSTRS regarding this area.
 2. Describe the high level structure of your firm, your areas of specialization, and/or locations.
 3. Briefly describe the ownership structure of your firm and any parent organization.
- B. Area of Specialization
1. State why you feel you are the industry leading specialist in this particular area. Please provide hard objective facts, not speculation.
 2. Identify how your area of specialization fits within the organization structure and provide a brief history of how it's evolved over the years.
 3. Please list the top (in terms of fees paid) three (3) largest clients to use this service in the past three (3) years.
 4. Please list your top five (5) clients in terms of assets.

ATTACHMENT 4A

FEE PROPOSAL FOR
GENERAL INVESTMENT PROJECT CONSULTANT

Proposer Firm Name

Proposers must submit their fees for consulting services in the format prescribed below. The proposed fees shall include all costs and expenses (including travel and incidentals) for providing service to CalSTRS as described in this RFP.

The method of payment will be determined by contract/agreement. Project services will be paid upon completion and delivery of final product, which are agreed upon before the project is commenced.

Hourly Rate for Consulting Services

Proposers must submit an hourly rate for the consulting projects as described in Section B, Services To Be Provided, of this RFP. The successful candidates will be allowed to bid the number of hours a project will require at the time of the project bid. The hourly rate will be set by this Proposal.

Hourly Consulting Rate \$ _____

Are you claiming preference as a small business? Yes ___ No ___

If yes, a copy of your certification approval letter from the Small Business and DVBE Certification must be attached.

Are you claiming TACPA preferences? Yes ___ No ___

Are you claiming EZA preferences? Yes ___ No ___

Are you claiming LAMBRA preferences? Yes ___ No ___

Name of Organization

Date

Proposer's Authorized Signature

Printed Name

ATTACHMENT 4B

**FEE PROPOSAL FOR
SPECIALTY INVESTMENT CONSULTANT**

Proposer Firm Name

Proposers must submit their fees for consulting services in the format prescribed below. The proposed fees shall include all costs and expenses (including travel and incidentals) for providing service to CalSTRS as described in this RFP.

The method of payment will be determined by contract/agreement. Project services will be paid upon completion and delivery of final product, which are agreed upon before the project is commenced.

Hourly Rate for Consulting Services

Proposers must submit an hourly rate for the consulting projects as described in Section B, Services To Be Provided, of this RFP. The successful candidates will be allowed to bid the number of hours a project will require at the time of the project bid. The hourly rate will be set by this Proposal.

Hourly Consulting Rate \$ _____

Are you claiming preference as a small business? Yes ___ No ___

If yes, a copy of your certification approval letter from the Small Business and DVBE Certification must be attached.

Are you claiming TACPA preferences? Yes ___ No ___

Are you claiming EZA preferences? Yes ___ No ___

Are you claiming LAMBRA preferences? Yes ___ No ___

Name of Organization

Date

Proposer's Authorized Signature

Printed Name

ATTACHMENT 5

WARRANTIES CERTIFICATION

Proposer Firm Name

The signature affixed hereon and dated certifies that the Proposer agrees to the incorporation of the following warranties in any contract awarded pursuant to this RFP:

1. Proposer warrants that it maintains errors and omissions insurance providing a prudent amount of coverage for negligent acts or omissions and that such coverage is applicable to Contractor's actions under the Agreement.
2. Proposer warrants that it has completed, obtained and performed all registrations, filings, approvals, authorizations, consents or examinations required by a government or a governmental authority for acts contemplated by the Agreement.
3. Proposer warrants that its firm and its employees shall not disclose any information made available to the firm by the CalSTRS for the purpose of providing services under the Agreement.
4. Proposer warrants that all materials provided by CalSTRS and that all copies or derivations of said materials, will be returned to CalSTRS or will be physically and/or electronically destroyed upon request by CalSTRS.
5. Proposer warrants that it will not enter into any agreements or discussions with a third party concerning such materials prior to receiving written approval from CalSTRS to do so.
6. Proposer agrees to promptly notify CalSTRS of any changes in Proposer's compliance with the warranties stated herein and agrees to restore the warranties as required by CalSTRS, in the event of a lapse. In the absence of a notice to CalSTRS to the contrary, CalSTRS has the right to rely on the on-going effectiveness of each warranty contained herein.
7. If applicable, further and other warranties will be determined at the time of execution of the contract agreed upon by both the Proposer and CalSTRS.

Name of Organization

Date

Proposer's Authorized Signature

Printed Name

ATTACHMENT 6

DARFUR CONTRACTING ACT

 Proposer Firm Name

Pursuant to Public Contract Code section 10478, if a bidder or proposer currently has or within the previous three years had business activities or other operations outside of the United States, it must certify that it is not a “scrutinized” company as defined in Public Contract Code section 10476.

Therefore, to be eligible to submit a bid or proposal, please complete only one of the following three paragraphs (via initials for Paragraph # 1 or Paragraph # 2, or via initials and certification for Paragraph # 3):

1. _____ We do not currently have and have not, within the previous three (3)
 Initials years, had business activities or other operations outside of the United States.

OR

2. _____ We are a scrutinized company as defined in Public Contract Code section
 Initials 10476, but we have received written permission from the Department of General Services (DGS) to submit a bid or proposal pursuant to Public Contract Code section 10477(b). A copy of the written permission from DGS is included with our bid or proposal.

OR

3. _____ We currently have, or we have had within the previous three years,
 Initials business activities or other operations outside of the United States,
 + certification but we certify below that we are not a scrutinized company as defined in
 below Public Contract Code section 10476.

CERTIFICATION For # 3.

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective proposer/bidder to the clause listed above in # 3. This certification is made under the laws of the State of California.

<i>Proposer/Bidder Firm Name (Printed)</i>	<i>Federal ID Number</i>
<i>By (Authorized Signature)</i>	
<i>Printed Name and Title of Person Signing</i>	
<i>Date Executed</i>	<i>Executed in the County and State of</i>

ATTACHMENT 7

STATEMENT OF COMMITMENT TO MEET
DISABLED VETERAN BUSINESS ENTERPRISE
CONTRACT PARTICIPATION GOAL

If selected as a potential contractor, _____
(Proposer Name) hereby commits to comply with CalSTRS' intent regarding the contract participation goal of three percent (3%) Disabled Veteran Business Enterprise, in accordance with the provisions of Public Contract Code Sections 10115.

Name of Organization

Date

Proposer's Authorized Signature

Printed Name

ATTACHMENT 8

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM DVBE PROGRAM REQUIREMENTS

IMPORTANT NOTICE

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
DISABLED VETERAN BUSINESS ENTERPRISE PROGRAM REQUIREMENTS**

On July 28, 2009 Governor Schwarzenegger signed legislation amending Public Contract Code 10115.2 and 10115.15 to delete the Disabled Veteran Business Enterprise (DVBE) Program element known as the **"Good Faith Effort"** from DVBE program participation requirements.

In accordance with the legislation, DVBE Participation Requirement, Option B (Good Faith Effort), is hereby deleted in its entirety. Bidders must choose either Option A (Goal Attainment) or Option C (Business Utilization Plan) in order to be deemed responsive to the DVBE Participation Requirement.

For additional information read the [Narrative](#) provided by the California Department of General Services

<http://www.pd.dgs.ca.gov/dvbe/default.ht>

ATTACHMENT 8 – CONTINUED

DOCUMENTATION OF DISABLED VETERAN BUSINESS ENTERPRISE CONTACTS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
DISABLED VETERAN BUSINESS ENTERPRISE PROGRAM REQUIREMENTS

Authority: The Disabled Veteran Business Enterprise (DVBE) Participation Goal Program for California State Teachers' Retirement System (CalSTRS) contracts is established in Public Contract Code (PCC), section 10115 et seq., Military and Veterans Code section 999 et seq., and the California Code of Regulations, Title 2 (2 CCR), section 1896.60 et seq.

The minimum DVBE participation percentage is 3% for this solicitation.

Introduction: The bidder must document either option **A** or **C** to comply with this solicitation's DVBE program requirements. Bids or proposals (hereafter called "bids") that fail to fully document one of the DVBE program requirements options shall be considered non-responsive and ineligible for award.

All information submitted by the intended awardee to comply with this solicitation's DVBE requirements will be verified by CalSTRS. If evidence of an alleged violation is found during the verification process, CalSTRS shall initiate an investigation with this information in accordance with the requirements of the PCC, section 10115, et seq. and the Military and Veterans Code, section 999 et seq. and follow the investigatory procedures required by the 2 CCR, section 1896.80.

Only State of California, Office of Small Business and DVBE Services (OSDs) certified DVBEs who perform a commercially useful function relevant to this solicitation may be used to satisfy the DVBE program requirements. The criteria for performing a commercially useful function are contained in the California Military and Veterans Code Section 999(b)(5)(B)(i). A DVBE contractor, subcontractor or supplier is considered performing a commercially useful function when it meets the following criteria:

- (1) The person or entity is responsible for the execution of a distinct element of the work of the contract, carries out the obligation by actually performing, managing or supervising the work involved, and performs work that is normal for its business services and functions; and
- (2) The person or entity is not further subcontracting a portion of the work that is greater than that expected to be subcontracted by normal industry practices.

CalSTRS will verify each DVBE subcontractor/supplier certification with the OSDs to ensure DVBE eligibility.

To meet the DVBE program requirements, bidders must complete and fully document one of the two following compliance options:

Option A – Commitment to full DVBE participation: For a bidder who is a DVBE or who is able to meet the commitment to use identified DVBE(s) to fulfill the full DVBE participation goal.
--

Option C – Business Utilization Plan: For a bidder using an approved DVBE Business Utilization Plan (BUP) to satisfy DVBE participation requirements. Applies only to solicitations for goods or information technology.

ATTACHMENT 8 – CONTINUED

Please Read All Instructions Carefully. These instructions contain information about the DVBE program requirements, bidder responsibilities, and requirements for performing and documenting each of the two (2) available options as detailed below. Bidders are responsible for thorough review and compliance with these instructions. Document your option selection on the attached AD 840 form.

OPTION A – COMMITMENT: Commit to meet or exceed the DVBE participation requirement in this solicitation by Method A. Bidders must document DVBE participation commitment by completing and submitting the attached AD 840 form. Failure to complete and submit the AD 840 form as instructed shall render your bid non-responsive.

The bidder must provide, prior to contract award, a written agreement signed by the bidder and each proposed DVBE subcontractor. The written agreement will include (1) the DVBE scope of work; (2) work to be performed by the DVBE; (3) term of intended subcontract with the DVBE; (4) anticipated dates the DVBE will perform the required work; (5) rate and conditions of payment; (6) total amount of agreement to be paid to the DVBE; and (7) the percentage of the entire agreement that will be awarded to the DVBE subcontractor(s). If this information is contained in the bidder's DVBE written agreement of intent, the agreement may be attached to the AD 840 form. If further verification is necessary, CalSTRS will obtain additional information to verify the above requirements.

Method A. Certified DVBE Bidder:

- a. Commit to performing at least 3% of the contract bid amount with your firm or in combination with other DVBE(s).
- b. Document DVBE participation on AD 840 (Side 1) form and attach copy of all applicable certifications.
- c. A DVBE working in combination with other DVBEs shall be requested to submit proof of its commitment by submitting a written agreement with the DVBE(s) identified in its bid's AD 840 form. When requested, the written agreement must be submitted to the address or facsimile number specified and within the timeframe identified in the notification. Failure to submit the requested written agreement as specified may be grounds for bid rejection.

OPTION C – THE DVBE BUSINESS UTILIZATION PLAN (BUP): This option permits bidders to submit an approved DVBE BUP to satisfy DVBE participation solicitation requirements up to 3%. DVBE BUPs apply only to solicitations for goods and information technology (IT) goods and services. DVBE BUPs are a company's commitment to expend a minimum of 3% of its total statewide contract dollars with DVBEs – this percentage is based on all of its contracts in the State, not just those with the CalSTRS. DVBE BUPs must be submitted to and approved by the Department of General Services – Procurement Division (DGS-PD) prior to the bid due date. Please call the DGS-PD, OSBS at (916) 375-4940 for assistance. Bidders choosing this option must properly complete and submit an AD 840 (Side 1) form and include a copy of its approval letter with the bid. Failure to submit these documents shall render your bid non-responsive.

ATTACHMENT 8 – CONTINUED

Designation of Option - Check the appropriate box(es) to indicate the option(s) with which you choose to comply, complete the applicable sections and attach the required supporting documentation. You are advised to read all instructions carefully prior to completing this form. Remember that only California certified DVBEs who can provide related goods and/or services may be used to satisfy these program solicitation requirements.

FORM AD 840

- OPTION A: I commit to meeting the full DVBE contract participation requirement.**
Complete AD 840, Section A.
- OPTION C: I submit a copy of my firm’s “Notice of Approved DVBE Business Utilization Plan.”**

A. Full information must be provided.

For contract participation commitment, at least one DVBE must be listed. DVBEs must perform a commercially useful function. List the specific goods and/or services with the dollar and/or percentage value(s) that the DVBE(s) commit(s) to provide and the DVBEs tier (prime contractor=0, subcontractor to prime contractor=1, subcontractor to Tier 1 subcontractor =2, etc.) If both the estimated dollar amount and percentage are listed, the higher value supersedes. Attach additional pages to list all other DVBE subcontractors/suppliers (you may use AD 840A form). During contract performance, all requests for substituting named DVBEs must be made in accordance with the provisions of California Code of Regulations, Title 2, Section 1896.64I.

Date Contacted	DVBE Company Name (If you are the Prime and a DVBE enter your name, if not, enter the solicited subcontractor.)		
DVBE Contact Name & Reference #	Telephone Number ()	Fax Number ()	E-mail (if available)
Street Address, City, State and Zip Code			
<input type="checkbox"/> <i>YES, I am, or will subcontract with, the listed DVBE to provide the following goods and/or services:</i>			
Specific Goods and/or Services		Estimated \$ and/or % \$ / %	Tier
<input type="checkbox"/> <i>NO, I am unable to subcontract with the DVBE for the following business reasons:</i>			
Date Contacted	DVBE Company Name (If you are the Prime and a DVBE enter your name, if not, enter the solicited subcontractor.)		
DVBE Contact Name & Reference #	Telephone Number ()	Fax Number ()	E-mail (if available)
Street Address, City, State and Zip Code			
<input type="checkbox"/> <i>YES, I am, or will subcontract with, the listed DVBE to provide the following goods and/or services:</i>			
Specific Goods and/or Services		Estimated \$ and/or % \$ / %	Tier
<input type="checkbox"/> <i>NO, I am unable to subcontract with the DVBE for the following business reasons:</i>			

ATTACHMENT 8 – CONTINUED

Use AD 840A form (add additional pages as necessary) to list all other DVBE contacts.

Step 1. Contact the CalSTRS contracting official to identify potential DVBE subcontractors/ suppliers, and document this contact as required.

Date	Contact Name Contract Services	Telephone Number (916) 414-4880
Describe Result		

Step 2. Contact all of the following and document your contacts as required: Other state and federal agencies and local organizations to identify potential DVBE subcontractors/suppliers. **Other State Agency** – Procurement Division, Office of Small Business and DVBE Certification (Certification Office)

PHONE CONTACT OR ONLINE SEARCH	Date	Telephone Number (916) 322-5060 (916) 375-4940	Contact Name	<input type="checkbox"/> I contacted the Certification Office for a list of California certified DVBEs.
	Date	Internet Address http://www.pd.dgs.ca.gov/smbus		<input type="checkbox"/> I searched the Certification Office’s online database to identify California certified DVBEs.
Describe Result				
Federal Agency – U.S. Small Business Administration (SBA) online database.				
	Date	Internet Address http://www.pro-net.sba.gov		<input type="checkbox"/> I searched the federal online database for California DVBEs.
Describe Result				
Local DVBE Organizations – Contact at least one local DVBE organization. Refer to the DVBE Resource Packet for a list of acceptable contacts. (http://www.pd.dgs.ca.gov/smbus - select “DVBE Resource Packet”)				
	Date	Organization Name	Contact Name	Telephone Number and/or Internet Address
Describe Result				
	Date	Organization Name	Contact Name	Telephone Number and/or Internet Address
Describe Result				

Step 3. Publish advertisements: Two (2) advertisements – One (1) ad in an accepted trade paper; and one (1) ad in an accepted DVBE focus paper (See the DVBE Resource Packet for a list of accepted publications); unless the paper is dual purpose (fulfilling both trade and focus requirements), in which case one (1) ad is acceptable. Copy(ies) of the advertisement(s) must be attached.

Focus Paper Name (List Full name)	Contact Name	Telephone Number ()
Address	Date Ad Published	

ATTACHMENT 8 – CONTINUED

Trade Paper Name (List Full name)	Contact Name	Telephone Number ()
Address	Date Ad Published	
<input type="checkbox"/> <i>I certify the ad was placed to reach both trade and focus audiences through this one publication.</i>		
Trade and Focus Paper Name (List Full name)	Contact Name	Telephone Number ()
Address	Date Ad Published	

Additional Documentation of Disabled Veteran Business Enterprise Contacts
 FORM AD 840A may be used as a continuation from Section A of Form AD 840.

