



## Agenda Item 11b

December 10, 2012

**ITEM NAME:** Targeted Investment Programs Update

**PROGRAM:** Targeted Investment Programs

**ITEM TYPE:** Program Review – Information

### **EXECUTIVE SUMMARY**

This agenda item provides a status report on Targeted Investment Programs activities since its last update to the Investment Committee in June, 2012. This update covers the period of July, 2012 to the present and focuses on emerging and diverse manager initiatives, California investments, and sustainability efforts.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. Stakeholder engagement results in better understanding of key issues on potential investments. Engagement with stakeholders assists CalPERS to gain the knowledge and establish collaborative relationships to better accomplish the System's investment objectives.

### **BACKGROUND**

This agenda item is a regularly scheduled update to the Investment Committee on Targeted Investment Programs activities. Staff's efforts and accomplishments since the last update in June, 2012, are detailed below in the following areas:

1. Emerging Manager and Diversity & Inclusion Initiatives
2. California Infrastructure Program
3. California Investment Initiatives
4. Sustainability Initiatives

### **ANALYSIS**

1. Emerging Manager and Diversity & Inclusion Initiatives

*CalPERS Five-Year Plan for Emerging Managers Participation* ("the Plan") was approved by the Investment Committee in August, 2012. The Plan establishes work streams focused on Portfolio Management and External Outreach initiatives. The following details staff's activities on Plan work streams:

- *Portfolio Management Initiatives: Establish performance, costs, and diversity of existing Emerging Manager Portfolio*
  - Staff is developing a comprehensive data book detailing emerging and diverse manager performance and manager diversity across the Total Fund.
  - Staff surveyed CalPERS external managers to better understand and accurately report the ownership of external management firms by women and minorities in the CalPERS portfolio. Staff will compile and report this information to the Investment Committee in our next scheduled update.
  
- *Portfolio Management Initiatives: Manage, track, and report progress of Private Equity's \$100 million and Real Estate's \$200 million Emerging Manager programs*
  - Private Equity Domestic Emerging Manager Program: Credit Suisse selected the first manager and is finalizing its capital commitment.
  - Real Estate Emerging Manager Program: CalPERS issued a press release in September, 2012 announcing the newly launched Catalyst Fund managed by Canyon Capital.
  
- *External Outreach Initiatives, Networking: Identify, host, and/or participate in Emerging Manager-focused events*
  - Staff is prepared to host a CalPERS Emerging and Diverse Manager Forum on December 3, 2012.
  
- *External Outreach Initiatives, Networking: Improve communication with Emerging Managers and professional associations*
  - Fund of Fund investment advisors for emerging manager programs were invited to review and comment on the Plan. To date, six advisors have provided their feedback. Overall, the responses acknowledged the thoughtful composition of the Plan, affirmed CalPERS leadership in the marketplace, and identified specific work streams on which each firm could contribute toward meeting Plan objectives.
  - Additional efforts to improve communication with Emerging Manager and stakeholder organizations include participating in the following events:
    - New America Alliance 2012 National Tour – July, 2012
    - CalPERS and CalSTRS Discussion with Black Economic Council – August, 2012
    - Joint Informational Hearing Senate Public Employment and Retirement Committee & Select Committee on Procurement – September, 2012

- Credit Suisse Conference on Small & Emerging Managers in Private Equity, Real Estate and In-State Investments – September, 2012
- National Association of Investment Companies 42nd Annual Meeting & Convention – October, 2012
- Association of Asian American Investment Managers 5th National Conference – October, 2012
- New America Alliance 12th Wall Street Summit – November, 2012
- The Plan Sponsor and Emerging Manager Colloquium hosted by Progress Investment Management Company – November, 2012

## 2. California Infrastructure Program

### *California Infrastructure Outreach Efforts*

- In October, 2012, Staff released *CalPERS Infrastructure Investment Outreach Review – Laying the Groundwork for Collaboration*. Ongoing outreach efforts include:
  - Staff is developing a plan to reach out to the leading financial advisers for California public agency infrastructure projects.
- West Coast Infrastructure Exchange (WCX)
  - Staff represents CalPERS in an advisory role and will co-chair the WCX Standards Committee.
  - The WCX formal launch and press event was conducted on November 14, 2012 in San Francisco.

## 3. California Investment Initiatives

### *California Private Equity (PE) Investment Strategy*

- Targeted Investment Programs and PE staff met to discuss a plan for continuing PE's California focused investment strategy. Staff anticipates starting this work in earnest in the first quarter of 2013. Staff will return to the Investment Committee with a proposal for continued California investment in the second half of 2013.

### *California Initiatives*

- Staff's ongoing outreach efforts for California investments initiatives included participating in the following events:
  - CFA Conference on California – September, 2012
  - Capital Markets for Impact Investing – October, 2012
  - Socially Responsible Investment Fund Hearing, Assembly Member Nora Campos – November, 2012
  - Central Valley Venture Forum – November, 2012

- Leveraging Economic and Infrastructure Advantages in the Mega-Region, Assembly Committee on Jobs, Economic Development and the Economy, Assembly Member V. Manuel Perez, Chair – November, 2012

#### 4. Sustainability Initiatives

- *Greenprint*  
CalPERS and its Core real estate investment managers became members of Urban Land Institute's Greenprint Foundation (Greenprint) to establish a baseline carbon footprint for the CalPERS core Real Estate portfolio.
  - Staff attended the Greenprint Board meeting in October, 2012.
  - Core investment managers submitted energy consumption data to Greenprint for selected assets. This data, combined with other Greenprint members' data, is included in the Greenprint 2012 Performance Report.
  - Greenprint will provide individual reports to each core investment manager and compile this data into a report for CalPERS to establish a baseline carbon footprint for the CalPERS Core Real Estate portfolio.
  
- *United Nations Environmental Programme Finance Initiative (UNEP FI) Property Working Group*  
Laurie Weir serves as the Co-Chair of the UNEP FI Property Working Group. The Co-Chair position is a two-year leadership role on all UNEP work relating to property, and also serves on the UNEP Investment Committee. In this role, Ms. Weir's outreach efforts included:
  - Represented CalPERS at the UNEP FI Property Working Group annual meeting.
  - Oversaw the development and publication of *Responsible Property Investment: What the Leaders are Doing*, which outlines responsible property investment best practices of industry leaders and includes a case study on the CalPERS Responsible Contractor Policy (RCP).
  - Participated in UNEP FI Property Working Group webinar on Environmental, Social and Governance Best Practices, Responsible Contractor, which is publicly available at:  
[http://www.unepfi.org/events/2012/responsible\\_property\\_investment\\_webinar/index.html](http://www.unepfi.org/events/2012/responsible_property_investment_webinar/index.html)

## **ATTACHMENTS**

Attachment 1 – Targeted Investment Programs Update

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