Private Equity Program Update

Réal Desrochers, SIO
Sarah Corr, SPM
Christine Gogan, SPM

August 13, 2012

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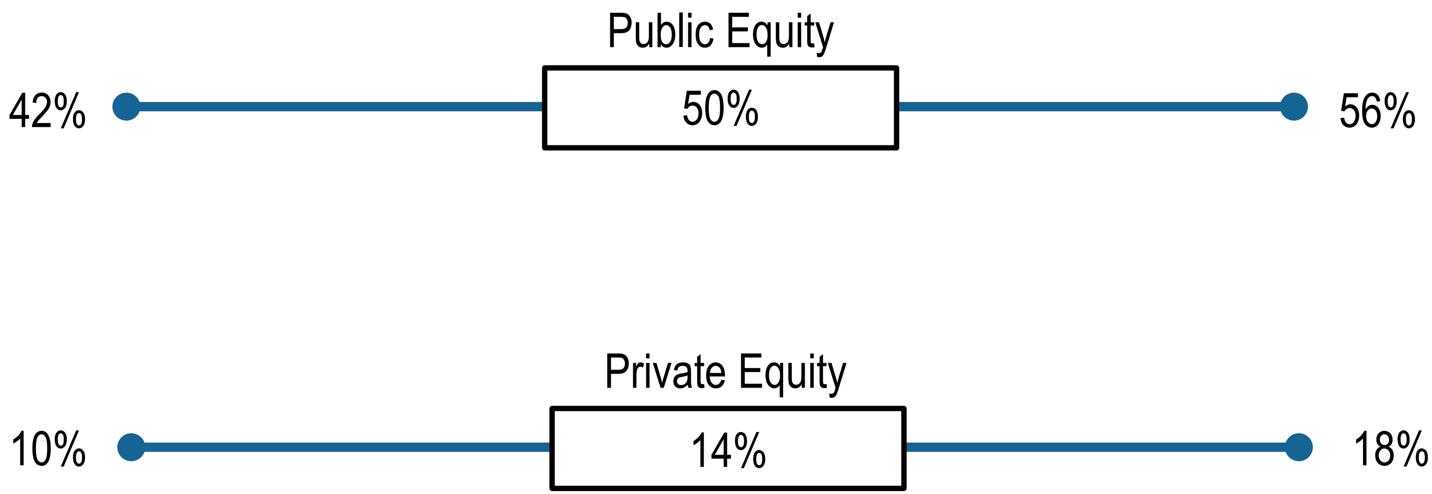
Program Role