ATTACHMENT 8 – CONTINUED

FORM AD 840A

Date Contacted	DVBE Company Name		
DVBE Contact Name	Telephone Number ()	Fax Number ()	E-mail
Street Address, City, State and Zip Code			
OR	<input type="checkbox"/> <i>Yes, I will subcontract with the listed DVBE to provide the following goods and/or services.</i>		
	Specific Goods and/or Services	Estimated \$ and/or % \$ / %	Tier
	<input type="checkbox"/> <i>No, I am unable to subcontract with the DVBE for the following business reasons:</i>		
Date Contacted	DVBE Company Name		
DVBE Contact Name	Telephone Number ()	Fax Number ()	E-mail
Street Address, City, State and Zip Code			
OR	<input type="checkbox"/> <i>Yes, I will subcontract with the listed DVBE to provide the following goods and/or services.</i>		
	Specific Goods and/or Services	Estimated \$ and/or % \$ / %	Tier
	<input type="checkbox"/> <i>No, I am unable to subcontract with the DVBE for the following business reasons:</i>		
Date Contacted	DVBE Company Name		
DVBE Contact Name	Telephone Number ()	Fax Number ()	E-mail
Street Address, City, State and Zip Code			
OR	<input type="checkbox"/> <i>Yes, I will subcontract with the listed DVBE to provide the following goods and/or services.</i>		
	Specific Goods and/or Services	Estimated \$ and/or % \$ / %	Tier
	<input type="checkbox"/> <i>No, I am unable to subcontract with the DVBE for the following business reasons:</i>		
Date Contacted	DVBE Company Name		
DVBE Contact Name	Telephone Number ()	Fax Number ()	E-mail
Street Address, City, State and Zip Code			
OR	<input type="checkbox"/> <i>Yes, I will subcontract with the listed DVBE to provide the following goods and/or services.</i>		
	Specific Goods and/or Services	Estimated \$ and/or % \$ / %	Tier
	<input type="checkbox"/> <i>No, I am unable to subcontract with the DVBE for the following business reasons:</i>		

ATTACHMENT 9

Disabled Veteran Business Enterprise (DVBE) Incentive Information And Declaration Form

The Disabled Veteran Business Enterprise (DVBE) Participation Goal Program for State contracts is established in Public Contract Code (PCC) section 10115 et seq., Military and Veterans Code (MVC) section 999 et seq., and California Code of Regulations (CCR), Title 2, section 1896.60 et seq. The DVBE Participation Program was established to acknowledge disabled veterans for their service and to further DVBE participation in state contracting, promote competition and encourage greater economic opportunity.

Every year, state agencies must report to the governor and the legislature their total DVBE contracting participation. If the minimum three percent (3%) goal is not met, the state agency must provide their reasons for not meeting the goal and an implementation plan for further DVBE participation improvement.

The PCC 10115 et seq. requires a goal of three percent (3%) DVBE participation on contracts awarded by CalSTRS. The Teachers' Retirement Board has adopted a policy that directs staff to encourage, promote, and facilitate the fullest participation by DVBE's in contracts awarded by CalSTRS:

- a) Contractor agrees that as a contractor of CalSTRS it will meet the requirements of 3% DVBE participation in this contract opportunity.
- b) Document DVBE participation on AD 840 form and attach a copy of all applicable certifications. (Form AD 840 is attached as part of Attachment 8)
- c) You may also qualify to bid if you have an approved DVBE Business Utilization Plan (BUP) approved by Department of General Services before the bid date. In that plan you must certify that you will expend a minimum of 3% of your statewide contract dollars with the DVBE(s). (This percentage is based on all of your contracts in the state, not just those with CalSTRS.)

To further assist in fulfilling the requirements of DVBE participation, the state passed into law SB115 which gave a bid incentive to Proposers who utilized DVBE. The incentive will be applied on this RFP. **If you fulfill the 3% goal you will be given a bid incentive of 10 points added to your score before the points are calculated.**

Proposer Declaration Instructions: All prime Proposers (the firm submitting the bid) must complete the Declaration Form.

1.
 - a. Identify all current certifications issued by the State of California. If the prime Proposer has no California certification(s), check the line labeled "None" and proceed to Item #2. If the prime Proposer possesses one or more of the following certifications, enter the applicable certification(s) on the line:
 - Microbusiness (MB)
 - Small Business (SB)
 - Small Business Nonprofit Veteran Service Agency (SB/NVSA)

ATTACHMENT 9 - CONTINUED

- Disabled Veteran Business Enterprise (DVBE)
- b. Mark either “Yes” or “No” to identify whether subcontractors will be used for the contract. If the response is “No”, proceed to Item #1.c. If “Yes”, enter on the line the distinct element of work contained in the contract to be performed or the goods to be provided by the prime Proposer. Do not include goods or services to be provided by subcontractors.

Proposers certified as MB, SB, SB/NVSA, and/or DVBE must provide a commercially useful function as defined in Military and Veterans Code Section 999(b)(5)(B)(i) for DVBEs and Government Code Section 14837(d)(1) and (2) for small/microbusinesses. For questions regarding commercially useful function determinations made in conjunction with certification approval, contact the Department of General Services, Procurement Division, Office of Small Business and DVBE Certification (OSDC), OSDC Certification and Compliance Unit via email at: osdshelp@dgs.ca.gov.

Bids must propose that certified Proposers provide a commercially useful function for the resulting contract or the bid will be deemed non-responsive and rejected by the State. For questions regarding the solicitation, contact the procurement official identified in the solicitation.

Note: A subcontractor is any person, firm, corporation, or organization contracting to perform part of the prime’s contract.

- c. This item is only to be completed by businesses certified by California as a DVBE.
(1) Declare whether the prime Proposer is a broker or agent by marking either “Yes” or “No”. The Military and Veterans Code Section 999.2 (b)(i) defines “broker” or “agent” as any individual or entity, or any combination thereof, that does not have title, possession, control and risk of loss of materials, supplies, services or equipment provided to any awarding department, unless one or more certified disabled veterans has fifty-one percent (51%) ownership of the quantity and value of the materials, supplies, services, and of each piece of equipment provided under the contract. (2) If bidding rental equipment, mark either “Yes” or “No” to identify if the prime Proposer owns at least 51% of the equipment provided (quantity and value). If **not** bidding rental equipment, mark “N/A” for “not applicable.”

- 2. If no subcontractors are proposed, do not complete the table. Read the certification at the bottom of the form and complete “Page ___ of ___” on the form. If subcontractors will be used, complete the table listing all subcontractors. If necessary, attach additional pages and complete the “Page ___ of ___” accordingly. **Column Labels - Subcontractor Name, Contact Person, Phone Number & Fax Number**—List each element for all subcontractors.

Subcontractor Address & Email Address—Enter the address and if available, an Email address.
CA Certification (MB, SB, DVBE or None)—If the subcontractor possesses a current State of California certification(s), verify on the OSDC website (www.pd.dgs.ca.gov/smbus) that it is still valid and list all current certifications here. Otherwise, enter “None”. [Note: A SB/NVSA should not be participating as a subcontractor].

ATTACHMENT 9 - CONTINUED

Work performed or goods provided for this contract—Identify the distinct element of work contained in the contract to be performed or the goods to be provided by each subcontractor. Certified subcontractors must provide a commercially useful function for the contract. (See paragraph 1.b above for code citations regarding the definition of commercially useful function.) If a certified subcontractor is further subcontracting a greater portion of the work or goods provided for the resulting contract than would be expected by normal industry practices, attach a separate sheet of paper explaining the situation.

Corresponding % of bid price—Enter the corresponding percentage of the total bid price for the goods and/or services to be provided by each subcontractor. Do not enter a dollar amount.

Good Standing?—Provide a response for each subcontractor listed. Enter either “Yes” or “No” to indicate that the prime Proposer has verified that the subcontractor(s) is in good standing for all of the following:

- Possesses valid license(s) for any license(s) or permits required by the solicitation or by law
- If a corporation, the company is qualified to do business in California and designated by the State of California Secretary of State to be in good standing
- Possesses valid State of California certification(s) if claiming MB, SB, and/or DVBE status
- Is **not** listed on the OSDC website as ineligible to transact business with the State

51% Rental?—This pertains to the applicability of rental equipment. Based on the following parameters, enter either “N/A” (not applicable), “Yes” or “No” for each subcontractor listed. Enter “N/A” if the:

- Subcontractor is NOT a DVBE (regardless of whether or not rental equipment is provided by the subcontractor) or
- Subcontractor is NOT providing rental equipment (regardless of whether or not subcontractor is a DVBE) Enter “**Yes**” if the subcontractor is a California certified DVBE providing rental equipment and the subcontractor owns at least 51% of the rental equipment (quantity and value) it will be providing for the contract. Enter “**No**” if the subcontractor is a California certified DVBE providing rental equipment but the subcontractor does NOT own at least 51% of the rental equipment (quantity and value) it will be providing.

ATTACHMENT 9 – CONTINUED

DECLARATION FORM
GSPD-05-105 (EST 8/05)

1. Prime Proposer information (**Please review Declaration Form Instructions above prior to completion**):

a. Identify current California certification(s) (**MB, SB, SB/NVSA, DVBE**): _____
or **None** _____

b. Will subcontractors be used for this contract? **Yes** ___ **No** ___

(If yes, indicate the distinct element of work your firm will perform in this contract e.g., list the proposed products produced by your firm, state if your firm owns the transportation vehicles that will deliver the products to the State, identify which solicited services your firm will perform, etc.). Use additional sheets, as necessary.

c. If you are a California certified DVBE:

Are you a broker or agent? **Yes** ___ **No** ___

If the contract includes equipment rental, does your company own at least 51% of the equipment provided in this contract (quantity and value)?

Yes ___ **No** ___ **N/A** ___

2. If no, subcontractors will be used, skip to certification below. Otherwise, list all subcontractors for this contract on a separate sheet of paper: pursuant to the directions specified in Attachment 9, Disabled Veterans Business Enterprise (DVBE) Incentive Information and Declaration Form Section 2.

CERTIFICATION: By signing below, I certify under penalty of perjury that the information provided is true and correct.

Proposer's Authorized Signature

Printed Name

Title

Date

ATTACHMENT 10

PROPOSER'S AUTHORIZED/KEY PERSONNEL

The names and titles of the personnel authorized to conduct business on behalf of the Contractor in a decision-making capacity are as follows:

Signature _____

Name (Typed) _____

Title (Typed) _____

Date _____

E-mail _____

Signature _____

Name (Typed) _____

Title (Typed) _____

Date _____

E-mail _____

Signature _____

Name (Typed) _____

Title (Typed) _____

Date _____

E-mail _____

Signature _____

Name (Typed) _____

Title (Typed) _____

Date _____

E-mail _____

Form 600-H

ATTACHMENT 11

DISCLOSURE OF CONTRIBUTIONS AND GIFTS

Pursuant to Section 600.H. of the Teachers’ Retirement Board Policy Manual, entitled “Disclosure of Campaign Contributions, Charitable Contributions, and Gifts, Recusal Requirement, and Ban on Specified Gifts” any party and its Authorized/Key Personnel who engages in business with CalSTRS for gain is required to make specific public disclosures. Contracting Entities and each of their Authorized/Key Personnel must complete and file separate forms. The below identified party or its Authorized/Key Personnel hereby make the following disclosures. (Please attach other sheets if more space is needed for disclosure and indicate enclosures.)

Identification of Filer

Name of Entity/Contractor

Authorized/Key Personnel or Person Making Disclosure Reported on behalf of Entity

Description of Relationship with CalSTRS

Mailing Address:

City: State: Postal Code:

Telephone: E-mail Address:

Filing and Disclosure Period

This disclosure of campaign contributions, charitable contributions, and gifts is in response to the following filing requirement:

<input type="checkbox"/>	Upon submission of an initial application or proposal to do business with CalSTRS for the preceding 12-month period.
<input type="checkbox"/>	With the submission of the contract for execution (signature) to cover the interim period since the initial application.)
<input type="checkbox"/>	Annual disclosure for the previous calendar year.

1. Disclosure of Campaign Contributions

Disclosure of Campaign Contributions valued in excess of \$250 made to or on behalf of any a) existing Teacher’s Retirement Board member, b) candidates for Board member, Controller, Treasurer, and Superintendent of Public Instruction, and c) CalSTRS officer or employee. The term “contribution” is defined in the Political Reform Act regulations, in Title 2, California Code of Regulations (CCR) section 18215. If the business is an Investment Relationship, disclosure of campaign contributions made to the Governor or candidates for the governorship must also be made, according to CalSTRS’ Campaign Contribution regulations in Title 5, CCR section 24010.

Value of Contribution	Description if other than monetary	Date of Contribution	Identity of Recipient of Contribution
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Nothing to report

Attachment is enclosed

Form 600-H

ATTACHMENT 11

2. Disclosure of Charitable Contributions

Disclosure of charitable contributions valued in excess of \$250 made at the request of any Teachers' Retirement Board member or CalSTRS officer or employee to any charitable organization.

Value of Contribution	Description of Contribution (monetary or in-kind)	Date of Contribution Made	Identity of Recipient of Contribution	Identity of Requester of Contribution

Nothing to report

Attachment is enclosed

3. Disclosure of Gifts

Disclosure of gifts, including meals, entertainment, or travel, valued in excess of \$50 made to any Teachers' Retirement Board member or CalSTRS officer or employee.

Value of Gift	Description of Gift	Date of Gift Given	Identity of Recipient of Gift

Nothing to report

Attachment is enclosed

I have exercised all reasonable due diligence in preparing this disclosure statement on my own behalf or on behalf of the reporting entity identified above. I have reviewed this statement and to the best of my knowledge the information contained herein and in any attachments is true and complete. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature

Title

Printed Name

Date

CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

INVESTMENT POLICY & MANAGEMENT PLAN

1000 INVESTMENT POLICY

A. Investment Policy and Management Plan

EXECUTIVE SUMMARY

The California State Teachers' Retirement Board (Board) believes that to manage growth of assets in a prudent manner, it is necessary to establish a clear investment policy and a planning statement in the form of an investment management plan under which the Investment Branch will operate. The Board has sole and exclusive fiduciary responsibility to administer the investment assets in a manner that will assure the prompt delivery of benefits and related services to the plan participants and their beneficiaries. As a public pension fund, the California State Teachers' Retirement System (CalSTRS) is not subject to the Employee Retirement Income Security Act (ERISA), which governs corporate pension plans. The CalSTRS investment decision-making criteria are based on the "prudent expert" standard, for which the ERISA prudence standards serve as a basis. Additionally, the California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250 require diversification of risk across asset classes and minimization of employer costs.

The Investment Policy and Management Plan have been developed within the context of the significant events that have occurred during CalSTRS' 96 year history. The CalSTRS Investment Management Plan is updated to reflect the changes that have occurred in the investment policy and strategy as a result of implementing approved programs. In addition, the Investment Policy and Management Plan is updated to ensure that the factors that impacted initial decisions are still relevant in the current environment.

This document addresses general objectives governing the policies of the investment function and specific performance objectives. The general objectives are meant to provide a framework for the operation of the investment function. CalSTRS' performance objectives can be divided into objectives for the overall investment function and objectives for investment managers.

The asset allocation decision governs the allocation of CalSTRS' assets between public and private, and fixed income and equity. Strategic allocation of CalSTRS' assets is the most important factor in the determination of the realized total rate of return. The Board, Investments Staff, and the General Consultants worked together to create a variety of optimal asset allocation alternatives. The Board has adopted the desired targets and set tight ranges around those targets to control risk and ensure the proper allocation of the portfolio.

Strategic asset allocation targets are established within a variety of sub-asset categories to achieve the identified performance objectives. In conjunction with the overall asset allocation targets, sub-asset class level tactical ranges provide flexibility to adapt to changing market conditions.

Subsequent to the establishment of strategic asset allocation targets, an investment structure was designed to guide and direct investment decisions. Investment related issues addressed included:

1. The Funds' overall investment objectives, risk tolerance, and performance standards,
2. The relative amount of active and passive management within each asset class,
3. The relative amount of internal and external management,
4. The appropriate direct and indirect costs of each asset category, and
5. The appropriate reporting standards and time horizons.

Additionally, CalSTRS is committed to holding and managing securities investments in both the public and private markets and exercising the corporate governance rights that are a necessary part of that ownership. CalSTRS views these rights as plan assets and discharges its fiduciary duty solely in the interest of the plan participants and their beneficiaries.

STANDARD OF CARE

Under California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250, the Board has the sole and exclusive fiduciary responsibility over the assets of the retirement system. The Board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries. The assets of the retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries, and defraying reasonable expenses of administering the system.

The members of the Board of the retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of, providing benefits to members and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. The Board's duty to its members and their beneficiaries shall take precedence over any other duty.

The members of the CalSTRS Board shall discharge their duties with respect to the system with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

GENERAL INVESTMENT OBJECTIVES

The main goal for The California State Teachers' Retirement System is to "maintain a financially sound Retirement System." Within this context and in conjunction with the State Constitution and Education Code, the following general investment objectives are designed to establish a framework for the operation of the investment portfolio.

1. **Provide for Present and Future Benefit Payments.** CalSTRS' Investment Program shall provide liquidity to pay benefits to its participants and their beneficiaries, in the amounts and at the times called for, through the investment of contributions and other fund assets, strive to meet the assumptions built into the actuarial model, and strive to maintain a fully funded pension system.
2. **Diversify the Assets.** Seek to diversify the assets to achieve the desired rate of return at a prudent level of risk. The asset structure must provide for diversification of risk between asset classes in order to manage the risk/return relationship through strategic asset allocation.
3. **The Reduction of CalSTRS' Funding Costs.** Within prudent levels of risk, the reduction of CalSTRS' funding costs shall be a consideration in the organization and structure of the Investment Portfolio.
4. **Maintain the Trust of the Participants and Public.** Manage the investment program in such a manner that will enhance the member and public's confidence in the CalSTRS Investment Program.
5. **Establish Policy and Objective Review Process.** A formal review of the CalSTRS Investment Policy and Management Plan will be conducted annually, with an updated financial projection developed every two years.
6. **Create Reasonable Pension Investments Relative to Other Pension Funds.** The selection of investment vehicles and policies will be judged against other private and public pension funds. Investment performance, asset management costs, staffing, and overall expenses will be compared to other public and corporate pension plans, with special emphasis on comparisons with other large public funds.
7. **Minimize Costs.** Management fees, trading costs, and other expenses will be aggressively monitored and controlled.
8. **Compliance with State and Federal Laws.** The Investment Program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.

INVESTMENT GOALS

Within these general investment objectives, the Investment Committee has set forth near term goals for the Investment Portfolio. These goals are ranked and proportioned in accordance with the Investment Committee's priorities set in the 2009 Asset Liability Study. These goals help serve to define the overall risk and return objectives for the Portfolio and set the long-term asset allocation. By prioritization, they emphasize the Investment Committee's focus on long-term results with the willingness to accept short term volatility in order to achieve a higher outcome over many years.

