Investment Committee

California Public Employees' Retirement System

Agenda Item 5c

November 18, 2013

ITEM NAME: Revision of the Private Equity Delegation Resolution for Professional Staff

PROGRAM: Private Equity

ITEM TYPE: Policy & Delegation – Action

RECOMMENDATION

Approve the changes to the Delegation Resolution for the Private Equity Program, Delegation No: 07-02-INV (Attachment 1). The consultant opinion letter from Pension Consulting Alliance Inc. (PCA) is provided as Attachment 2.

EXECUTIVE SUMMARY

The Private Equity Program is seeking to make a few clarifying changes to the Delegation Resolution. The proposed changes are to make explicit that the Senior Investment Officer (SIO) has the ability to purchase fund investments in the secondary market and to add some clarifying language to the co-investment delegation.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high performing, risk intelligent and innovative organization. The Private Equity Delegation provides the SIO the ability to make innovative investment decisions within a defined risk framework.

INVESTMENT BELIEFS

This agenda item supports CalPERS Investment Belief 2: A long time investment horizon is a responsibility and an advantage. The long time horizon enables CalPERS to invest in illiquid assets, such as private equity.

BACKGROUND

Recently two questions regarding the Delegation Resolution for Private Equity were raised.

The first question was the delegated authority of the SIO over Private Equity to purchase fund investments in the secondary market. After discussion with the CalPERS Legal Office, the Board Investment Consultant (PCA) and staff it was determined that the authority was implied, but that language should be added to make it clear the authority had been delegated.

The second issue questioned the co-investment delegation. As the Delegation Resolution is currently drafted CalPERS co-investment is limited by the amount of the investment by the fund in which CalPERS is invested. After discussions with staff, the Legal Office and the Board Investment Consultant, it was agreed that the intent was to base a co-investment limitation on the total invested by the manager, regardless of how the manager may allocate the investment between different funds.

The proposed changes to the Delegation Resolution add language to clarify what is believed to be the original intent of the existing Delegation. Additionally there are administrative changes to some definitions.

BUDGET AND FISCAL IMPACTS
Not Applicable

BENEFITS/RISKS
Adopting the proposed changes will provide additional clarity around the investment decisions that have been delegated to the Senior Investment Officer Private Equity and the Chief Investment Officer. Failure to adopt would result in continued ambiguity and potential disagreement over the intent in the future.

ATTACHMENTS
Attachment 1 – Delegation Resolution
Attachment 2 – PCA Opinion Letter

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