CalPERS Growth Allocation: Target 64%



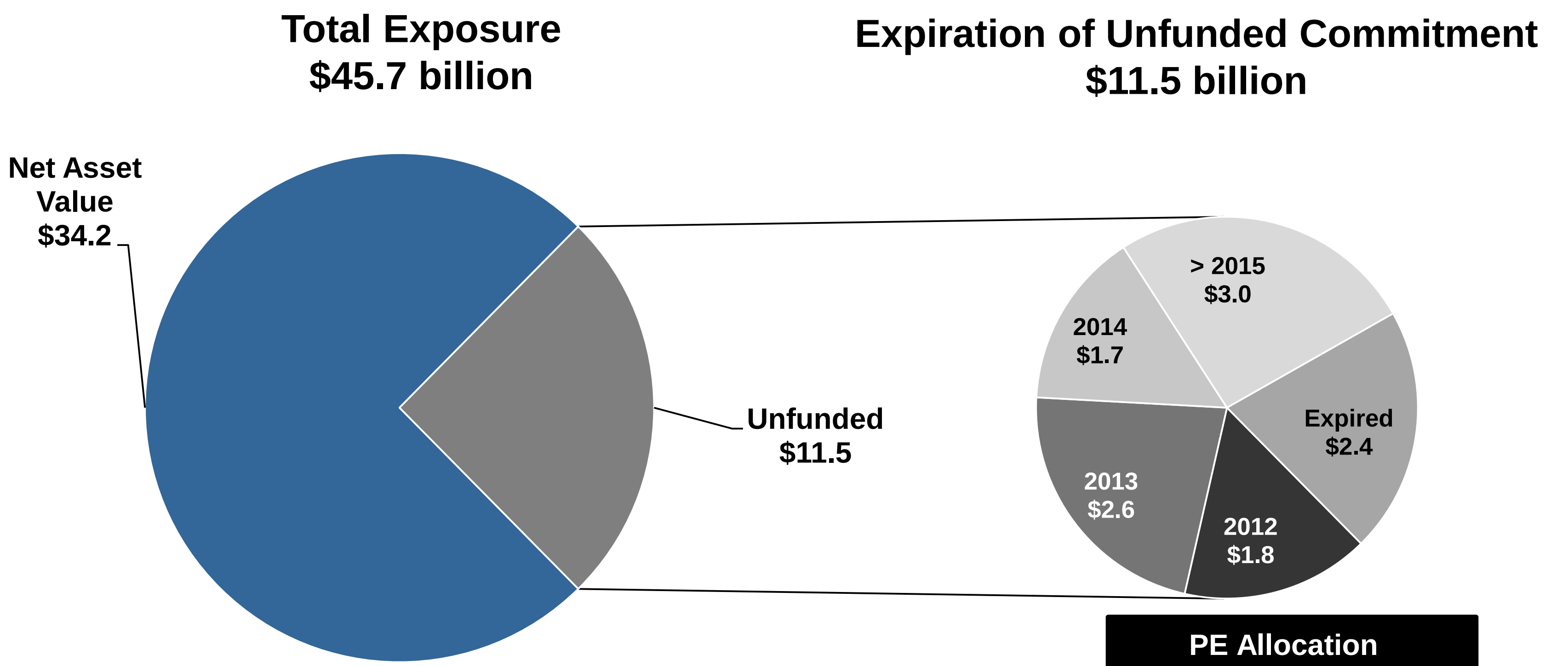
Portfolio Review

Portfolio Target Allocation by Strategy

Strategy	Net Asset Value*	Current*	Target	Range		In Compliance
				Min	Max	
Buyouts	$19.4	57%	60%	50%	70%	✓
Credit Related	$6.3	19%	15%	10%	25%	✓
Venture Capital	$2.1	6%	<1%	0%	7%	✓
Growth/Expansion	$5.2	15%	15%	5%	20%	✓
Opportunistic	$1.0	3%	10%	0%	15%	✓