1. Achieve highest actuarial funding ratio years 3 through 33 (44 percent weight)
2. Achieve lowest average actuarial cost during years 3 through 23 (16 percent weight)
3. Avoid actuarial funding ratio below 57% in years 3 through 33 (15 percent weight)

4. Lowest likelihood of Pay-As-You-Go years 10 through 30 (15 percent weight)
5. Avoid actuarial employer cost over 35% in any of the years 3 through 23 (10 percent weight)

INVESTMENT PERFORMANCE OBJECTIVES

The general investment objectives designed a framework for the operation of the investment function. The performance objectives can be divided into three components: 1) performance objectives for the overall Investment Portfolio, 2) performance objectives for each asset class, and 3) performance objectives for the individual investment managers within each asset class. CalSTRS incorporates all three levels of analysis in its monitoring of the Investment Portfolio performance.

In 2001, a survey of the Board members confirmed the Board's primary objective is to meet the actuarial assumptions and to strive to maintain a fully funded pension plan. Further, the Board reaffirmed its focus on a long-term investment horizon of 10 years. As a long-term pension plan, the Board emphasizes that the primary time horizon for measuring investment performance will be over a three, five, and ten year period rather, than quarter to quarter or year to year.

There are four performance objectives identified for the overall Investment Portfolio:

1. Relative to Strategic Asset Allocation Targets
2. Relative to Inflation
3. Relative to the Actuarial Rate of Interest
4. Relative to CalSTRS' Liabilities

The first objective identifies a comparative benchmark that reflects CalSTRS' unique asset allocation policy. This performance objective is a composite of the target weighting for each asset category multiplied by the performance benchmark's return for that category. This performance number is compared to the actual asset allocation and actual total rate of return. This comparison identifies the contribution or detriment to performance caused by manager performance, market timing, and tactical asset allocation decisions.

The inflation related objective compares the investment performance against the rate of inflation as measured by the Consumer Price Index (CPI) plus 3.5 percent. The Consumer Price Index is used in the calculation of the estimated salary increases for the members (teachers). The inflation measure provides a link to CalSTRS' liabilities.

The actuarial rate of interest is reviewed and monitored as a measure of the long-term rate of growth of CalSTRS' assets. The current actuarial rate of interest is 8.0 percent. When adopting the actuarial rate of interest, the Board anticipates the Investment Portfolio may achieve higher returns in some years and lower returns in other years.

The liability related performance objective recognizes that liabilities must be paid in full and in a timely manner. The liabilities are future claims of the CalSTRS’ participants. The actuarial rate of interest is used to discount the future value of the CalSTRS’ liabilities to calculate the funded ratio.

PERFORMANCE BENCHMARKS

To facilitate the periodic reporting to the Investment Committee and to provide a relative measure to gauge success, custom performance benchmarks are approved by the Investment Committee. The Investment Committee has also adopted the Benchmark Modification Policy to allow for the deletion of certain industries that met specific risk criteria from all benchmarks. The approved custom performance benchmarks are shown below:

<u>Total Public Global Equity</u>	Weighted blend of the Russell 3000 Index ex-Tobacco combined with the MSCI ACWI ex-U.S. Index ex-Tobacco
U.S. Equity	Russell 3000 Index ex-Tobacco
Non-U.S. Equity	MSCI ACWI ex-U.S. Index ex-Tobacco
<u>Total Public Debt</u>	(95%) Barclays Capital U.S. Aggregate ex-Tobacco + 5% U.S. High Yield Cash Pay 2% Issuer Constrained Index ex Tobacco
U.S. Core	Barclays Capital U.S. Aggregate Index ex-Tobacco
U.S. Core Plus Debt	Barclays Capital U.S. Universal Index ex-Tobacco
High Yield Debt	Barclays Capital U.S. High Yield. Cash Pay ex-Tobacco 2% Issuer Constrained Index
Absolute Return	Weighted blend of Global Inflation Protected or Linked securities and infrastructure index.
<u>Real Estate</u>	NCREIF Property Index
<u>Private Equity</u>	Russell 3000 Index ex tobacco plus 300 basis points and the State Street Private Equity Index cumulative pooled internal rate of return data weighted by sub-asset type.

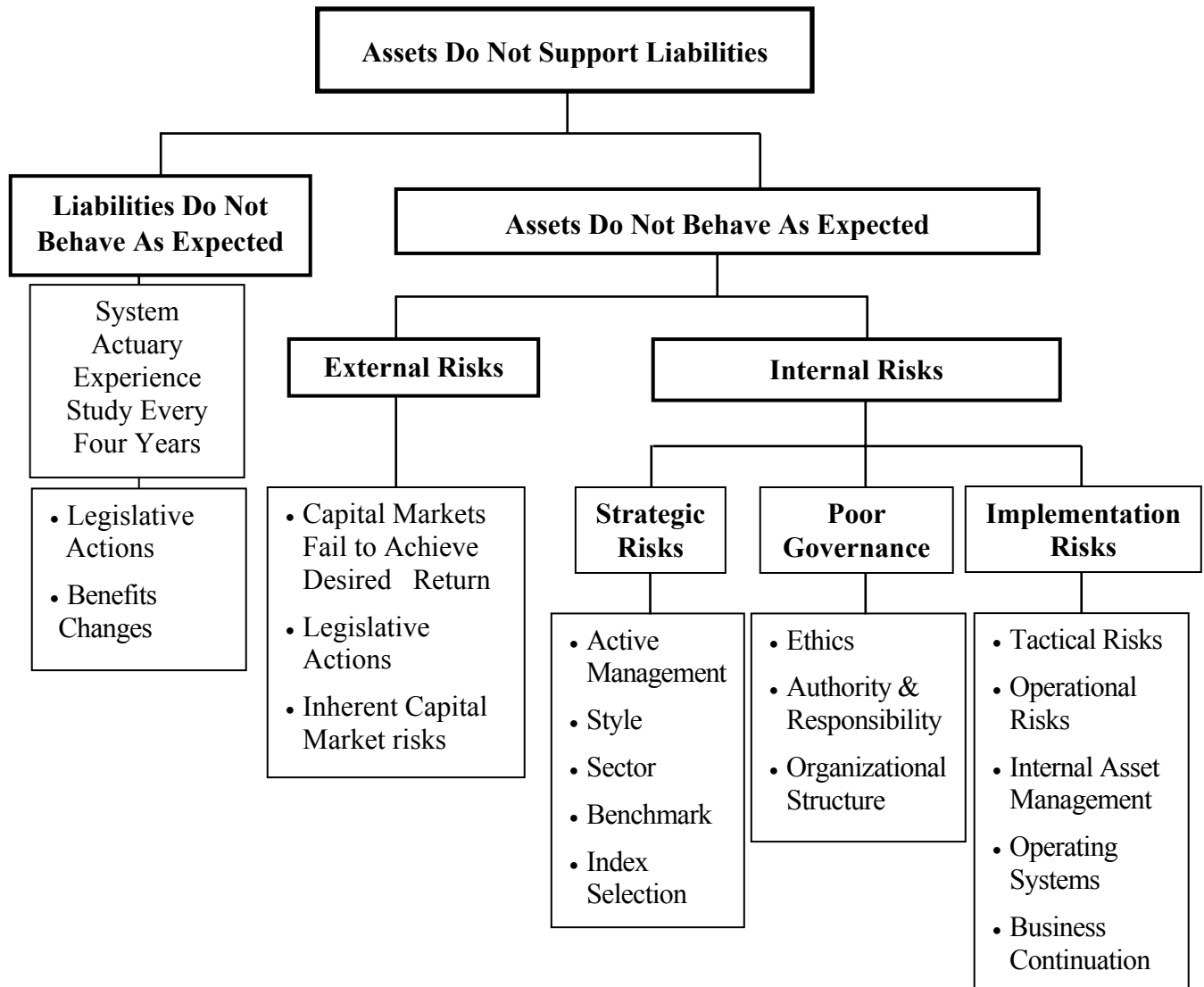
Blended indices are weighted based upon CalSTRS’ target allocations to each respective index. Each investment manager, for U.S. and non-U.S. equity, fixed income, and currency hedging has an individualized benchmark designed to measure its performance relative to the objective identified in each manager’s respective investment guidelines.

RISK CONSTRAINTS

The CalSTRS Investment Portfolio will be invested to maximize return at a prudent level of risk in accordance with the CalSTRS Investment Policy, the California Constitution, and the California Education Code.

RISK STANDARDS

With a few enhancements, CalSTRS has utilized the risk matrix *Statements of Key Investment Risk and Common Practices to Address Those Risks, June 2000*, which is endorsed by the NCTR¹, GFOA², and APPFA³. These standards promulgate the CalSTRS risk framework which is listed below:



External Risk - External risks are embedded and inherent within the capital markets. This policy defines the Fund’s strategy and process to capture or, in turn, mitigate these risks.

Governance Risk - Governance risk is mitigated within the Board’s Policy and the individual asset class policies. Roles and assignments are clearly stated in each policy.

¹ National Council on Teacher Retirement;
² Government Finance Officers Association
³ Association of Public Pension Fund Auditors

Strategic Investment Risks & Implementation Risks - This Policy is designed to mitigate the strategic investment risks and implementation risks of the investment activity. A critical element to mitigate these risks is the asset allocation and sub-asset structure of each asset class. The Board has adopted target allocations and tight ranges to control and limit the strategic and tactical risks in the Portfolio. To control the active manager style, sector, index, and benchmark risks, the Board has delineated guidelines and structure through the asset allocation plan and equity manager policies and guidelines.

Environmental, Social and Geopolitical Risks (ESG) – CalSTRS Investment Portfolio operates in a unique and complex social-economic milieu, and the Board expects its staff and investment managers to select investments after a careful investigation and deliberation of the risks versus the potential return. To assist staff and investment managers, the Board has promulgated a partial list of risks to be considered that are of particular concern to the System, this list and the ESG policy are included as Attachment A to this Policy.

RISK BUDGET

The CalSTRS Asset Allocation Plan is developed within the concept of a risk budget. In CalSTRS view, the public markets of U.S. equity, U.S. fixed income and, to a lesser extent, non-U.S. equity, are fairly efficient markets. Information is disseminated quickly and new information is quickly absorbed into the market prices of a given security. As a result, CalSTRS utilizes a more passive management style. The less efficient the investment the greater exposure to active management and hence the larger exposure to style, sector, and management risk.

In the less liquid and inefficient asset classes of high yield fixed income, alternative investments, and real estate, the Fund utilizes a complex active management style to capture the greater opportunity set offered by the larger risks.

TOTAL FUND RISK

Liquidity Risk

No more than 33 percent of the total fund shall be invested in instruments that are not regularly publicly traded on a daily basis.

Maximum Investment

No more than 3 percent of the total fund shall be invested or exposed to any one security or corporation, with the exception of United States Treasury or Agency Obligations. No more than 15 percent of any asset class may be invested in any one security, with the exception of United States Treasury or Agency Obligations.

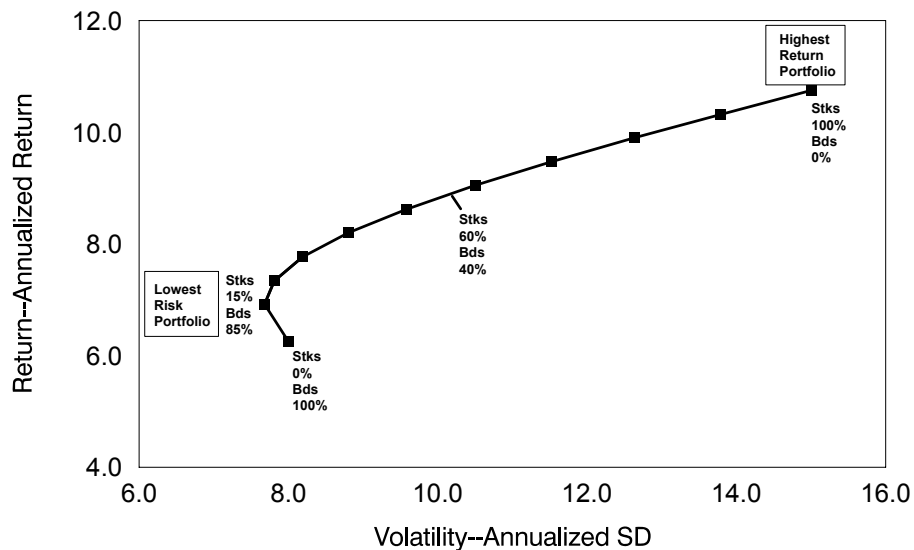
ASSET ALLOCATION

A Review of Asset Allocation

A diversified investment portfolio consists of multiple asset classes whose investment returns respond differently to varying economic scenarios. Diversified portfolios are attractive because the combination of various asset classes can reduce expected risk while maintaining expected return. Combining assets having different return patterns can produce a portfolio that has much lower volatility (risk) than any individual asset while producing returns that are competitive. Maximizing return while reducing risk increases the probability of meeting a specified return objective.

Efficient frontier analysis is a widely accepted method of analyzing the tradeoff between risk and return across portfolios having different mixes of assets. Through this quantitative technique (which relies on several critical assumptions), an optimization process identifies portfolios of assets providing the highest expected return, given a specified level of risk. The procedure continues to determine ideal portfolios at varying levels of risk until an entire range of ideal portfolios (termed an “efficient frontier”) is identified below.

An Efficient Frontier for a Stock and Bond Portfolio



Asset Class	Expected Annual Return	Expected Annual Volatility
Domestic Stocks:	9.25%	22.0%
Domestic Bonds:	5.75%	8.0%
Stock-Bond Correlation:	0.25	

In selecting certain combinations of assets (such as domestic equity and fixed income) any rational investor will always consider the tradeoff between changes in return and changes in risk.

At a minimum, investors should expect to receive a higher rate of return for an incremental increase in investment risk.

Each mix of assets is, in itself, a unique asset having its own return vs. risk tradeoff. As highlighted above, these asset portfolios can exhibit return patterns that differ greatly from any underlying asset. Depending on the extent of how individual assets move in relationship to each other (measured by correlation), certain mixes of assets could enhance the return-risk tradeoffs over investing in any single asset.

The curve-point in the curve in the efficient frontier chart shows when adding a certain proportion of stocks ceases to add value (simultaneously adding return and reducing risk). This point comes when stocks become 13 percent of the portfolio. Beyond this point, the only way to increase return is to increase risk incrementally. For those points along the line past the curve point, the only decision one has to make is how much incremental risk one is willing to accept.

The only way to increase return will be to accept incremental increases in investment risk (uncertainty). The line between the curve-point and the “100% Stocks” point is termed the “efficient frontier.” Any point along the efficient frontier represents that unique portfolio that offers the highest return for the given amount of risk.

The Asset Allocation Process

The key goal of the asset allocation process is to develop an asset allocation policy that maximizes the likelihood that an investment portfolio’s assets will, over the planning horizon, fund plan benefits.

Steps Involved in Setting Asset Allocation Policy

Overview and Planning Steps

1. Review rationale for policy.
 - A. Importance of diversification
2. Review financial condition of plan.
 - A. Assets versus projected liabilities (balance sheet)
 - B. Projected contributions versus projected benefits

Investment Related Steps

3. Review rationale for investment asset classes in light of plan financial requirements.
4. Develop expectations for asset class investment performance (returns, risks, correlations).
5. Identify investor-specific constraints that might limit investment strategies (e.g., liquidity).
6. Create model portfolios, incorporating objectives, assumptions, and constraints.
7. Isolate investor-specific model portfolio to represent an investor’s asset allocation policy.

8. Perform additional sensitivity analyses to quantify impact of specific issues.
 - A. Adjustments to required rate of return
 - B. Shift in financial condition of the Plan due to funding

Once the rationale for undertaking an asset allocation study is understood, a review of the financial condition of the plan becomes imperative. A key component of reviewing a plan's financial condition is studying the actuarial requirements of the plan. These include the future liabilities and expected cash flow of contributions less benefit payments. For example, over the next decade, CalSTRS expects to see a negative cash flow as more participants retire. These requirements represent the plan's long-term liabilities and, when combined with the plan's investment portfolio, constitute a pension plan's balance sheet.

Understanding what factors (such as changes in interest rates, benefit structures, and plan demographics) influence these liabilities is important. Changes in these and other underlying factors may, in fact, alter a plan's liability structure. Such shifts could, in turn, impact the plan's financial condition. CalSTRS' liabilities were studied and considered as part of this asset allocation review.

Selecting Asset Classes for Portfolio Investment

As discussed earlier, there are three components required to model investment returns: 1) asset class expected returns, 2) asset class risks, and 3) correlations among asset classes. Investment consultants develop these components, which are then used to develop efficient frontiers quantitatively. CalSTRS' current long-term expected returns and risks for various assets classes range from 4.5 percent to 12.5 percent per year.

Total Return and Risk Estimates *
Assumed inflation level: 2.5% per year
Adopted in April 2009

Asset Class	Expected Annual Return	Expected Risk (Annld. SD) ⁴
Cash	3.50	2.0
Domestic Bonds	4.90	6.5
Absolute Return	6.50	6.1
Global Stocks	9.30	18.5
Private Equity	11.80	25.0
Real Estate	9.25	17.5

Correlation among the asset classes:

⁴ SD – Standard Deviation

	Global Equity	Fixed Income	Absl. Rtn	Prvt. Eqty.	Real Estate
Global Equity	1.00				
Fixed Income	0.10	1.00			
Absolute Rtn.	0.35	0.60	1.00		
Private Equity	0.80	0.10	0.10	1.00	
Real Estate	0.40	0.40	0.30	0.50	1.00
Liquidity	0.10	0.30	0.00	0.15	0.25

* *These return and volatility estimates are only for asset allocation modeling purposes. The Investment Committee has not authorized their use for liability modeling purposes.*

These return and volatility estimates reflect several basic relationships:

1. Investors or lenders of capital require an incremental real return premium as a reward for making capital available.
2. Equity-oriented investment should, over long periods, produce return premiums that are higher than their fixed-income counterparts.
3. The return assumptions for the publicly traded asset classes do not account for added value opportunities within each asset class.

