



Agenda Item 7a

October 15, 2012

ITEM NAME: CalPERS Infrastructure Outreach Effort Final Report

PROGRAM: Targeted Investment Programs

ITEM TYPE: Program Review – Information

EXECUTIVE SUMMARY

This agenda item provides the CalPERS Infrastructure Outreach Effort Final Report (Attachment 1) to the Investment Committee. The report is a key deliverable from the series of Infrastructure Outreach Events that concluded in May of 2012.

BACKGROUND

In September 2011, the Investment Committee directed staff to target up to \$800 million in California infrastructure investments over a three-year period, and to develop a plan for outreach to state and local governments. The purpose of the Outreach Effort was explicitly to explore possible roles that CalPERS and other pension systems could play to facilitate infrastructure investments in California. The infrastructure outreach effort included two key elements: a coordination and policy process, and an investment pipeline enhancement process.

Staff from CalPERS External Affairs and the Investment Office worked together to plan and host four roundtables throughout the state between March and May of 2012. Meketa Investment Group, Inc. was instrumental in the facilitation of the roundtables and the production of the final report.

ANALYSIS

By actively engaging with key stakeholders to explore potential areas of infrastructure investment, including significant challenges and opportunities, CalPERS is able to more effectively achieve the CalPERS investment objectives.

With the conclusion of this formal outreach effort, staff has identified the following key takeaways from the Roundtable discussions.

Challenges for pension system investment include:

- There are numerous challenges to pension system investment in California infrastructure, including the availability of lower-cost tax-exempt financing, a lack of suitable projects for public pension funds, the absence of necessary statutory authorities in some cases, and complex regulatory processes.

Opportunities for pension system investment in California infrastructure include:

- There is a vast unmet need for investment in California infrastructure and available funding sources are not expected to be sufficient to meet the need.
- California is recognized to be an attractive destination for infrastructure investment and CalPERS is an attractive partner for public agencies engaged in the finance and procurement of infrastructure assets.

Roundtable participants also noted that modifications to policy and legislation regarding infrastructure project procurement and approvals may enhance future funding and investment opportunities.

A more detailed discussion of the roundtables and the findings is provided in the attached final report.

ATTACHMENT

Attachment 1 – CalPERS Infrastructure Outreach Effort Final Report

LAURIE WEIR
Senior Portfolio Manager
Targeted Investment Programs

JANINE GUILLOT
Chief Operating Investment Officer