**Based on Net Asset Value (NAV) as of June 30, 2012; $'s in billions*

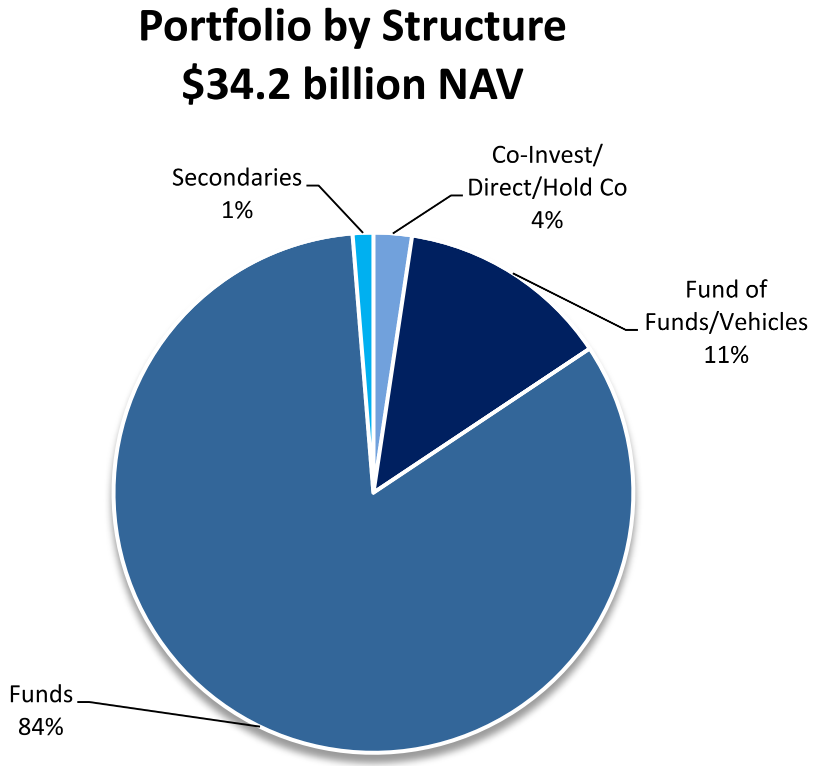
Portfolio by Total Exposure

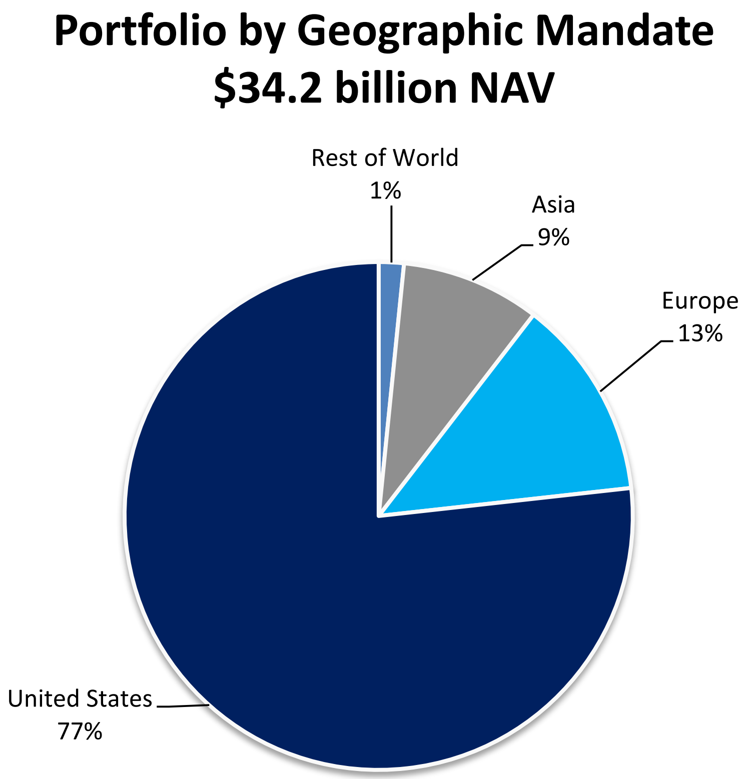


PE Allocation
Target: 14.0%
Actual: 14.7%
Policy Range: 10 - 18%