Review of Asset Allocation Policy

Over the last twenty years, CalSTRS' Asset Allocation Policy has shifted modestly.

CalSTRS Asset Allocation Policy Trends (in %)

Asset Class	Long-term *	2008	1999	1995	1993	1986
U.S. Equities	-	40	38	34	33	40
Non-U.S. Equities	-	20	25	18	18	15
Public Global Equity	47	60	63	52	51	55
Real Estate	15	11	5	5	10	10
Private Equity	12	9	5	3	7	5
Total Equity	74	80	73	60	68	70
Global	0	0	0	5	1	0
Absolute Return	5					
Fixed-Income	20	20	26	34	30	30
Cash	1	0	1	1	1	0
Stable Assets	26	20	27	35	31	30
Total	100	100	100	100	100	100

* *The long-term target was established in July 2009.*

CalSTRS' Investment Policy has remained consistent from an equity/stable asset allocation viewpoint. In 1986, CalSTRS had a strategic allocation of 70 percent equities and 30 percent

stable assets. In 1997, CalSTRS’ Board adopted and reaffirmed a policy of 73 percent equity and 27 percent stable assets. During the 2006 Asset Liability Study, the Investment Committee approved a shift to a long-term plan of 80 percent equity and 20 percent stable assets to optimize the likelihood of success in meeting the investment goals listed at the beginning of the Policy. In 2009, the Investment Committee added a new asset class, Absolute Return, to help improve the overall diversification and reduce volatility. As a stable asset class, this shifts the equity /debt ratio to 74/26.

STRATEGIC ASSET ALLOCATION

The System’s asset allocation strategy utilizes a design for today’s needs, while anticipating the future capacity and growth of the Investment Portfolio. A strategic asset allocation target for each asset class was first established in 2001 and has been revised with each subsequent asset allocation study, based upon a comprehensive asset allocation analysis completed by Pension Consulting Alliance. In conjunction with the strategic target, a range for each asset category has been established to provide flexibility designed to reduce rebalancing costs and allow flexibility to adapt to changing market conditions.

To control the risk and return relationship, each asset category should be rebalanced to the strategic target. Rebalancing latitude is important and can significantly affect the performance of the Portfolio. Blind adherence to narrow ranges increases transaction costs without a documented increase in performance. A rebalancing range that is too wide may cause undesired changes in the asset allocation. The range is plus or minus six percent around the strategic target for Global Equity and plus or minus three percent for all other asset categories. The range refers to the market value of the total investment portfolio.

CalSTRS Long-term Policy Target and Ranges

	Long-Term Target	Range
Global Equity	47%	41% to 53%
Private Equity	12%	9% to 15%
Real Estate	15%	12% to 18%
Total Equity	74%	68% to 80%
Absolute Return	5%	0% to 8%
Fixed Income	20%	17% to 23%
Cash	1%	-2% to 4%
Total Public Debt	26%	20% to 32%
Total Asset Allocation	100%	

Please note that the allocated, but not funded, portion of Private Equity and Real Estate will be invested in accordance with the Strategic Asset Allocation Plan.

With the creation of the Absolute Return asset class, CalSTRS will build up the new portfolio as attractive investment opportunities and time permit. To integrate the new asset class, CalSTRS has

adopted the following implementation plan commencing in July of 2009. Each quarter the asset mix will be revisited and the Policy benchmark will be moved to the next step if approved by the Investment Committee.

Revised CalSTRS Long-term Policy Target and Ranges

	<u>2009</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>	Long-Term Target
Global Equity	54	52	50	48	47%
Private Equity	12	12	12	12	12 %
Real Estate	12	13	14	15	15%
Absolute Return	0	2	3	4	5%
Fixed Income	21	20	20	20	20%
Cash	1	1	1	1	1%
Total Asset Allocation	100%	100%	100%	100%	100%

Rebalancing Procedure: The asset mix may deviate from the target as shown above. Deviations greater than described may require rebalancing within the range. The range around the allocation targets is intended to keep the actual allocation close to the target while minimizing the transaction costs that result from rebalancing.

1. The Board delegates to the Chief Investment Officer authority to rebalance the asset allocation across asset classes when market values of assets fall outside policy ranges and to shift within the ranges. Rebalancing and shifts will be accomplished first using normal cash flows and second through reallocation of assets across asset classes. The timing of the re-balancing and shifts will be based on market opportunities and the consideration of transaction costs, and therefore need not occur immediately. The global financial markets and fund conditions are dynamic, not static. The optimum shift in assets will depend on market volatility and costs. The above policy ranges are long-term and may deviate in the short-term as a result of funding schedules, interim market movements, and market impact costs of implementation.
2. Idle cash will be allocated to asset classes and investment managers based on target allocations.
3. The Board authorizes the Chief Investment Officer to shift assets in a timely, prudent, and cost efficient manner within the Policy ranges and in order to maintain the policy ranges established by the Board. The Board further authorizes the Chief Investment Officer to utilize futures, forward contracts and options for a temporary period, in order to maintain target range exposure in asset classes and to reduce transaction costs that would otherwise be incurred by the buying and selling of actual securities. Rebalancing can occur to bring asset classes within their target ranges or when there is transition between investment managers. The CIO will promptly report any re-balancing to the Board at the next Investment Committee meeting.
4. Rebalance Within Asset Classes: The Board authorizes the Chief Investment Officer to rebalance within each asset class by first using normal cash flows and second through the

reallocation of assets within asset classes. This reallocation will be based on individual policies and guidelines for each asset class.

5. Because of appraisal valuation and the illiquid market nature of appraised assets, exceeding the maximum policy range allocation will trigger a review by the Chief Investment Officer, the specialty and General Consultant, and the Investment Committee rather than an automatic rebalancing.

INVESTMENT STRUCTURE

Investment structure guides and directs present and future investment decisions in a prudent manner. The structure is also used by CalSTRS to mitigate the strategic investment risk within the portfolio. Investment related issues addressed included:

1. The relative amount of active and passive management,
2. The relative amount of internal and external management,
3. The appropriate direct and indirect costs of each asset category, and
4. The appropriate reporting standards and time horizons.

ASSET ALLOCATION STRUCTURE

1. Based on academic studies, it has been determined that 91 percent of the total return is attributable to the asset allocation decision. Consequently, each asset category shall remain within the tactical range approved in the Strategic Asset Allocation adopted by the Board.
2. Control of the cash flow is critical to the success of long-term investment strategies. Estimated cash flows shall be provided to the Investment Committee in conjunction with the biennial Actuarial Study.
3. No less than quarterly, the Chief Investment Officer will complete a report identifying the salient aspects of the investments, including a section on compliance with approved asset allocation targets.

CORPORATE GOVERNANCE POLICY

CalSTRS has developed robust policies and standards for fair and open governance of corporations. As long-term owners and lenders to corporations around the world, it is the Fund's duty to protect those assets through the pursuit of good governance and operational accountability. More detailed information about the program can be found in the Corporate Governance Investment Policy.

GLOBAL EQUITY STRUCTURE

1. The Equity portfolio is a full global portfolio comprised of U.S.; Non-US developed

Countries, and Emerging markets. Each segment is managed under a different structure and the Global Equity policy has set forth targets and ranges for each area.

2. The U.S. segment of the Global Equity Portfolio will be managed using both passive (70 percent target) and active (30 percent target) strategies. The structure of the Active Portfolio will follow the general percentage breakout of the Russell 3000 Index between large and small capitalization and value and growth characteristics. The passive component may have both internal and external managers. The active component will be managed externally.
3. The non-U.S. segment of the Global equity portfolio is assumed to be more inefficient, allowing active management to add value. The target will be an equal amount of active management (50 percent) and passive management (50 percent) strategies.
4. Emerging markets segment will be utilized to enhance return and diversification and will be 100 percent actively managed. The passive component may have both internal and external managers. The active component will be managed externally.
5. More detailed information and standards about the asset class can be found in the Global Equity Investment Policy.

FIXED INCOME STRUCTURE

1. The Fixed Income Portfolio shall be comprised of investment grade and non-investment grade securities, U.S. dollar based and non-U.S. dollar based securities. The Portfolio will target 80 percent using an enhanced indexing strategy, while 20 percent will be externally actively managed using a broader universal fixed income and high yield securities opportunity set. The Internally Managed Portfolio will emphasize tracking the risk characteristics of the performance benchmark.
2. Short term fixed income / liquidity and cash securities, including the cash portion of equity portfolios, shall be managed internally with emphasis on safety and liquidity. The Portfolio shall be comprised of investment grade securities; A1/P1 rated short-term debt, and other appropriate securities as approved in the policies and procedures.
3. More detailed information and standards for the asset class can be found in the Fixed Income Investment Policies.

CURRENCY MANAGEMENT STRUCTURE

1. The Currency Management Program overlays CalSTRS total exposure to foreign currencies from the U.S. Equity, the Alternative Investments, and the Real Estate Portfolios. The program structure is 80 percent internally managed, with a primary focus on defensive hedging in periods of a strong dollar, with opportunity for cross hedging to add value. External active currency overlay managers will be used for 20 percent of the overall currency exposure. These managers may actively shift currency exposure to add value to the Portfolio.

2. More detailed information about the program and structure can be found in the Currency Management Policy.

PRIVATE EQUITY STRUCTURE

1. The Private Equity Portfolio will be comprised of limited partnerships and co-investments focusing on commitments to domestic and non-U.S. partnerships as identified in the Private Equity Policy. A private equity advisor and Staff will analyze each partnership and conduct appropriate due diligence with the objective of achieving upper quartile performance, as identified by Venture Economics.
2. Private Equity has substantial fees and costs; consequently, emphasis will be placed on negotiating, monitoring, and controlling the direct and indirect costs of each limited partnership investment.
3. More detailed information and standards for the asset class can be found in the Private Equity Policy.

REAL ESTATE STRUCTURE

1. The Real Estate Portfolio will be comprised of direct real estate investments, joint venture investments, and commingled funds (opportunistic funds) with adopted targets of 50 percent to core and 50 percent to higher-risk tactical investments. Leverage may be applied within the constraints set forth in the Real Estate Investment Policy.
2. To more closely align the interests of the plan sponsor and real estate manager, emphasis will be placed on negotiating, monitoring, and controlling the cash flow (both income and expense) associated with each property.
3. More detailed information and standards for the asset class can be found in the Real Estate Policy.

ABSOLUTE RETURN STRUCTURE

1. This asset class consists of several asset types that, when combined, should produce a relatively stable return stream, with return level between equities and fixed income and an overall higher correlation to inflation than equity or fixed income. The initial portfolio will be comprised global inflation linked bonds / securities and infrastructure investments. Additional investment areas and strategies may be added upon the Investment Committee approval.
2. Infrastructure investments are governed by the infrastructure policy, initially adopted in July 2008.

ADDITIONAL INVESTMENT PROGRAMS & POLICIES

CalSTRS also maintains programs and policy statements for the following additional investment programs:

1. California Investments – Urban & Rural Underserved Markets
2. Securities Lending
3. Credit Enhancement
4. Member Home Loan Program
5. Directed Brokerage Program
6. Divestment Policy

Additional information and standards for each can be found in their respective investment policies statements.

REPORTING

On at least a quarterly basis, the Chief Investment Officer will prepare a comprehensive report on the Investment Program to include the asset allocation, movement of assets, System cash flow, and the market value of each Portfolio. Semi-annually, the General Consultant and CIO will preview and present the investment performance of the Systems' Investment Portfolio.

Approved July 2002
Revised Capital Market Assumptions December 2002
Revised Asset Allocation Plan November 2003
Revised November 2003
Revised December 2003
Revised December 2005
Revised Capital Market Assumptions February 2006
Revised June 2006
Revised July 2006
Revised for new asset allocation targets September 2006
Revised for new asset allocation targets September 2007
Revised for new Asset Allocation targets and ESG Policy July 2008
Revised to add 21st Risk Factor for Human Health to the ESG Policy, Attachment A September 2008
Expand Asset class ranges November 2008
Revised asset allocation targets March 2009
Revised for New Asset Allocation targets August 2009

Attachment A: Investment Policy for Mitigating Environmental, Social, and Geopolitical Risks (ESG)

PRINCIPLES

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy and Management Plan, is to discharge its responsibility in the sole and exclusive interest of the participants and beneficiaries in a manner that will assure the prompt delivery of benefits and related services.

CalSTRS invests a multi-billion dollar fund in a unique and complex social-economic milieu and recognizes it can neither operate nor invest in a vacuum. The System's investment activities impact other facets of the economy and the globe. As a significant investor with a very long-term investment horizon and expected life, the success of CalSTRS is linked to global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Therefore, consideration of environmental, social, and governance issues (ESG), as outlined by the CalSTRS 21 Risk Factors, are consistent with the Board fiduciary duties.

Consistent with its fiduciary responsibilities to our members, the Board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for sustainability in their operations. As an active owner, CalSTRS incorporates ESG into its ownership policies and practices.

Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity for decade after decade, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund. Conversely, unsustainable practices that hurt long-term profits are risks to the System's investment.

Since CalSTRS must invest huge sums of moneys for long periods of time to pay for future benefits promised to California Teachers, our actions to invest in securities of a corporation predominately reflects a judgment that the ownership will produce a sustainable rate of return which will make it an attractive investment and help CalSTRS meet its long-term obligations. It is important to note that CalSTRS ownership of a security in a company does not signify that CalSTRS approves of all of the company's practices or its products or that CalSTRS believes a

particular company is an attractive investment since the security may be owned due to its membership in a particular index or for risk mitigation purposes.

Since 1978, CalSTRS has used a written policy, the Statement of Investment Responsibility (SIR), to navigate the complex landscape of ESG issues. The long history of this document is testimony to the national leadership of CalSTRS among pension funds in addressing ESG matters through a written policy. The SIR will continue its longevity as guidance on proxy voting; however this Policy now replaces the SIR as CalSTRS' preeminent policy on ESG matters.

POLICY

Geopolitical Risks and Social Risks: To help manage the risk of investing a global portfolio in a complex geopolitical environment, CalSTRS has developed a series of procedures to follow when faced with any major geopolitical and social issue as identified by the 21 risk factors. It is important to note that fiduciary standards do not allow CalSTRS to select or reject investments based solely on social criteria.

When faced with a corporate decision that potentially violates CalSTRS Policies; the Investment Staff, CIO and Investment Committee will undertake the following actions:

- A. The CIO will assess the gravity of the situation both as an ESG risk and as to the System. The extent of the responsibility of the System to devote resources to address these issues will be determined by: 1) the number of shares held in the corporation, and 2) the gravity of the violation of CalSTRS Policies.
- B. At the CIO's direction, the Investment Staff will directly engage corporate management to seek information and understanding of the corporate decision and its ramifications on ESG issues.
- C. The CIO and investment staff will provide a report to the Investment Committee of the findings and recommend any further action of engagement or need to commit further System resources. The Investment Committee can marshal further resources given the gravity of the situation.

To assist CalSTRS Staff and external investment managers in their investment analysis and decision-making, CalSTRS has developed a list of 21 risk factors that should be included within the financial analysis of any investment decision. This list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction; however they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for an investment in any asset class whether within the U.S. or across the globe.

CalSTRS expects all investment managers, both internal and external to assess the risk of each of the following factors when making an investment. The manager needs to balance the rate of

return with all the risks including consideration of the specific investments exposure to each factor in each country in which that investment or company operates.

<i>CALSTRS 21 RISK FACTORS</i>
<p>Monetary Transparency The long-term profitability by whether or not a country or company has free and open monetary and financial data, and its observance of applicable laws.</p>
<p>Data Dissemination The long-term profitability by whether or not a country is a member of the IMF (or similar organization) and satisfies the conditions for access, integrity, and quality for most data categories.</p>
<p>Accounting The long-term profitability by whether or not the accounting standards are formulated in accordance with International Accounting Standards or the U.S. Generally Accepted Accounting Principles.</p>
<p>Payment System: Central Bank The long-term profitability by whether the activities of a country's central bank encompass implementing and ensuring compliance with principles and standards which are established to promote safe, sound, and efficient payment and settlement systems.</p>
<p>Securities Regulation The long-term profitability by exposure to operations in countries that have not complied with IOSCO objectives, which provide investor protection against manipulation and fraudulent practices.</p>
<p>Auditing The investment's long-term profitability by whether or not the country uses International Standards on Auditing in setting national standards.</p>
<p>Fiscal Transparency The investment's long-term profitability by its exposure or business operations in countries that do not have not some level of fiscal transparency such as publication of financial statistics, sound standards for budgeting, accounting, and reporting.</p>
<p>Corporate Governance The investment's long-term profitability by whether or not the government recognizes and supports good corporate governance practices and whether it generally adheres to OECD principles.</p>
<p>Banking Supervision The investment's long-term profitability from its exposure to countries that have not endorsed/complied with the Basel Core Principles. An endorsement includes an agreement to review supervisory arrangements against the principles and bring legislation in line with the principles where necessary.</p>

<p>Payment System: Principles</p> <p>The investment's long-term profitability by whether a country complies with the 10 Core Principles for Systemically Important Payment Systems, which includes operational reliability, efficiency, real time settlement, final settlement in central bank money; and whether rules and procedures are clear and permit participants to understand the financial risks resulting from participation in the system.</p>
<p>Insolvency Framework</p> <p>The investment's long-term profitability from its business operations and activities in specific countries with regard to bankruptcy reform or insolvency legislation.</p>
<p>Money Laundering</p> <p>The investment's long-term profitability from exposure and whether or not a country has implemented an anti-money laundering regime in line with international standards; consideration should be given to compliance with the 40 recommendations in the Financial Action Task Force (FATF) on Money Laundering; and whether it is a member of FATF.</p>
<p>Insurance Supervision</p> <p>Whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors (IAIS) Principles.</p>
<p>Respect for Human Rights</p> <p>The investment's long-term profitability from its business operations and activities in countries that lack or have a weak judicial System. Assess the risk to an investment's long-term profitability from its business operations and activities in a country that engages in or facilitates the following: arbitrary or unlawful deprivation of life, disappearance, torture and other cruel, inhuman, or degrading treatment or punishment, arbitrary arrest, detention, or exile, arbitrary interference with privacy, family, home, or correspondence, use of excessive force and violations of humanitarian law in internal conflicts. Consideration should be given to governmental attitude regarding international and non-governmental investigation of alleged violations of human rights.</p>
<p>Respect for Civil Liberties</p> <p>The investment's long-term profitability from operations, activities, and business practices in countries or regions that do not allow freedom of speech and press, freedom of peaceful assembly and association, freedom of religion, freedom of movement within the country, allowance for foreign travel, emigration, and repatriation.</p>
<p>Respect for Political Rights</p> <p>The investment's long-term profitability from business practices and activities in countries that do not allow their citizens the right to advocate for change to their government.</p>
<p>Discrimination Based on Race, Sex, Disability, Language, or Social Status</p> <p>The investment's long-term profitability from business practices and activities on discrimination, such as discrimination against women, children, and persons with disabilities, national/racial/ethnic minorities, or indigenous people.</p>

Worker Rights

The investment's long-term profitability from management and practices globally in the area of worker's rights; specifically the right of association, the right to organize and bargain collectively, prohibition of forced or bonded labor, status of child labor practices and minimum age for employment, acceptable work conditions, or human trafficking.

