



## Agenda Item 7b

August 19, 2013

**ITEM NAME:** CalPERS for California Report 2012

**PROGRAM:** Targeted Investment Programs

**ITEM TYPE:** Program Review – Information

### **EXECUTIVE SUMMARY**

This agenda item, along with the presentation slide deck (Attachment 1) and the *CalPERS for California* report (Attachment 2) provides the 2012 report on CalPERS investments in California and the jobs supported by those investments.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. The ability to gain stakeholder feedback can help CalPERS make informed investment decisions. Engagement with stakeholders also assists CalPERS to gain knowledge and establish collaborative relationships to better accomplish the System's investment objectives.

### **BACKGROUND**

The *CalPERS for California* report was developed and prepared by Pacific Community Ventures and CalPERS staff. The report identifies CalPERS investments in California by asset class. The report includes new case studies of California investments including an update and summary of Private Equity's California Initiative. The California Initiative sought to invest in portfolio companies in traditionally underserved markets primarily located in California.

### **ANALYSIS**

Key findings highlighted in the 2012 *CalPERS for California* report are:

- Fiscal Year 2011-12 California investments totaled \$20.7 billion or 8.9% of the Total Fund.
- Nearly 1.5 million jobs have been supported or created as result of CalPERS investments in California.
- Compared to the prior reporting year, CalPERS dollars invested in California rose 6.7%.

Key findings highlighted in the 2012 *CalPERS California Initiative* (Attachment 3) report are:

- Since the inception of the California Initiative, CalPERS has invested approximately \$1 billion in 490 companies primarily in California.
- Companies receiving investment through the California Initiative have provided quality jobs to employees, with benefit levels for health and retirement outpacing statewide and national levels.
- The California Initiative has invested in areas of the state that have historically not received institutional equity capital, with 47% of capital allocated to companies located in these underserved markets.
- California Initiative performance is generally reported to the Investment Committee during the annual Private Equity update. This agenda item provides a brief update on the performance of the California Initiative.

As of 12/31/12	Vintage Year	Capital Committed	Net <sup>1</sup> IRR	Net <sup>1</sup> Multiple
Phase I	2001	\$480 million	14.1% <sup>2</sup>	1.8x <sup>2</sup>
Phase II	2006	\$560 million	5.40%	1.1x

<sup>1</sup> The "Net" amounts are returns of invested capital.

<sup>2</sup> The positive return for Phase I is driven by one investment. If that investment is excluded, the return drops to -5.7% IRR and 0.7x net multiple.

### **Methodology for Determining Employment Data**

The *CalPERS for California* and *CalPERS California Initiative* reports detail employment supported by CalPERS investments. A brief summary of the methodology for determining that employment data is as follows:

#### *CalPERS for California*

In the *CalPERS for California* report the methodologies for estimating California jobs vary by asset class and are as follows:

##### *Public Equities*

California jobs in California headquartered companies in public equities are estimated by multiplying the percentage of total company facilities in California by the total number of employees at these companies.

*Fixed Income*

California jobs for California headquartered fixed income corporate bond issuers are estimated by multiplying the percentage of total company facilities in California by the total number of employees at these companies.

*Private Equity*

California jobs in California headquartered companies in private equity are estimated by multiplying the total amount of dollars invested in California headquartered companies by the amount of dollars invested per job supported for the California Initiative. See below, California Initiative jobs are determined by direct survey response.

*Real Estate*

California jobs supported by California-based real estate investments are calculated using the IMPLAN Version 3.0 economic multiplier model software package. IMPLAN is software used by hundreds of government agencies, universities, corporations, and business development organizations for analyzing economic impacts.

The IMPLAN model examines the State of California as a geographic area of study, capturing and accounting for economic benefits resulting from capital flows in the local economy attributable to CalPERS real estate investments. Real estate investment information, including dollars invested, property type, and stage of development are uploaded directly into the IMPLAN model for analysis and computation of California jobs supported.

*Infrastructure*

California jobs supported by California-based infrastructure investments are calculated using the IMPLAN Version 3.0 economic multiplier model software package.

Infrastructure investment information, including dollars invested, infrastructure type, and stage of development are uploaded directly into the IMPLAN model for analysis and computation of California jobs supported.

*CalPERS California Initiative*

For the *CalPERS California Initiative* report, California jobs are directly reported by all California Initiative portfolio companies, both those headquartered in and outside of the state. Data is collected through a survey administered annually to California Initiative companies. Companies report data on their locations, operations, and employees as of June 30, 2012.

To understand the number of California Initiative companies that have significant operations in the state a definition of a "California Company" has been developed that

leverages the detailed data reported by California Initiative portfolio companies. A company that meets at least one of the following three criteria is considered a “California Company”:

1. Company headquarters in California
2. More employees reside in California than in any other state
3. More facility locations in California than in any other state

**BUDGET AND FISCAL IMPACTS**

Not Applicable.

**ATTACHMENTS**

Attachment 1 – CalPERS for California and California Initiative 2012 Update

Attachment 2 – CalPERS for California 2012

Attachment 3 – CalPERS California Initiative 2012

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