As of June 30, 2012; $'s in billions

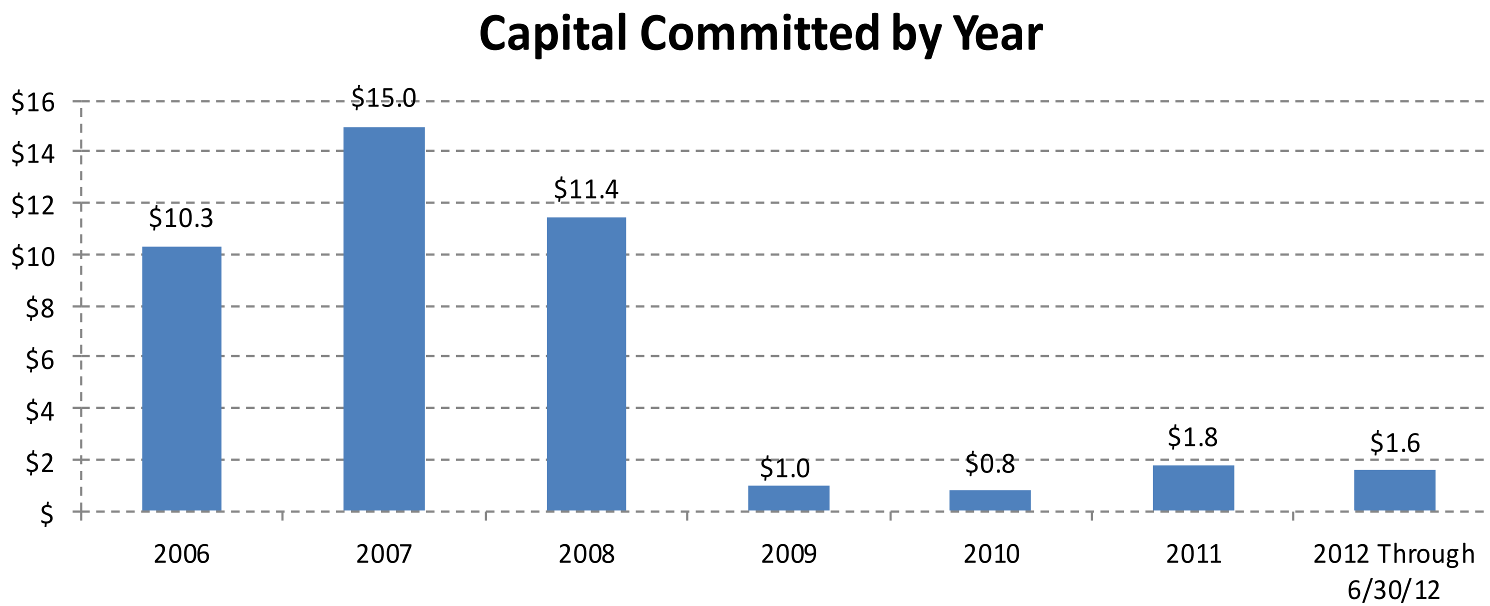
Portfolio by Structure and Geographic Mandate





As of June 30, 2012

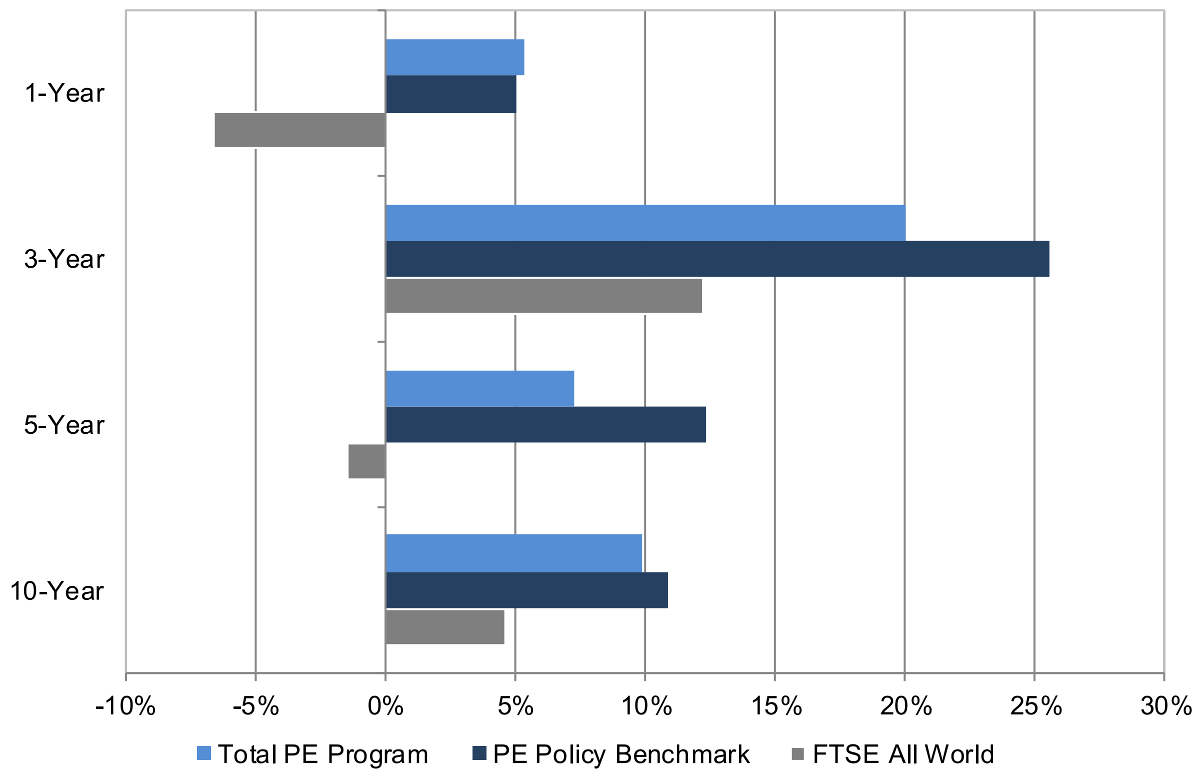
Capital Allocation: Commitment by Vintage Year