Environmental

The investment's long-term profitability from activities and exposure to environmental matters such as; depleting or reducing air quality, water quality, land protection and usage, without regard for remediation. Consideration should be given to how a company is dealing with the impact of climate change, including whether the government is taking steps to reduce its impact, exacerbating the problem, or oblivious to the risk.

War/Conflicts/Acts of Terrorism

The investment's long-term profitability from business exposure to a country or region that has an internal or external conflict, war, acts of terrorism or involvement in acts of terrorism, and whether the country is a party to international conventions and protocols.

Human Health

The risk to an investment's long-term profitability from business exposure to an industry or company that makes a product which is highly detrimental to human health so that it draws significant product liability lawsuits, government regulation, United Nations sanctions and focus, and avoidance by other institutional investors.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

INVESTMENT RESOLUTION

WHEREAS, the Electorate of the State of California in November, 1992 amended Section 17 of Article XVI of the State Constitution by approval of Proposition 162; and

WHEREAS, the Teachers' Retirement Board embraces the concepts of the revised Section 17 of Article XVI of the State Constitution, which states that the Retirement System shall have sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system; and

WHEREAS, the Teachers' Retirement Board has approved the Investment Plan which provides for wider diversification of the System's investment assets; and

WHEREAS, the Teachers' Retirement Board on the advice of its consulting actuary and the pension fund consultant has adopted the objective of achieving a long term annualized investment return of 3.50% in excess of the rate of inflation; and

WHEREAS, in the exercise of its fiduciary responsibilities the Board has considered and approved various classes of investments for the Teachers' Retirement Fund; therefore it is

RESOLVED, that the following investment classes are authorized if deemed prudent at the time of purchase:

Fixed-Income Securities

Fixed Income investments as authorized by the Investment Management Plan and Fixed Income Policies and Guidelines and as authorized by the Investment Committee.

Equity Securities

Equity investments as authorized by the Investment Management Plan and Equity Policies and Guidelines and as authorized by the Investment Committee.

Real Estate

Real Property investments as authorized by the Investment Management Plan and Real Estate Policies and Procedures and as authorized by the Investment Committee.

Private Equity

Limited partnership investments in equity of fixed income securities as defined in the Private Equity Policies and Procedures and as authorized by the Investment Committee.

Absolute Return

Inflation linked fixed income securities and Infrastructure investments as defined by the Infrastructure Policy and Procedures, and as authorized by the Investment Committee.

Other Investments

Purchase of other types of investments may be made only with advance approval of the Investment Committee of the Teachers' Retirement Board.

Advance approval of the Investment Committee or its designates may be obtained by authorization for individual securities, or for a particular class of investments, or for specified investment managers of the Teachers' Retirement Fund.

RESOLVED further that all investments shall be made with the standards of care, skill, prudence and diligence prescribed in the revised Section 17 of Article XVI of the State Constitution. These tests will involve, importantly, full consideration of proper diversification of investments, adequacy of reliable information for analysis of investments, and suitability for the requirements of the Teachers' Retirement Fund. The Board endorses the principle that prudence of individual investments shall be judged in the context of the total Retirement Fund portfolio;

RESOLVED further, that cash reserves of the System are to be managed for the safety and convenience of the Teachers' Retirement Fund, in investments which are considered to be prudent money market instruments by internal investment managers;

RESOLVED further, that the services of at least one external independent organization (performance evaluator) will be retained to assess the investment results of portfolio managers and to compare such results with those of similarly situated institutions and such other standards of measurement as the Investment Committee deems appropriate;

RESOLVED further, that investments now held which no longer qualify for purchase under this Resolution may be retained if qualified under the Resolutions existing at their respective dates of acquisition;

RESOLVED further, that this Investment Resolution rescinds and replaces all previously adopted Investment Resolutions.

Adopted by the Teachers' Retirement Board on October 19, 1984
Revised to include foreign issuers within the S&P 500 Stock Index on April 19, 1985
Revised to reflect legislation prohibiting investment within South Africa on December 19, 1986
Revised to reflect passage of Proposition 162 and implementation of Global Tactical Asset Allocation Program on September 9, 1993
Revised to remove reference to South Africa investment restriction on May 11, 1994
Revised to incorporate changes to the Investment Policy and Management Plan and individual asset class policies on July 10, 2002
Revised to broaden Fixed Income and Equity reference on July 10, 2008
Revised to include Absolute Return asset class, August 13, 2009

PROPOSAL AND FEE EVALUATION SUMMARY - A

FOR GENERAL INVESTMENT PROJECT CONSULTANT

PROPOSAL EVALUATION	<u>Maximum Point Score</u>	<u>Points Scored</u>
A. Organization and Independence Brief history of firm Ownership structure Significant developments, litigation, registered investment advisor Revenue information	40 points	_____
B. Experience and Depth Staff experience Negative factors Capabilities or specialties that stand out	50 points	_____
C. Special Projects List of special project clients Description of special projects Special research or consulting projects	30 points	_____
DVBE Incentive	10 points	_____
Subtotal	130 points	_____*
<i>*Must receive a minimum of 80 points to be given further consideration.</i>		
Fee Proposal	100 points	_____
GRAND TOTAL	230 points	_____

Evaluator Number: _____

PROPOSAL AND FEE EVALUATION SUMMARY - B

FOR SPECIALTY INVESTMENT CONSULTANT

PROPOSAL EVALUATION	<u>Maximum Point Score</u>	<u>Points Scored</u>
A. Organization and Independence Key area of specialization High level structure of the firm Ownership structure of the firm	40 points	_____
B. Area of Specialization Why are they the leading specialist How their specialization fits into the organization Top 3 largest clients to use their service Top 5 clients in terms of assets	50 points	_____
DVBE Incentive	10 points	_____
Subtotal	130 points	_____*
<i>*Must receive a minimum of 80 points to be given further consideration.</i>		
Fee Proposal	100 points	_____
GRAND TOTAL	230 points	_____

Evaluator Number: _____

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

STATE OF CALIFORNIA
STANDARD AGREEMENT
STD 213 (Rev 06/03)

AGREEMENT NUMBER 200#-###C
REGISTRATION NUMBER

- This Agreement is entered into between the State Agency and the Contractor named below:
STATE AGENCY'S NAME
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
CONTRACTOR'S NAME
CONTRACTOR'S NAME
- The term of this Agreement is: Start Date _____ through date or Evergreen
- The maximum amount of this Agreement is: **\$ 0.00**
- The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement.

Exhibit A – Scope of Work	X pages
Exhibit B – CalSTRS' Investment Policy Management Plan rev 2008	X pages
Exhibit C – Fiduciary Standards	X pages
Exhibit D – CalSTRS' Investment Protection Standards IF APPLICABLE INSERT	X pages
Exhibit E – Developing Manager Program General Investment Guidelines ASK C-MGR IF APPLIES	X pages
Exhibit F – Contractor Name 's Authorized/Key Personnel	1 page
Exhibit G – CalSTRS' Authorized/Key Personnel	1 page
Exhibit H – Teachers Retirement Board Policy Manual Section 600H	3 pages
Exhibit I – Disclosure of Contributions and Gifts	2 pages
Exhibit J – Form 600 J – Disclosure of Third Party Relationships	1 page
Exhibit K – CalSTRS Contractor Background Investigation Policy	4 pages
Exhibit L – Certification of Contractor's Employee Background Investigation	1 page
Exhibit M – Personal History Statement	1 page

Items shown with an Asterisk (), are hereby incorporated by reference and made part of this agreement as if attached hereto.
These documents can be viewed at www.ols.dgs.ca.gov/Standard+Language*

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR		<i>California Department of General Services Use Only</i>
CONTRACTOR'S NAME (if other than an individual, state whether a corporation, partnership, etc.) CONTRACTOR'S NAME		
BY (Authorized Signature)	DATE SIGNED(Do not type)	
PRINTED NAME AND TITLE OF PERSON SIGNING NAME OF AUTHORIZED SIGNOR		
ADDRESS ADDRESS OF CONTRACTOR CITY, STREET ZIP		
STATE OF CALIFORNIA		APPROVED AS TO FORM
AGENCY NAME CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM		CalSTRS LEGAL COUNSEL
BY (Authorized Signature)	DATE SIGNED(Do not type)	<input type="checkbox"/> Exempt per:
PRINTED NAME AND TITLE OF PERSON SIGNING JACK EHNES, CHIEF EXECUTIVE OFFICER		
ADDRESS 100 WATERFRONT PLACE, WEST SACRAMENTO, CA 95605		

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

A. INTRODUCTION

The California State Teachers' Retirement System (CalSTRS) and (Add Contractor's Name) (Contractor) enter into this Agreement/Contract to provide CalSTRS with (Add type of Service) services for CalSTRS. Pursuant to Education Code 22353 and Article XVI, Section 17 of the California Constitution, this Agreement is entered into by the California State Teachers' Retirement System, at the direction of the Teachers' Retirement Board (Board), and (add Contractor's name), under the direction of the Board or designee and in accordance with the Scope of Work, Exhibit A, CalSTRS' Investment Policy and Management Plan, Exhibit B, and Fiduciary Standards, Exhibit C, attached to and incorporated herein.

B. AGREEMENT LIAISONS

1. Contractor

- a) Contractor liaison for services shall be Name, Title, Telephone number, E-mail address.
- b) Correspondence may be addressed to mail address.

2. CalSTRS

- a) CalSTRS liaison for services shall be Director of Unit in Investments, at telephone number (916) 414-XXXX, and Mail Stop 4.
- b) Contract Services, at telephone number (916) 414-4880, E-mail address contractservices@calstrs.com, and Mail Stop 30, for questions related to the Agreement.
- c) Investment Branch, Attn: Investment Operations, at telephone number (916) 414-7550, E-mail address investmentoperations@calstrs.com, and Mail Stop 04 for questions related to invoices/payments.
- d) Correspondence may be addressed to the California State Teachers' Retirement System, PO Box 15275, Mail Stop (number above), Sacramento, CA 95851-0275.
- e) Any notices to be given shall be in writing and served to CalSTRS either personally or delivered by mail to the address listed above, including:

Jack Ehnes, Chief Executive Officer
Executive Office
Mail Stop 01

and

Christopher J. Ailman, Chief Investment Officer
Investment Branch
Mail Stop 04

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

C. TERM

The term of this Agreement shall commence upon mutual agreement of both parties.

D. FEES

Fees shall be calculated as follows:

E. BUDGET DETAIL AND PAYMENT PROVISIONS

1. Invoicing and Payment

- a) For services satisfactorily rendered, and upon receipt and approval of the invoices, CalSTRS agrees to compensate the Contractor for actual expenditures incurred in accordance with the rates specified above.
- b) Invoices shall be submitted in triplicate not more frequently than quarterly in arrears to:

Investments Branch MS 04
California State Teachers' Retirement System
PO Box 163749
Sacramento, CA 95816-3749

- c) Invoice(s) must include: 1) CalSTRS' Agreement Number, 2) Contractor's name, address and telephone number; 3) itemized description of services including detailed cost and date(s) of services, 4) fiscal year in which services were rendered, and 5) total amount of invoice.

2. Budget Contingency Clause

- a) It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, CalSTRS shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- b) If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, CalSTRS shall have the option to either cancel this Agreement with no liability occurring to CalSTRS, or offer an agreement amendment to Contractor to reflect the reduced amount.

3. Prompt Payment Clause

Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

F. WARRANTIES

Insert warranties from the RFP

G. FIDUCIARY RESPONSIBILITY

1. Contractor acknowledges that it is a fiduciary under the Agreement with respect to the asset management function, and as a fiduciary it shall discharge each of its duties and exercise each of its powers, with the care, skill, prudence, and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of any enterprise of like character with like aims.
2. Contractor shall discharge its fiduciary duties hereunder with respect to Fund assets solely in the interest of the members, retirants and beneficiaries of CalSTRS, in accordance with the standards set forth in California Education Code Sections 22250 through 22257, Exhibit C, Fiduciary Standards.

H. GENERAL TERMS AND CONDITIONS

1. Transaction Procedures
 - a) Reporting of all transactions must be conducted according to detailed instructions provided from time to time by CalSTRS Master Custodian.
 - b) Contractor will establish and maintain a computer interface at Contractor's facility with CalSTRS Master Custodian.
2. Timeliness

Time is of the essence in this Agreement.
3. Approval

This Agreement is of no force or effect until signed by both parties. Contractor may not commence performance until approval has been obtained.
4. Amendment

No amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties. No oral understanding or Agreement not incorporated in the Agreement is binding on any of the parties.
5. Taxes

Unless otherwise required by law, CalSTRS is exempt from Federal excise taxes. CalSTRS will only pay for any state or local sales or use taxes on the services rendered or goods supplied to CalSTRS pursuant to this Agreement.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

6. Severability

Should any provision(s) of this Agreement be declared or found to be illegal, unenforceable, ineffective or void, then each party shall be relieved of any obligations arising in such provision(s); the balance of this agreement, if capable of performance shall remain and continue in full force and effect.

7. Force Majeure

Neither party shall be liable to the other for delay in or failure of performance, nor shall any such delay in or failure of performance constitute default, if such delay or failure is caused by "Force Majeure." Such causes may include, but are not restricted to, Acts of God or of the public enemy, acts of the State in its sovereign capacity, fires, floods, power failure, disabling strikes, epidemics, quarantine restrictions, and freight embargoes.

8. Nondiscrimination

During the performance of this Agreement, Contractor and its subcontractors, as well as their agents and employees, shall not unlawfully discriminate, harass or allow harassment, against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (including health impairments related to or associated with a diagnosis of cancer for which a person has been rehabilitated or cured), age (40 or over), marital status, and use of family and medical care leave pursuant to federal law. Contractors and subcontractors, as well as their agents and employees, shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors, as well as their agents and employees, shall comply with the provisions of the Fair Employment and Housing Act (Government Code, section 12900 et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this Agreement.

9. Assignment

This Agreement is not assignable by the Contractor, either in whole or in part, without the consent of the CalSTRS in the form of a formal written agreement.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

10. Disputes

Any dispute concerning a question of fact arising under the terms of this Agreement which is not disposed of within a reasonable period of time by Contractor and CalSTRS employees normally responsible for the administration of this Agreement shall be brought to the attention of the Executive Officer (or designated representative) of each organization for joint resolution. At the request of either party, CalSTRS shall provide a forum for the discussion of the disputed item(s), at which time a third party, mutually agreed upon by the parties to this Agreement, shall be requested to assist in the resolution of the dispute. If agreement cannot be reached through the application of high level management attention, either party may assert its other rights and remedies within this Agreement or within a court of competent jurisdiction.

CalSTRS and Contractor agree that, the existence of a dispute notwithstanding, they will continue without delay to carry out all their responsibilities under this Agreement which are not affected by the dispute.

11. Confidentiality

Contractor, in course of its duties, may handle investment, financial, accounting statistical, personal, technical and other data and information relating to CalSTRS and its members. All such information is confidential, and, unless permitted by CalSTRS in writing, Contractor shall not disclose such information, directly or indirectly, or use it in any way, either during the term of the Agreement or any time thereafter, except as required to perform its duties under this Agreement. Any disclosure of information contrary to this provision shall be considered a material breach of this agreement. Contractor warrants that only those who are authorized and required to such materials will have access to them.

12. Contractor Employee Relationship

Contractor understands and acknowledges that the personnel provided to CalSTRS under this Agreement are the employees of the Contractor or Independent Contractors who have a contractual relationship with the Contractor. Contractor agrees to indemnify, defend and hold harmless CalSTRS from any and all claims made against it including, but not limited to, claims for salaries, liability for tax withholding, workers' compensation, disability or miscellaneous employment benefits, whether based on tort, contract or other theories of recovery arising out of injury, disability, or death of Contractors' employees or Independent Contractors.

Contractor shall perform a background investigation on all contract employees working for CalSTRS under this Agreement. Contractor's background investigation shall consist of the components prescribed in CalSTRS' Contractor Background Investigation Policy (**Exhibit #**). Compliance with CalSTRS' Contractor Background Investigation Policy must be affirmed with submission of Certification of Contractor's Employee Background Investigation Form (**Exhibit #**) for each contract employee providing services to CalSTRS under this contract. Further, all contract employees must submit to CalSTRS the Personal

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

History Statement (Exhibit #) identifying any relatives of the contract employee that are CalSTRS members, beneficiaries, or employees.

13. Titles/Section Headings

Titles or headings are not part of this Agreement, are for convenience of reference only, and shall have no effect on the construction or legal effect of this Agreement.

14. Choice of Law

This Agreement shall be administered, construed, governed and enforced according to the laws of the State of California (without regard to any conflict of laws provisions) to the extent such laws have not been preempted by applicable federal law. Any suit brought hereunder (including any action to compel arbitration or to enforce any award or judgment rendered thereby) shall be brought in the state or federal courts sitting in Sacramento, California, the parties hereby waiving any claim or defense that such forum is not convenient or proper. Each party agrees that any such court shall have in personam jurisdiction over it and consents to service of process in any manner authorized by California law.

15. Independent Contractor

Contractor, and the agents and employees of Contractor, in the performance of this Agreement, shall act in an independent capacity and not as officers or employees or agents of CalSTRS or the State of California.

16. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. Unenforceable Provision

In the event that any provision of this Agreement is unenforceable or held to be unenforceable, then the parties agree that all other provisions of this have force and effect and shall not be affected thereby.

18. Entire Agreement

This Agreement contains all representations and the entire understanding between the parties with respect to the subject matter herein. If applicable, the competitive process as it may have been amended and clarified by CalSTRS prior to the award of this agreement as well as the Contractor's proposal/bid shall be considered part of this contract. However, in the event a conflict in interpretation arises, the contract document shall prevail. Any correspondence, memoranda or agreements shall be replaced in total by this Agreement.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

19. Knowledge Transfer

Where appropriate, Contractor's obligations under the terms of this contract include a "knowledge transfer" to CalSTRS. "Knowledge transfer" is defined as that personal and/or technical knowledge or information which will enable, or enhance the ability of, CalSTRS staff to maintain and operate contracted-for programs, equipment and facilities.

If the Contract includes the purchase of equipment, "knowledge transfer" shall also include education and training, including all relevant documentation, to enable CalSTRS to maintain the equipment based on Contractor's methodology. The Contractor agrees that CalSTRS may reproduce such documentation for its own use in maintaining the equipment.

Any additional training or instruction necessary to realize the "knowledge transfer" shall be provided at no additional cost to CalSTRS.

I. AFFIRMATIVE COVENANTS

1. Permits and Licenses

Contractor shall carry out its duties and responsibilities herein in accordance with, be limited in the exercise of its rights by, and observe and comply with, all federal, state, city and county laws, rules or regulations affecting services under this Agreement. Contractor shall procure and keep in full force and effect during the term of this Agreement all permits and licenses necessary to accomplish the work contemplated in this Agreement.

2. Reports and/or Meetings

a) Contractor shall provide oral or written progress reports as requested by CalSTRS to determine if Contractor is performing to expectations or is on schedule, to provide communication of interim findings, and to afford occasions for discussing and resolving problems encountered.

b) Contractor shall meet with CalSTRS' staff and/or the Board upon request to discuss progress on the Agreement or to present findings, conclusions and recommendations.

c) Without limiting the foregoing, Contractor agrees to keep accurate and detailed accounts of all investments, receipts, disbursements, and other transactions on the accounts. Contractor agrees to verify and reconcile all transaction activity daily with reports generated by CalSTRS' Master Custodian and promptly resolve any discrepancy. Contractor agrees to verify and reconcile monthly internally generated by CalSTRS' Master Custodian. Contractor agrees to promptly resolve any disputes on transactions, valuations, and accruals.

3. Audit

a) During and for three years after the term of this Agreement, Contractor shall permit

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

the Bureau of State Audits, CalSTRS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalSTRS, books and records of Contractor relating to its performance of this Agreement.

- b) Contractor shall be subject to examination and audit by the Bureau of State Audits, CalSTRS, and CalSTRS' representatives during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Contractor shall cooperate fully with the Bureau of State Audits, CalSTRS, and/or CalSTRS' authorized representatives in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

4. Additional Documents

Contractor and CalSTRS agree to execute such additional documents, and perform such further acts, as may be reasonable and necessary to carry out the provisions of this Agreement.

5. Disabled Veteran Business Enterprise (DVBE) Participation Requirements

The California Public Contract Code (PCC) Section 10115 et seq. requires a participation goal of three (3%) percent DVBE for contracts awarded by CalSTRS. This goal applies to the total contract dollars expended by CalSTRS annually.

The Teachers' Retirement Board has adopted a policy that directs staff to encourage, promote, and facilitate the fullest possible participation by Disabled Veteran Business Enterprise (DVBE) in contracts awarded by CalSTRS. In accordance with this policy, CalSTRS encourages its Contractors to seek opportunities, to do business with DVBE firms.

In compliance with the statutory requirements and with respect to the execution of this Agreement:

- a) Contractor agrees that, as a Contractor of CalSTRS, it will meet the requirements of the Board's policies regarding the 3% disabled veteran business enterprise (DVBE) participation goal.
- b) Contractor, in contracting for goods and services pursuant to this Agreement, shall comply with the Board's objectives and policy regarding DVBE participation.
- c) Nothing shall be construed to authorize any Contractor to discriminate in the solicitation or acceptance of bids for subcontracting, or for materials or equipment, on the basis of race, color, sex, ethnic origin or ancestry.
- d) Contractor agrees to provide CalSTRS or its delegate with any information reasonably necessary to comply with the obligations set forth in the applicable

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

provisions of PCC sections 10115, et seq. Upon reasonable notice, Contractor shall permit CalSTRS or its delegate access to its premises during normal business hours to interview employees and to inspect and copy books, records, accounts, and other materials for the purpose of determining compliance with the applicable provisions of PCC sections 10115, et seq. and Title 2, California Code of Regulations, sections 1896.60, et seq. Contractor agrees to maintain such records for a period of three (3) years after final payment under this Agreement. Contractor further agrees to make this paragraph applicable to all subcontracts entered into hereunder.

6. Reportable Interests

Contractor shall not directly or indirectly receive any benefit from recommendations made to CalSTRS and shall disclose to CalSTRS any personal investment or economic interest of Contractor which may be enhanced by the recommendations made to CalSTRS. Contractor acknowledges that the System is subject to the provisions of the Fair Political Practices laws of California (Government Code section 81000, et seq., and all regulations adopted thereunder, including, but not limited to, Title 2, California Code of Regulations, section 18700) and Contractor shall comply promptly with any requirement thereunder. If required by law, Contractor shall require its Authorized/Key personnel named [in response to Section (), in the Request for Proposal] and all later substitutions therefore to file Statements of Economic Interests in compliance with CalSTRS' Conflict of Interest Code (Title 5, California Code of Regulations, section 22000 et seq.) All such reports shall be filed simultaneously with the Staff.

7. Authorized/Key Personnel

- a) Exhibit X, Company Name's Authorized/Key Personnel, names certain members (authorized/key individuals who perform scope services under this Agreement) of Contractor's staff who will exercise a significant role under this Agreement. These personnel shall be hereafter referred to (both individually and collectively) as "Authorized/Key Personnel".
- b) Contractor shall not substitute, replace or reassign Authorized/Key Personnel without CalSTRS' prior approval. However, with CalSTRS' prior approval, the parties may agree in writing to a change in these Authorized/Key Personnel, which writing shall become a part of this Agreement.
- c) This Agreement may be terminated immediately, in CalSTRS' sole discretion and upon written notice from CalSTRS to Contractor, because of any change in or departure of Contractor's Authorized/Key Personnel.

8. Changes in Control, Organization or Authorized/Key Personnel

Contractor shall promptly, and in any case within five (5) calendar days, notify CalSTRS in writing: (i) if any of Contractor's representations and warranties, as set forth in this Agreement, cease to be true at any time during the term of this Agreement; (ii) of any change in Contractor's staff who exercise a significant administrative, policy, or consulting role under this Agreement, including without limitation the Authorized/Key Personnel; (iii) of any change in the majority ownership, control, or business structure of Contractor; or (iv)

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

of any other material change in Contractor's business, partnership or corporate organization.

All written notices from Contractor under this provision shall contain sufficient information to permit CalSTRS to evaluate the changes within Contractor's personnel or organization under the same criteria as was used by CalSTRS in its award of this Agreement to Contractor. Contractor agrees to provide CalSTRS with such additional information as CalSTRS may request.

9. Indemnification

Contractor agrees to indemnify, defend and hold harmless the State of California, CalSTRS, the CalSTRS Teachers' Retirement Board, the California State Teachers' Retirement Fund, and all of the officers, trustees, agents and employees of the foregoing, from and against any and all losses, costs, liabilities, damages or deficiencies, including interest, penalties and attorneys' fees, which (i) arise out of or are due to a breach by Contractor of any of its representations, warranties, covenants or other obligations contained in this Agreement, or (ii) are caused by or resulting from Contractor's acts or omissions constituting bad faith, willful misfeasance, negligence or reckless disregard of its duties under this Agreement, or (iii) accrue or result to any of Contractor's subcontractors, materialmen, laborers or any other person, firm or corporation furnishing or supplying services, material or supplies in connection with the performance of this Agreement.

10. Compliance with Statutes and Regulations

Contractor warrants and certifies that in the performance of this contract, it will comply with all applicable statutes, rules, regulations and orders of the United States and the State of California and agrees to indemnify CalSTRS against any loss, cost, damage or liability by reason of Contractor's violation of this provision.

11. Subcontractors

- a) Contractor shall perform the work contemplated with resources available within its own organization. No other portion of the work pertinent to this Agreement shall be subcontracted without written authorization by CalSTRS. The subcontractor must be mutually agreed upon in advance by both parties.
- b) Contractor shall require any subcontractor agree to be bound by all provisions, of this Agreement as applicable.

12. Notice of Proceedings

Contractor shall promptly notify CalSTRS in writing of any investigation, examination or other proceeding involving Contractor, or any Authorized/Key Personnel, commenced by any regulatory agency which proceeding is not conducted in the ordinary course of Contractor's business.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

J. NEGATIVE COVENANTS

1. Publicity

No publicity release or announcement concerning this Agreement or the transactions contemplated herein shall be issued by Contractor without advance written approval by CalSTRS.

2. Services or Procurement Resulting from Agreement

Neither Contractor, nor any of its subsidiaries, officers or directors, may submit a bid for or be awarded a contract for the provision of services, procurement of goods or supplies, or any other related action which is required, suggested, or otherwise deemed appropriate on the advice or recommendations that Contractor provides under this Agreement.

K. CONTRACTOR CERTIFICATION CLAUSES

1. Statement of Compliance – Nondiscrimination

Contractor's signature affixed hereon and dated shall constitute a certification under the penalty of perjury under the laws of the State of California that Contractor has, unless exempted, complied with the nondiscrimination program requirements of Government Code section 12990 (a-f) and Title 2, California Code of Regulations, section 8103 et seq.

2. Americans with Disabilities Act

By signing this Agreement, Contractor assures CalSTRS that it complies with the Americans with Disabilities Act (ADA) of 1990, (42 U.S.C. 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

3. National Labor Relations Board Certification

Contractor, by signature hereto, does swear under penalty of perjury that no more than one final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a Federal court which orders Contractor to comply with an order of the National Labor Relations Board.

4. Labor Code/Workers' Compensation

Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions within the Labor Code Section 3700, and Contractor affirms to comply with such provisions, before commencing the performance of the work of this Agreement.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

5. Drug-Free Workplace

Contractor will comply with the requirements of Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

- a) Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.
- b) Establish a Drug-Free Awareness Program to inform employees about:
 - 1) The dangers of drug abuse in the workplace;
 - 2) The person's or organization's policy of maintaining a drug-free workplace;
 - 3) Any available counseling, rehabilitation and employee assistance programs; and,
 - 4) Penalties that may be imposed upon employees for drug abuse violations.
- c) Every employee who works on the proposed Agreement will:
 - 1) Receive a copy of the company's drug-free policy statement; and,
 - 2) Agree to abide by the terms of the company's statements as a condition of employment on the Agreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: (1) the Contractor has made false certification, or (2) violated the certification by failing to carry out the requirements as noted above. (Government Code Section 8350 et seq.)

6. Contractor Name Change

An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

7. Corporate Qualifications To Do Business in California

- a) When agreements are to be performed in the state by corporations, CalSTRS will verify that the Contractor is currently qualified to do business in California in order to ensure that all obligations due to the state are fulfilled.
- b) "Doing Business" is defined in the Revenue & Taxation Code Section 23101 as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. Although there are some statutory exceptions to taxation, rarely will a corporate Contractor performing within the state not be subject to the franchise tax.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

- c) Both domestic and foreign corporations (those incorporated outside of California) must be in good standing in order to be qualified to do business in California. CalSTRS will determine whether a corporation is in good standing by calling the Office of the Secretary of State.

8. Resolution

A county, city, district, or other local public body must provide the State with a copy of a resolution, order, motion, or ordinance of the local government body which by law has authority to enter into an agreement, authorizing execution of this agreement.

9. Payee Data Record Standard Form 204

This form must be completed by all Contractors that are not another state agency or other governmental entity.

10. Conflict of Interest

Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has questions on the status of any person rendering services or involved with the Agreement, CalSTRS must be contacted immediately for clarification.

Current State Employees (PCC 10410):

- a) No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.
- b) No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.

Former State Employees (PCC 10411):

- a) For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.
- b) For the twelve-month period from the date he or she left state employment, no former state officer or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general area as the proposed contract within the 12-month period prior to his or her leaving state service.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (PCC 10420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (PCC 10430 (e))

11. Recycling

The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of post consumer material as defined in the Public Contract Code Section 12200, in products, materials, goods, or supplies offered or sold to the State regardless of whether the product meets the requirements of Public Contract Code Section 12209. With respect to printer or duplication cartridges that comply with the requirements of section 12156(e), the certification required by this subdivision shall specify that the cartridges so comply (Pub. Contract Code 12205).

12. Air or Water Pollution Violation

Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

13. Expatriate Corporations

Contractor hereby declares that it is not an expatriate corporation or subsidiary of an expatriate corporation within the meaning of Public Contract Code Sections 10286 and 10286.1, and is eligible to contract with the State of California.

14. Sweatfree Code of Conduct

- a) All Contractors contracting for the procurement or laundering of apparel, garments or corresponding accessories, or the procurement of equipment, materials, or supplies, other than procurement related to a public works contract, declare under penalty of perjury that no apparel, garments or corresponding accessories, equipment, materials, or supplies furnished to the state pursuant to the contract have been laundered or produced in whole or in part by sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor or exploitation of children in sweatshop labor, or with the benefit of sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor or exploitation of children in sweatshop labor. The Contractor further declares under penalty of perjury that they adhere to the Sweatfree Code of Conduct as set forth on the California Department of Industrial Relations website located at www.dir.ca.gov, and Public Contract Code Section 6108.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

- b) The Contractor agrees to cooperate fully in providing reasonable access to the Contractor's records, documents, agents or employees, or premises if reasonably required by authorized officials of the contracting agency, the Department of Industrial Relations, or the Department of Justice to determine the Contractor's compliance with the requirements under paragraph (a).

15. Domestic Partners

For contracts executed or amended after January 1, 2007, the Contractor certifies that Contractor is in compliance with Public Contract Code section 10295.3.

L. SPECIAL TERMS AND CONDITIONS

1. Evaluation of Contractor

Pursuant to Public Contract Code section 10369, the Staff shall evaluate Contractor's performance under the terms and conditions of this Agreement within sixty (60) days after the completion of Contractor's performance under this Agreement. If the evaluation indicates unsatisfactory performance, a copy will be sent to the Department of General Services, the Office of Legal Services and to Contractor who may file a response to the evaluation. The evaluation and response shall remain on file for thirty-six (36) months and shall not be public records.

2. Disclosure of Campaign Contributions, Disclosure and Limits on Charitable Contributions, and Gifts

a) Policy

Section 600 H of the Teachers Retirement Board Policy Manual set forth policies requiring entities engaging in business with CalSTRS to disclose campaign contributions in excess of \$250, prohibits providing charitable contributions in excess of \$250, and gifts in excess of \$390, as well as requiring the periodic disclosure of campaign contributions, charitable contributions, and gifts. A copy of the current policy is attached as **Exhibit X**.

b) Application of Policy to Contractor

This policy applies to all Contractors having a business relationship or seeking a business relationship with CalSTRS or to any business relationship that is considered by the Teachers Retirement Board in a closed session meeting.

c) Disclosure of Campaign Contributions

Contractor and each of its Authorized/Key Personnel, **Exhibit X** shall disclose campaign contributions, as defined by the Political Reform Act, valued in excess of \$250, made to or on behalf of any existing Teachers Retirement Board member, candidates for Board member, Controller, Treasurer, and Superintendent of Public Instruction, and to any CalSTRS officer or employee. If the business with CalSTRS

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

generates at least \$100,000 annually in income, fees, or other revenue, disclosure of campaign contributions made to the Governor or to a candidate for the governorship must also be made, according to CalSTRS' campaign contribution regulations in Title 5, California Code of Regulations section 24010.

d) Charitable Contributions

1) Limit on Charitable Contributions

Contractor and each of its Authorized/Key Personnel shall not provide any charitable contribution, as defined by the Political Reform Act, in excess of \$250, individually or in the aggregate in any calendar year, directly to or at the request of any Teachers Retirement Board member, or CalSTRS officer or employee.

2) Disclosure of Charitable Contributions

Contractor and each of its Authorized/Key Personnel shall disclose charitable contribution, as defined by the Political Reform Act, valued in excess of \$50, made to or at the request of any Teachers Retirement Board member, or CalSTRS officer or employee.

e) Gifts

1) Limit on Gifts

Contractor and each of its Authorized/Key Personnel shall not provide any gifts, as defined by the Political Reform Act, in excess of \$390, individually or in the aggregate in any calendar year, to any Teachers Retirement Board member, or CalSTRS officer or employee.

2) Disclosure of Gifts

Contractor and each of its Authorized/Key Personnel shall disclose gifts, as defined by the Political Reform Act, valued in excess of \$50, made to or at the request of any Teachers Retirement Board member, or CalSTRS officer or employee.

f) Submission of Disclosures

Contractor and each of its Authorized/Key Personnel shall, with the offering of this contract for execution and annually thereafter, submit disclosures of contributions and gifts described in this section on a form prescribed by CalSTRS. The current disclosure form required to be submitted with the signing of the contract is attached as **Exhibit X**. Annual disclosures shall be due by April 1st of each year and forms will be provided to Contractor and its personnel by CalSTRS.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

g) Violation of Policy by Contractor

Violations of any of the provisions of this section may, at the discretion of CalSTRS, subject the Contractor to disqualification from doing future or additional business with CalSTRS for a period of two (2) years.

h) Changes in Laws or Policy

CalSTRS reserves the right to amend, upon prior written notice, the above provisions to conform with any subsequent amendments to the political reform laws and CalSTRS policies. Contractor shall have the right to terminate the Contract upon 30 days written notice should it deem any such amendment unacceptable.