	Annual Cash Flow Grand Total						
	2006	2007	2008	2009	2010	2011	YTD 2012*
Contributions	($4.7)	($9.8)	($9.8)	($4.3)	($6.1)	($5.4)	($2.5)
Distributions	$4.1	$5.8	$3.8	$2.3	$5.2	$8.4	$3.0
Net Flow	**($0.6)**	**($4.0)**	**($6.0)**	**($2.1)**	**($0.9)**	**$3.0**	**$0.5**

As of June 30, 2012; $'s in billions

Performance Relative to Benchmarks



Annualized returns as of June 30, 2012

Performance by Strategy

($'s in billions)

Strategy	Net Asset Value	Unfunded	Total Exposure*	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Buyout	$19.4	$7.0	$26.4	6.8	18.5	8.0	**15.4**
Credit Related	$6.3	$1.7	$8.0	7.7	35.7	12.2	**14.1**
Venture Capital	$2.1	$0.5	$2.6	1.3	6.6	1.0	**0.0**
Growth/Expansion	$5.2	$2.0	$7.2	3.0	17.1	5.3	**5.3**
Opportunistic	$1.0	$0.3	$1.3	-2.1	15.8	0.5	**2.1**
Grand Total	**$34.2**	**$11.5**	**$45.7**	**5.4%**	**20.0%**	**7.2%**	**9.9%**

- Buyouts represents the largest investment strategy and have been the primary driver of returns

Source: State Street; data as of June 30, 2012
** Total Exposure defined as Net Asset Value + Unfunded*

Performance Exited and Active

($'s in billions)

Status	Capital Committed	Total Gain	Net Asset Value	Net IRR %	Inv Multiple
Exited investments	**9.89**	**3.87**	**-**	**12.1%**	**1.44**
Active investments	**57.30**	**14.39**	**32.80**	**9.5%**	**1.32**
Total Portfolio	**67.19**	**18.26**	**32.80**	**10.2%**	**1.34**

- Exited investments have outperformed active investments and the Private Equity benchmark

Source: State Street Private Edge; data as of December 31, 2011

Market and Investment Review

Market Risks

- The average hold period for private equity investments is at a record level and could challenge returns if holding periods continue to be protracted
  - The average hold period is 4.8 years, a 33% increase from 2007
- Fundraising environment creates opportunity for LPs to negotiate favorable terms
- Due diligence is critical given the challenged fund raising environment

Risks Within Existing PE Portfolio

- $11.5 billion in unfunded commitments
- $3.7 billion NAV exposure to fund-of-funds that are underperforming and are difficult to exit
- $2.1 billion of current venture portfolio has little upside remaining
- 2006-2008 vintages represent 74% of NAV
- Under committed in 2009-2011
- Staff will continue to review options for repositioning the portfolio and evaluating partners and strategies for performance and portfolio fit

Investment Transactions: YTD June 2012

Name	Commitment ($ in millions)	Strategy	Complies with Delegated Authority
PAG Asia I, L.P.	$100	Buyout	✓
Cerberus Institutional Partners V, L.P.	$400	Credit Related	✓
Credit Suisse Customized Investment Group	$100	Fund of Funds	✓
Co-invest	$40	Energy	✓
Blackstone Tactical Opportunities Fund	$500	Opportunistic	✓
Advent International GPE VII, L.P.	$450	Buyout	✓
Central Valley Fund II, L.P.	$12.5	Credit Related	✓
Total New Commitments	**$1,602.5**		

As of June 30, 2012

Operational Achievements

Status of Insourcing of Monitoring Functions

- Staff has insourced all critical management and monitoring functions from a third party consultant
- Standardized capital call and distribution template being used by GPs
- Staff has created and produced a new quarterly monitoring report for all funds

Private Equity Accounting and Reporting Project - IBOR Update

- Two RFPs to be released in August 2012
  - Private Equity Accounting and Data Services
  - Private Equity Portfolio Management System
- These are two top priority Target Operating Model projects in the 2012-2014 INVO Roadmap

Special Program Update: The California Initiative

California Initiative Historic Overview

- The California Initiative was approved by the Investment Committee in May 2001
  - Primary objective: generate attractive risk-adjusted returns that meet or exceed industry benchmarks
  - Ancillary objective: to invest in traditionally underserved areas where opportunities may have been bypassed, aiming to create jobs and promote economic development in underserved California markets

- Implementation:
  - 2001: Phase I – $475 million committed to ten managers
  - 2006: Phase II – $560 million committed to a fund-of-funds managed by Hamilton Lane
  - 2011: Phase III – Hamilton Lane retained to evaluate California investment opportunities

California Initiative Performance

	Vintage Year	Commitment	Total Value*	Since Inception Net IRR	Net Multiple	Benchmark**
Phase I Performance	**2001**	**$475**	**$784**	**14.76%**	**1.79x**	**14.7%***
Phase II Performance	**2006**	**$560**	**$416**	**0.86%**	**1.02x**	**6.9%***

- The performance of Phase I includes a composite of nine funds and one fund of funds with varied performance
- One Fund, GCP CA Fund had extraordinary performance generating a 94% Net IRR and 12.3x Net Multiple
- The GCP CA Fund performance was a +12 standard deviation event within the PE portfolio and is most likely not repeatable
- Excluding the GCP CA Fund, Phase I performance is **-6.4% Net IRR and 0.71x Net Multiple**

As of December 31, 2011; $'s in millions
** Total Value includes distribution plus Net Asset Value. Net Asset Value was $203 million*
***Cambridge Associates benchmark for Fund-of-Funds, top quartile; performance as of December 31, 2011*

Observations

- The Program has met the ancillary benefits objectives as follows:
  - 41% of the companies are located in areas traditionally underserved by institutional capital
  - 55% of employees live in economically disadvantaged (LMI) areas
  - 38% of companies have at least one woman officer and 32% have one minority officer
- However, the California Initiative has not met CalPERS investment return expectations
- CalPERS PE Managers also allocate significant capital to California
  - Since 2001 $3.8 billion has been invested in 2,943 companies headquartered in California by managers with no specific mandate to invest in California generating $1.8 billion in gains
- Staff plans to let the CA Initiative portfolio wind down over the next five years
- The thesis for continued investment in a targeted CA Initiative Program would need to be carefully evaluated relative to the benefits gained before any additional capital is committed to another CA Program