3. Disclosure of Third Party Relationships and Payments pursuant to Board Policy

Prior to CalSTRS entering into any investment transaction or investment management contract, any person or entity who would be a party to that investment transaction or investment management contract shall disclose to CalSTRS' Chief Investment Officer, in writing, all third party relationships with persons or entities that assisted the party with either the solicitation of CalSTRS as a potential client or the retention of CalSTRS as an existing client and any fees paid or payable to the third party as a result of such relationship. The disclosure shall be made on a form provided by CalSTRS. See **Exhibit X**.

For purposes of this section, the term "fees paid or payable to the third party" includes placement agent fees, solicitation fees, referral fees, promotion fees, introduction or "matchmaker" fees, or any similar fees.

4. Investment Relationships and Campaign Contributions

a) Effective November 28, 2007, the Teachers' Retirement Board (TRB) adopted regulations (5 CCR Sections 24010 – 24013) that place limits on the amount of campaign contributions that can be made to TRB Board members, candidates for specified offices, the appointing authority of TRB members, and any CalSTRS officer or employee. These campaign contribution limits apply to investment firms that are engaged in, or are seeking to engage in, an investment relationship with CalSTRS.

b) In summary the regulations do the following:

- 1) The limitation applies to investment relationships generating at least \$100,000 income, fees or other revenue annually;
- 2) The purview of the regulations encompasses designated financially interested individuals associated with the investment transaction, firm, or entity;
- 3) The regulations require TRB member recipients of contributions over the limit to recuse themselves from decision making involving the donors; and

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

- 4) Subject donors violating the limits to disqualification from doing new or future business with CalSTRS for two years.
- c) Contractor as an investment firm currently seeking to engage or engaged in an investment relationship with CalSTRS generating at least \$100,000 in income, fees, or other revenues from such relationship, is subject to these regulations.

5. Child Support Compliance Act

For any Agreement in excess of \$100,000, the Contractor acknowledges in accordance there with, that:

- a) The Contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and
- b) The Contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

6. Priority Hiring Considerations

If this Agreement is for services in excess of \$200,000, the Contractor shall give priority consideration in filling vacancies in positions funded by the contract to qualified recipients of aid under Welfare and Institutions Code Section 11200 in accordance with PCC Section 10353.

7. Liability for Injury to Persons or Damage to Property

- a) The Contractor shall be liable for damages arising out of injury to the person and/or damage to the property of CalSTRS, employees of CalSTRS, or any other person(s) other than agents or employees of the Contractor, designated by CalSTRS for any purpose, prior to, during, or subsequent to delivery, installation, acceptance, and use of the goods and/or services either at the Contractor's site or at CalSTRS place of business, provided that the injury or damage was caused by the fault or negligence of the Contractor.
- b) Contractor shall not be liable for damages arising out of or caused by an alteration or an attachment not made or installed by the Contractor, or for damage to alterations or attachments that may result from the normal operation and maintenance of the Contractor's equipment.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

8. Limitation of Actions

No action, regardless of form, arising out of this Agreement may be brought by either party more than two (2) years after the cause of action has arisen, or in the case of nonpayment, more than two (2) years from the date of the last payment, except where either party (within two years after a cause of action has arisen) provides the other party in writing a notice of a potential cause of action, disclosing all material facts then known by the notifying party concerning such cause of action, then the notifying party may bring an action based on the matter so disclosed at any time prior to the expiration of four (4) years from the time the cause of action arose.

9. Written Commitments

Any written commitment by the Contractor relative to the services herein shall be binding upon the Contractor. Failure of the Contractor to fulfill any such commitment shall render the Contractor liable for damages due to CalSTRS. Such written commitments include, but is not limited to 1) any warranty or representation made by the Contractor in any publication, drawings, or specifications accompanying or referred to in the proposal which pertains to the responsiveness of the proposal to the Request for Proposal, and 2) any written notification of or affirmation or representation as to the above which is made by the Contractor in or during the course of negotiations and which is incorporated into a formal amendment to the proposal.

10. Antitrust Claims

The Contractor by signing this Agreement hereby certifies that if these services or goods are obtained by means of a competitive bid, the Contractor shall comply with the requirements of the Government Codes Sections set out below.

- a) The Government Code Chapter on Antitrust claims contains the following definitions:
 - 1) “Public purchase” means a purchase by means of competitive bids of goods, services, or materials by the State or any of its political subdivisions or public agencies on whose behalf the Attorney General may bring an action pursuant to subdivision (c) of Section 16750 of the Business and Professions Code.
 - 2) “Public Purchasing body” means the State or the subdivision or agency making a public purchase. Government Code Section 4550.
- b) In submitting a bid to a public purchasing body, the bidder offers and agrees that if the bid is accepted, it will assign to the purchasing body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2 commencing with Section 16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the bidder for sale to the purchasing body pursuant to the bid. Such assignment shall be made and become effective at

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

the time the purchasing body tenders final payment to the bidder. Government Code Section 4552.

- c) If an awarding body or public purchasing body receives, either through judgment or settlement, a monetary recovery for a cause of action assigned under this chapter, the assignor shall be entitled to receive reimbursement for actual legal costs incurred and may, upon demand, recover from the public body any portion of the recovery, including treble damages, attributable to overcharges that were paid by the assignor but were not paid by the public body as part of the bid price, less the expenses incurred in obtaining that portion of the recovery. Government Code Section 4553.
- d) Upon demand in writing by the assignor, the assignee shall, within one year from such demand, reassign the cause of action assigned under this part if the assignor has been or may have been injured by the violation of law for which the cause of action arose and (1) the assignee has not been injured thereby, or (2) the assignee declines to file a court action for the cause of action. Government Code Section 4554.

M. TERMINATION

1. Termination at Option of CalSTRS

This Agreement may be terminated in whole or in part at any time upon 30 calendar days' written notice by CalSTRS, for any reason. Upon receipt of a termination notice, Contractor shall promptly discontinue all services affected unless the notice specifies otherwise.

In the event CalSTRS terminates all or a portion of this Agreement for any reason, it is understood that CalSTRS will provide payment to Contractor for satisfactory services rendered prior to the termination, but not in excess of the maximum contract amount.

2. Termination for Default

In such event, CalSTRS shall pay Contractor only the reasonable value of the services rendered. At CalSTRS sole discretion, CalSTRS may offer an opportunity to cure any breach(es) prior to terminating for default.

3. Termination For Insolvency

Contractor shall notify CalSTRS immediately in writing in the event that Contractor files any federal bankruptcy action or state receivership action, any federal bankruptcy or state receivership action is commenced against Contractor, Contractor is adjudged bankrupt, or a receiver is appointed and qualifies. In the event of any of the foregoing events, or if CalSTRS determines, based on reliable information, that there is a substantial probability that Contractor will be financially unable to continue performance under this Agreement, CalSTRS may terminate this Agreement and all further rights and obligations immediately [by giving five (5) days' notice in writing in the manner specified herein].

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

4. Convenience

If after notice of termination for failure to fulfill Agreement obligations, it is determined that Contractor had not so failed, the termination shall be deemed to have been effected for the convenience of CalSTRS.

5. Completion

In the event of termination for default, CalSTRS reserves the right to take over and complete the work by agreement or other means. In such case, Contractor will be liable to CalSTRS for any additional cost incurred by CalSTRS to complete the work whether reimbursed or not.

6. Effect of Termination

All duties and obligations of CalSTRS and Contractor shall cease upon termination of this Agreement, except that:

- a) Each party shall remain liable for any rights, obligations, or liabilities arising from activities carried on by it under this Agreement prior to the effective date of termination.
- b) Contractor shall provide for the return of all records of CalSTRS to CalSTRS or its designee and shall cooperate fully to effect an orderly transfer of services.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

FIDUCIARY STANDARDS

*(Excerpts from the California Education Code)
Teachers' Retirement Law*

22250 The board and its officers and employees of the system shall discharge their duties with respect to the system and the plan solely in the interest of the members and beneficiaries of the Defined Benefit Program as well as the participants and beneficiaries of the Cash Balance Benefit Program as follows:

(a) For the exclusive purpose of the following:

(1) Providing benefits to members and beneficiaries of the Defined Benefit Program as well as the participants and beneficiaries of the Cash Balance Benefit Program.

(2) Defraying reasonable expenses of administering the plan.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims.

(c) By diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

(d) In accordance with the documents and instruments governing plan and the system insofar as those documents and instruments are consistent with this part and Part 14 (commencing with Section 26000).

1. *Added by Chapter 1200, Statutes 1982;*
2. *Amended by Chapter 542, Statutes 1989;*
3. *Recodified from former Section 22225.5 by Chapter 893, Statutes 1993;*
4. *Amended by Chapter 634, Statutes 1996*
5. *Amended by Chapter 965, Statutes of 1998.*

Fiduciary Standards; Exclusive Purpose of Plan Assets

22251

(a) Except as provided in subdivision (b), the assets of the plan shall never inure to the benefit of an employer and shall be held for the exclusive purposes of providing benefits to members and beneficiaries of the Defined Benefit Program as well as the participants and beneficiaries of the Cash Balance Benefit Program and defraying reasonable expenses of administering the plan and the system.

(b) In the case of a contribution that is made by an employer by a mistake of fact, subdivision (a) shall not prohibit the return of that contribution within one year after the system knows, or should know in the ordinary course of business, that the contribution was made by a mistake of fact.

1. *Added by Chapter 542, Statutes 1989;*
2. *Recodified from former Section 22225.51 by Chapter 893, Statutes 1993;*
3. *Amended by Chapter 634, Statutes 1996.*
4. *Amended by Chapter 965, Statutes of 1998.*

Fiduciary Standards; Prohibited Transactions

22252 Except as otherwise provided by law, the board and the officers and employees of the system shall not cause the system to engage in a transaction if they know or should know that the transaction constitutes a direct or indirect:

(a) Sale or exchange, or leasing, of any property from the system to a member or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program, for less than adequate consideration, or from a member or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program, to the system for more than adequate consideration.

(b) Lending of money or other extension of credit from the system to a member or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program,

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

without the receipt of adequate security and a reasonable rate of interest, or from a member or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program, with the provision of excessive security or an unreasonably high rate of interest.

(c) Furnishing of goods, services, or facilities from the system to a member or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program, for less than adequate consideration, or from a member, or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program, to the system for more than adequate consideration.

(d) Transfer to, or use by or for the benefit of, a member or beneficiary of the Defined Benefit Program, as well as a participant or beneficiary of the Cash Balance Benefit Program, of any assets of the plan for less than adequate consideration.

(e) Acquisition, on behalf of the system, of any employer security, real property, or loan.

1. *Added by Chapter 542, Statutes 1989;*
2. *Recodified from former Section 22225.52 by Chapter 893, Statutes 1993;*
3. *Amended by Chapter 634, Statutes 1996.*
4. *Amended by Chapter 965, Statutes of 1998.*

Fiduciary Standards; Prohibitions Against Self-Dealing

22253 The board and its officers and employees of the system shall not do any of the following:

(a) Deal with the assets of the plan and the system in their own interest or for their own account.

(b) In their individual or in any other capacity, act in any transaction involving the system on behalf of a party, or represent a party, whose interests are adverse to the interests of the plan or the interests of the members and beneficiaries of the Defined Benefit Program, as well as participants and beneficiaries of the Cash Balance Benefit Program.

(c) Receive any consideration for their personal account from any party conducting business with the system in connection with a transaction involving the assets of the plan.

1. *Added by Chapter 542, Statutes 1989;*
2. *Recodified from former Section 22225.53 by Chapter 893, Statutes 1993;*
3. *Amended by Chapter 634, Statutes 1996.*
4. *Amended by Chapter 965, Statutes of 1998.*

22253.5 Recodified as Section 23704 by Chapter 893, Statutes 1993.

Personal Liability for Breach of Responsibility

22254

(a) Any board member or officer who breaches any of the responsibilities, obligations, or duties imposed upon them by Section 22251, 22252, or 22253 shall be personally liable to make restitution to the retirement fund for any losses to it resulting from each breach, and to restore any profits that have been made through use of assets of the fund and shall be subject to any other equitable or remedial relief the court may deem appropriate, including removal from the board.

(b) No board member or officer shall be liable with respect to a breach of fiduciary duty under this part if the breach was committed before the board member or officer became one, or ceased to be one.

1. *Added by Chapter 1200, Statutes 1982;*
2. *Amended by Chapter 542, Statutes 1989;*
3. *Recodified from former Section 22225.6 by Chapter 893, Statutes 1993;*
4. *Amended by Chapter 634, Statutes 1996.*

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

Personal Liability; Scope of Liability

22255

(a) No board member or officer shall be personally liable for the breach of a fiduciary duty except as set forth in Section 22254 or 22256. This subdivision shall apply only to causes of actions arising on or after January 1, 1990.

(b) Nothing in this section shall be interpreted to lessen the scope of liability of board members or employees of the system for gross negligence or fraud in the investment of the retirement fund assets, nor to lessen the scope of liability of the board or system for breach of fiduciary duty pertaining to the administration of the plan.

1. *Added by Chapter 542, Statutes 1989;*
2. *Recodified from former Section 22225.65 by Chapter 893, Statutes 1993;*
3. *Amended by Chapter 634, Statutes 1996.*

Personal Liability for Breach by Others

22256 A board member or officer shall be liable for a breach of fiduciary responsibility of another board member or officer with respect to the system in the following circumstances:

(a) If the board member or officer knowingly participates in, or knowingly undertakes to conceal an act or omission of the other board member or officer knowing that the act or omission is a breach.

(b) If the board member's or officer's failure to comply with his or her responsibilities as set forth in Section 22251, 22252, or 22253 has enabled another board member or officer to commit a breach.

(c) If the board member or officer has knowledge of a breach unless the board member or officer makes reasonable efforts under the circumstances to remedy the breach.

1. *Added by Chapter 1200, Statutes 1982;*
2. *Amended by Chapter 542, Statutes 1989;*
3. *Recodified from former Section 22225.7 by Chapter 893, Statutes 1993.*

Limitation of Personal Liability Upon Prudent Selection of Investment Managers

22257

(a) Notwithstanding Section 22203, the board may contract with or appoint one or more investment managers to manage the assets of the retirement fund. If the board has acted with care, skill, prudence, and diligence in meeting the requirements of Sections 22252 and 22253 in selecting and monitoring the investment managers, then, notwithstanding Sections 22250, 22252, 22253, 22254, and 22256, no board member shall be liable for the acts or omissions of the investment managers or be under any obligation to invest or otherwise manage any assets of the retirement fund that are subject to the management of the investment managers.

(b) Incorporation of the fiduciary duty set forth in Section 22250 into the terms of a contract between the system and an investment manager shall be admissible as evidence that the board has acted with care, skill, prudence, and diligence in the selection of the investment manager.

1. *Added by Chapter 1043, Statutes 1983;*
2. *Amended by Chapter 542, Statutes 1989;*
3. *Recodified from former Section 22225.8 by Chapter 893, Statutes 1993.*

Fiduciary Liability Insurance – Continuous Appropriation

22258 Notwithstanding Section 13340 of the Government Code, there is hereby continuously appropriated, without regard to fiscal years, from the retirement fund to the board, the amount necessary to pay for any insurance obtained pursuant to Section 7511 of the Government Code. These payments shall be made upon warrants drawn by the Controller upon demands made by the board.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

1. *Added by Chapter 1503, Statutes of 1984;*
2. *Recodified from former Section 22225.75 by Chapter 893, Statutes of 1993.*

Fidelity Bond and Fiduciary Liability Insurance Coverage

22259

(a) All board members and officers and employees of the system shall execute a fidelity bond, in an amount determined by the board to be prudent, conditioned upon the faithful performance of the duties of the board member or employee.

(b) All board members and officers and all staff of the investment division who are authorized to invest funds shall be covered with fiduciary liability insurance in an amount determined by the board to be prudent.

1. *Added by Chapter 1504, Statutes of 1984 – Effective 9-28-84;*
2. *Recodified from former Section 22225.9 by Chapter 893, Statutes of 1993.*

Fiduciary Standards; Credit Enhancement

22260 Notwithstanding any other provision of law, the system may provide credit enhancement for bonds, notes, certificates of participation, or other evidences for indebtedness of an employer, provided that any credit enhancement transaction satisfies the requirement of Section 22250 and does not constitute a prohibited transaction for purposes of Section 503 of the United States Internal Revenue Code.

1. *Added by Chapter 1076, Statutes of 1998.*

Revised January 2002

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
STATE AND PUBLIC PENSION FUND**

INVESTMENT PROTECTION STANDARDS

- A. Every financial organization that provides investment banking services and is retained or utilized by the California State Teachers' Retirement System (CalSTRS) should adopt the terms of the Investment Protection Standards. On April 28, 2003, the New York Attorney General, the Securities and Exchange Commission, the New York Stock Exchange, NASD, and the North American Securities Administrators Association announced a settlement with ten of the nation's largest investment firms (hereinafter "the Global Settlement"), the terms of which significantly reduce the conflicts of interest between Research and Investment Banking. In retaining and evaluating any such financial organization, CalSTRS will give significant consideration to whether such organization has adopted the Investment Protection Standards.

The Investment Protection Standards include, but are not limited to, the following:

- Severing the link between compensation for analysts and investment banking;
- Completely separating Research and Investment Banking, including physical separation. Research will not report directly or indirectly to or through Investment Banking.
- Requiring that Research have its own dedicated legal and compliance staff.
- Requiring firms to create and enforce firewalls reasonably designed to prohibit all communications between Research and Investment Banking.
- Prohibiting Research from participating in efforts to solicit investment banking business. Analysts may not participate in "pitches" or Investment Banking sponsored road shows.
- Prohibiting investment banking input into analyst compensation.
- Establishing written criteria (exclusive of Investment Banking input) to be used for compensation decisions.
- Compensating analysts in significant part based on the quality and accuracy of their work.
- Investment Banking shall have no input into an analyst's evaluation.
- Decisions concerning compensation shall be documented.
- Creating a review committee to approve all research recommendations.
- The review committee will review all changes in ratings, if any, and material changes in price targets, if any, contained in the firm's research reports.
- The review committee will conduct periodic reviews of research reports to determine whether changes in ratings or price targets, if any, should be considered.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

- The review committee will monitor the overall quality and accuracy of the firm's research reports.
- Requiring that upon discontinuation of research coverage of a company, firms will disclose the coverage termination and the rationale for such termination.
- Prohibiting Investment Banking input into company-specific coverage decisions (i.e., whether or not to initiate or terminate coverage of a particular company in research reports furnished by the firm).
- Disclosing in research reports whether the firm has received or is entitled to receive any compensation from a covered company over the past 12 months.
- Each quarter, firms shall publish on their websites a chart showing their analysts' performance, including each analyst's name, ratings, price targets, and earnings per share forecasts for each covered company, as well as an explanation of the firm's rating system.
- Establishing a monitoring process to ensure compliance with the standards.
- Each firm shall conduct an annual review to provide reasonable assurance that the firm is in compliance.
- CalSTRS reserves the right to request an independent audit or confirmation of compliance with these Standards and in the case of those firms party to the Global Settlement, a copy of the report prepared by the Independent Monitor.

Note: Upon approval by CalSTRS of a firm's plan or policy, these Standards are to be implemented consistent with the timeframes established in the Global Settlement. In submitting plans, a firm may propose a specific alternative method for complying with one or more of the Standards, which will be considered only if such alternative method is consistent with the intent of the Standards and achieves the same substantive objective.

- B. CalSTRS will give significant consideration, in retaining and evaluating money managers, as to whether such managers are abiding by the following:
1. Money management firms must disclose periodically any client relationship, including management of corporate 401(k) plans, where the money management firm could invest State or Pension Fund moneys in the securities of the client.
 2. Money management firms must disclose annually the manner in which their portfolio managers and research analysts are compensated, including but not limited to any compensation resulting from the solicitation or acquisition of new clients or the retention of existing clients.
 3. Money management firms shall report quarterly the amount of commissions paid to broker-dealers, and the percentage of commissions paid to broker-dealers that have publicly announced that they have adopted the Investment Protection Standards.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

4. Money management firms affiliated with banks, investment banks, insurance companies or other financial services corporations shall adopt safeguards to ensure that client relationships of any affiliate company do not influence investment decisions for the money management firm. Each money management firm shall provide the State Investment Officers with a copy of the safeguards plan and shall certify annually to the State Investment Officer that such plan is being fully enforced.
5. In making investment decisions, money management firms must consider the quality and integrity of the subject company's accounting and financial data, including its 10-K, 10-Q and other public filings and statements, as well as whether the company's outside auditors also provide consulting or other services to the company.
6. In deciding whether to invest State or Pension Fund moneys in a company, money management firms must consider the corporate governance policies and practices of the subject company.
7. Money managers who also have mutual fund assets must make adequate disclosure of conflicts of interests that may arise in the operation of the mutual fund which put the fund's shareholders at a disadvantage. Such disclosure must be made in the primary prospectus/advertising brochure for the mutual fund as well as in any supplemental account information that is furnished to prospective and actual shareholders. The compliance procedures, along with any penalties imposed for failure to uphold the standards must be clearly disclosed to prospective and actual shareholders. The money manager should disclose, to the fund shareholders at least on a quarterly basis, whether the funds' portfolio managers and trading personnel have violated the standards and the penalties levied against such individuals.

The principles set forth in paragraphs 5 and 6 are designed to assure that in making investment decisions, the money management firms give specific consideration to the subject information and are not intended to preclude or require investment in any particular company.

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM'S
AUTHORIZED/KEY PERSONNEL**

The names and titles of the personnel authorized to conduct business on behalf of California State Teachers' Retirement System in a decision-making capacity are as follows:

Jack Ehnes
Chief Executive Officer

Christopher J. Ailman
Chief Investment Officer

Name
Director of Program Area

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

Form 600 J – Disclosure of Third Party Relationships

CalSTRS Board Policy Manual Section 600 J requires the disclosure of third party relationships and payments. The policy provides:

Prior to CalSTRS entering into any investment transaction or investment management contract, any person or entity who would be a party to that investment transaction or investment management contract shall disclose to CalSTRS’ Chief Investment Officer, in writing, all third party relationships with persons or entities that assisted the party with either the solicitation of CalSTRS as a potential client or the retention of CalSTRS as an existing client and any fees paid or payable to the third party as a result of such relationship.

The term “fees paid or payable to the third party” includes placement agent fees, solicitation fees, referral fees, promotion fees, introduction or “matchmaker” fees, or any similar fees.

Please complete the form below:

Name of Investment Transaction/Investment Management Contract	Notification Date
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Third Party has been used to assist in this transaction

Yes No

Name of Third Party Firm	Primary Contact (Individual)	Amount Paid or Payable
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Contracting entity hereby certifies that the foregoing is true and correct:

Signature of Authorized Representative	Date
Printed Name and Title:	

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

Certification of Contractor's Employee
Background Investigation Form

Contractor Name: _____

Contract Number: _____

Contractor's Employee Name: _____

Contractor, in anticipation of providing their employees to CalSTRS to provide services as set forth in the above-referenced contract, certify the following:

- (i) The Contractor has received and understands CalSTRS' Contractor Background Investigation Policy which was provided to Contractor by CalSTRS;
- (ii) The Contractor has performed its background investigation of the above named employee, reviewed and verified the background information in a manner consistent with CalSTRS' Contractor Background Investigation Policy, and determined that said employee is qualified to perform services for CalSTRS;
- (iii) The Contractor understands that the Contractor shall have an obligation to review and investigate any relevant information it receives or becomes aware of subsequent to the date the Contractor's employee provides services for CalSTRS and shall immediately notify the Human Resources Division of CalSTRS of any information which might lead the Contractor to believe the Contractor may not be in compliance with CalSTRS' Contractor Background Investigation Policy;
- (iv) The Contractor understands that he, she, or it shall annually perform its background investigation of the above named employee and provide CalSTRS with a Certification of Contractor's Employee Background Investigation for the term of the contracted employee's engagement under contract to provide services to CalSTRS.
- (v) The Contractor shall retain the personal information received in the employee background investigation throughout the term of the contract and shall provide reasonable safeguards to ensure security and confidentiality of such personal information; and
- (vi) The Contractor has been informed and understands that any breach or violation of this certification shall result in the termination or annulment of this agreement. The termination of the contract shall not be construed to limit any remedy CalSTRS might have under applicable law.

I, _____ (**printed name**), declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed in _____ (**city**), _____ (**state**) on this _____ day of _____ in the year of 20_____.

Authorized Signature

Title

SAMPLE AGREEMENT/GENERAL TERMS AND CONDITIONS

Personal History Statement for

Contracted Employee Name

It is CalSTRS' policy to prevent the conflicts of interest that could arise from having its contract employees work on, or have access to, the records and accounts of CalSTRS members, beneficiaries, or employees to whom they are related. Therefore, in the space below, please provide the name and relationship of any relatives you have who are CalSTRS members, beneficiaries, or employees. In general, a member or beneficiary would be any relative who is a teacher or other certificated staff member in a California school district, who is retired from such a position, or who is a survivor of someone who retired from such a position. For the purposes of this question, the term "relative" includes, but is not limited to blood, marriage or adoption, to the following:

- Husband/Wife/Ex-Husband/Wife/Domestic Partner
- Son/Daughter/Step Son/Daughter
- Parents/Step-parents
- Grandparents/Step-grand parents
- Brothers/Sisters/Step Brothers/Sisters
- Uncles, Aunts, Cousins, Nieces, and Nephews
- Persons having any of the above relationships to your spouse/domestic partner
- Persons residing in the immediate household
- Legal Guardian

Please note that reporting these relatives will not affect your CalSTRS contract employment. This information will be used with respect to your CalSTRS contractor status, and then only to prevent you from accessing or working on the accounts or records of your relatives.

Relative's Name	Relationship to You

Signature (Please sign in ink)

Date

Print name here

Contract Number

**TEACHERS RETIREMENT BOARD POLICY MANUAL
SECTION 600H**

H. Disclosure of Campaign Contributions, Charitable Contributions, and Gifts; Recusal Requirement; and Ban on Specified Gifts

1. Campaign Contributions¹

Any party who engages in business with CalSTRS for gain shall disclose campaign contributions, as defined under the California Political Reform Act, valued in excess of \$250, made to or on behalf of any existing CalSTRS Board member, candidates for Board member, Controller, Treasurer, Superintendent of Public Instruction, CalSTRS officer or employee.

2. Charitable Contributions

No party who engages in business with CalSTRS for gain shall provide any charitable contribution to a charitable entity, valued in excess of \$250 individually or in the aggregate in any calendar year, made at the request of any Board member, or CalSTRS officer or employee.

3. Gifts

A. No party who engages in business with CalSTRS for gain shall provide gifts to Board members or to CalSTRS officers or employees exceeding the following limits:

i. Gifts, including meals or entertainment, with a cumulative value exceeding \$390 individually or in the aggregate in any calendar year, given to any Board member or CalSTRS officer or employee. The dollar amount of this limit shall be adjusted biennially in each odd numbered year to reflect the cost of living adjustments made by the Fair Political Practices Commission to the gift limit contained in Government Code section 89503.

ii. This gift prohibition shall not extend to meals or related expenses provided under the following circumstances:

¹ Additional provisions governing investment relationships can be found in regulations at Title 5, California Code of Regulations sections 24010 through 24013, effective November 28, 2007. The regulations may also be found at www.calstrs.com.

- a. Food, beverages and registration at group events to which substantial numbers of employees of an institution are invited;
 - b. Actual and reasonable expenses for food, beverages, travel, lodging and/or registration provided to permit participation in a meeting directly tied to official or professional duties if participation has been approved in writing by the Chief Executive Officer (for CalSTRS staff) or by the CalSTRS Board (for Board members).
- B. Any party who engages in business with CalSTRS for gain shall disclose gifts aggregating more than \$50 in value made to Board members, or to CalSTRS officers or employees.

4. Recusal

- A. Any Board member who receives campaign contributions, charitable contributions, or gifts that individually or in the aggregate exceed the amount of \$250 in a calendar year shall recuse himself/herself from any involvement in a matter involving the maker of the contributions or gifts for a period of 12 months following the date of the most recent contribution or gift.
- B. Any Board member who returns, donates, or reimburses the donor for gifts subject to these restrictions within 30 calendar days of receipt of the gift shall not be subject to the recusal requirement. Gifts may be returned, donated or reimbursed as specified in California Code of Regulations, Title 2, Division 6, Chapter 9.5, section 18943.

5. Time and Coverage of Disclosures

Disclosure of campaign contributions, charitable contributions, and gifts shall be required as follows:

- A. Upon submission of an initial application or proposal to do business with the System (for the preceding 12-month period).
- B. At the time the final decision is to be made regarding the business proposal (to cover the interim period following the initial application).
- C. Annually, for the previous calendar year. (CalSTRS will use FPPC guidelines to determine which officials in a specific firm must file disclosure statements.)

6. Sanctions for Violation of Policy

Any violation of this policy may lead to disqualification from future business with the System for a period of two years following a determination by the Board that a violation has occurred. The General Counsel is responsible for causing an investigation of any reported violation to be made and shall report any documented violation to the Board for action.

7. Application of Policy

Nothing in this policy supersedes any provision of State law. Those entities engaged in business with the System may also have reporting requirements under the Political Reform Act, California Government Code section 81000 et seq. Also, Board members who are either elected to the Board by a CalSTRS constituency or who are appointed to the Board but also serve as an elected official of a local body are subject to Government Code section 84308, which prohibits the receipt, solicitation or direction of a campaign contribution of more than \$250 while a matter affecting a financial interest of the maker of the contribution is pending, and for three months following the date a decision is rendered on the matter. Section 84308 also requires recusal of the Board member from any involvement in the matter if a contribution over \$250 has been received within the preceding 12 months, unless the contribution was returned no later than 30 days from the time the Board member knew or should have known about the contribution and the matter involving the maker of the contribution.

*Reference: Education Code Section 22363
Amended December 7, 2006
Amended June 6, 2007
Amended February 7, 2008*

CONTRACTOR BACKGROUND INVESTIGATION POLICY

BACKGROUND:

It is the policy of the California State Teachers' Retirement System (CalSTRS) to require all Contractors who contract with CalSTRS to gather and consider background history information in determining if contracted employees who provide services for CalSTRS meet the general standards for employment.

In evaluating contract employees under these provisions, Contractor must give particular emphasis to the business needs arising from CalSTRS' fiduciary responsibility for CalSTRS funds, its obligation to protect the personal data it holds and maintain the integrity of the retirement system, and its policy to provide a safe and secure workplace.

This includes, but is not limited to preventing contractors or their employees from using their employment or access to CalSTRS systems and data to:

- Carry out identity theft or related activities;
- Inappropriately alter member retirement benefits;
- Embezzle funds from CalSTRS;
- Engage in any activity that would damage CalSTRS reputation or member trust;
- Initiate any act of workplace violence, discrimination, or sexual harassment.

CalSTRS' contractor background investigation requirements consist of criminal record checks, civil check, reference checks, and verification of education and previous employment. In addition, CalSTRS contractors will check the driving records of their employees being considered for positions in which driving is a regularly assigned duty. The information gathered in this process is subject to strict confidentiality provisions in order to protect the privacy of those persons whose backgrounds are reviewed under this policy.

STANDARDS AND GUIDELINES:

The following outlines the standards and guidelines for considering information obtained through the various components of the background investigation process. When the information gathered through the individual parts of the process does not provide definitive conclusions as to the contracted personnel's suitability for employment, the background investigation results shall be considered collectively in reaching this determination. While these decisions must be reached through case-by-case review, Contractor must apply these standards and guidelines as consistently as possible.

Contracted personnel will be deemed unsuitable for CalSTRS employment if the background investigation process results in findings that meet any of the criteria identified as follows:

Criminal Record Checks

1. Any conviction at any time, or currently has any charges pending, for any of the following offenses:

- Any form of fraud, deceit or misrepresentation
 - Embezzlement
 - Forgery
 - Identity theft/stolen credit card use
 - Any other offense involving misappropriation of funds, abuse of access to financial or personal records, unauthorized access to financial or personal records, falsification of documents or records, or other crimes of moral turpitude.
2. Any conviction or current charges pending for offenses such as the following:
 - Theft, burglary, car jacking or home invasion crimes.
 - Shoplifting
 - Receiving stolen property
 - Bad checks
 3. Any conviction for any violent crime or currently has charges pending for such an offense.
 4. Convictions other than those specified above will be deemed unsuitable for employment as a contractor with CalSTRS when their record of convictions indicates or suggests a continuing pattern of behavior that is inconsistent with any of the general qualifications for employment or the CalSTRS business concerns specified in the Background section, above.

Civil Checks

Civil history reveals a continuing pattern of credit abuse that supports the conclusion that he or she lacks one or more of the general qualifications for employment, such as honesty, integrity, and/or good judgment.

These determinations require careful case-by-case review of any credit problems, with particular emphasis on the following questions:

- Are the credit problems isolated to a particular point in time, or to a particular vendor with whom the individual may be having a dispute, or do they constitute a general pattern?
- Are there specific mitigating factors that explain the credit problems, such as illness or divorce?
- What effort has the individual made to correct the credit problems?
- How recent are the problems, and what has the credit record been since they occurred?

Reference Checks

Reference check information may disqualify contracted personnel from consideration for any CalSTRS employment when it reveals or confirms that the contracted personnel lack one or more of the general qualifications for employment such as honesty, integrity, and/or good judgment.

Fraud in Securing Appointment

Any information contracted personnel provided for employment with Contractor (on applications, resumes, background questionnaires, etc.) is substantively untruthful. Contractor will verify that

information provided by prospective contracted personnel (including education and past work experience) is credible. Contractor will conduct a Social Security trace to aid in this verification.

Driving Record Checks

A serious driving violation, such as driving under the influence of alcohol or drugs, or reckless driving, within the past three years. Driving record checks are only applicable when driving a motor vehicle is a regularly assigned duty.

REQUIREMENTS:

Contractor shall certify that it has performed its background investigation of the contracted employee, reviewed and verified the background information in a manner consistent with CalSTRS' Contractor Background Investigation Policy, and determined that said employee is qualified to perform services for CalSTRS. Such certification will be made with submission of the Certification of Contractor's Employee Background Investigation form, provided to Contractor by CalSTRS, prior to full execution of agreement.

Contractor shall provide CalSTRS with the contracted employee's completed Personal History Statement, provided to Contractor by CalSTRS. Information the contracted employee provides concerning relatives who are CalSTRS members or beneficiaries and/or CalSTRS employees will be used to implement safeguards to prevent the contracted employee from working on or accessing the records/accounts of his or her relatives.

CalSTRS' Human Resources Office shall conduct background investigations for contracted employees that provide the following services at CalSTRS' facility:

- Information technology contractors who will have access to confidential information
- Student assistants
- Benefits counselors

EXCEPTIONS:

Any request for a waiver of the policy provisions should be directed to the manager of the Contract Services Unit, who will thereafter forward the request to the CalSTRS CEO for consideration and approval, on a case-by-case basis. Exceptions to the Contractor Background Investigation Policy may include but are not limited to the following circumstances:

- Contracted personnel will not have access to restricted areas of CalSTRS (e.g., printers providing services off-site and delivering product)
- Contracted personnel will not have access to confidential/sensitive data (e.g., lecture style training)
- State or local governmental entities are unable to comply (in these circumstances, CalSTRS will conduct the background investigation process for potential contracted personnel).