

STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE

DELEGATION RESOLUTION

Subject: Professional Staff
Private Equity (PE)

Delegation No: 07-02-INV

WHEREAS,

1. In accordance with Government Code section 20120, the Board of Administration of the California Public Employees' Retirement System (the Board) is charged with the administration and management of the California Public Employees' Retirement System (CalPERS), and
2. In accordance with Government Code section 20171, the Board is also charged with the exclusive control of the administration and investment of the Public Employees' Retirement Fund (the Fund), and
3. In accordance with Article XVI, section 17 of the California Constitution, the Board has plenary authority and fiduciary responsibility for the investment of CalPERS assets, and
4. In accordance with Government Code section 20099, the Board is authorized to appoint a committee of one or more of its members to perform any act within the power of the Board itself to perform, and may through express delegation authorize any such committee to act finally, and
5. In accordance with Government Code section 20099, the Board may authorize its Chief Executive Officer (CEO) to perform any act within the power of the Board itself to perform, and may through express delegation authorize the CEO to act finally, and
6. The Board has adopted a Board of Administration Governance Policy relevant to the granting of delegations, and
7. Through Board Delegation Resolution No. IC-11-01 and pursuant to Government Code section 20191, the Board delegated to its Investment Committee the authority to make, through final action and by the affirmative vote of at least seven members, any investment authorized by law, and to re-delegate its authority to others, and

~~Effective February 20, 2007~~

~~Revised May 17, 2010 to delegate authority to the CIO and rescind SIO- AIM authority~~

~~Revised June 13, 2011 to delegate authority to the CIO and the SIO- AIM~~

~~Revised May 14, 2012 to include delegation re Customized Investment Account~~

~~Definitions updated September 10, 2012~~

8. Through Board Delegation No. EXEC-11-01, the Board has delegated to the CEO principal authority and responsibility to direct and manage staff to execute the policies adopted by the Board and administer the various programs consistent with the policies, and to re-delegate to others, and
9. The Board and its committees retain the implied authority, pursuant to Government Code section 20099, to re-delegate their authority directly to the Chief Investment Officer (CIO) and Senior Investment Officers and such re-delegations are deemed to have been made through the CEO and the CIO.

RESOLVED,

- (A) Recognizing the respective roles of the CEO as the internal leader of the organization and the CIO as the principal investment expert, and yet also wishing to gain the full benefit of the unique private equity expertise of the Senior Investment Officer-Private Equity (SIO-PE), the Investment Committee hereby delegates to the CIO and the SIO-PE, the authority described in the attached Private Equity Delegations (the "Delegations").
- (B) Where such Delegations do not prohibit sub-delegation, the CIO and the SIO-PE are authorized to re-delegate to his or her responsible subordinates any portion or all of the responsibility delegated to the CIO and the SIO-PE.
- (C) Where such Delegations do not specifically require the Investment Committee's review or ratification prior to action, the CIO or the SIO-PE has the authority to act finally, and to re-delegate, and will be responsible and accountable for his or her actions.
- (D) The exercise of authority under the Delegations shall be reported to the Investment Committee in sufficient detail to keep the Investment Committee appropriately informed and in order for the Investment Committee to monitor the performance of the CIO and the SIO-PE.
- (E) Upon adoption by the Investment Committee all Delegations will expressly supercede all prior delegations regarding AIM to the CIO and the SIO-PE, including without limitation, the AIM authority delegated in the interim PE Delegation No. 07-02-INV, revised May 17, 2010.

- (F) It is understood that the PE Delegation and the grant of authority are created with the intent to fully comply, in letter and in spirit, with all federal and state laws and regulations, as well as CalPERS Policies and procedures as approved by the Investment Committee or the full Board of Administration.

HENRY JONES
CHAIR, INVESTMENT COMMITTEE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

I accept this delegation.

Dated: _____

JOSEPH A. DEAR
CHIEF INVESTMENT OFFICER
INVESTMENT OFFICE
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

I accept this delegation.

Dated: _____

RÉAL DESROCHERS
SENIOR INVESTMENT OFFICER – PE
INVESTMENT OFFICE
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

Private Equity (PE) Delegations

Within each of the following subject areas (as shown in italics), the Investment Committee delegates (as shown in bold) the following authority to the CIO or SIO-PE:

I. Authority to Allocate Assets

A. *Authority to Establish Asset Classes and Asset Allocation (Targets and Ranges) for the Total Fund*

(No Delegation)

B. *Authority to Establish Programs/Sectors Within an Existing Asset Class*

1. **Consistent with policy and the investment limits set forth herein, to establish Programs/Sectors within the PE Asset Class.**

PE Investment Policy, Section V

C. *Authority to Make Allocation Decisions Within the Asset Class and Among Programs/Sectors*

1. **Consistent with policy and the investment limits set forth herein, to manage allocation decisions within the PE Asset Class and among its Programs/Sectors.**

PE Investment Policy, Section V

II. Authority to Make Investment Decisions

A. *Authority to Directly Invest In and Dispose of Public Securities*

1. **To manage the disposition of any public securities received as a distribution from a limited partnership to which PE is committed.**

PE Investment Policy, Section V

B. *Authority to Select, Commit Funds to, and Dispose of/Exit Investments in Private Investment Vehicles either directly or on the secondary market.*

Investment Committee approval will be required for commitments beyond those authorized for the SIO-PE or the CIO. If there is a vacancy in the CIO position, Investment Committee approval will be required for commitment authority otherwise delegated to the CIO.

1. **To limit the aggregate Net Committed Capital to any General Partner to no more than 10% of PE's Net Committed Capital.**
2. **For Top-Quartile funds, to limit PE's Commitment to no more than 25% of the fund, with SIO-PE approval required for amounts up to 4% of the PE Policy Target and CIO approval for amounts up to 8.0% of the PE Policy Target.**
3. **For Second-Quartile funds, to limit PE's Commitment to no more than 25% of the fund, with SIO-PE approval required for amounts up to .75% of the PE Policy Target and CIO approval for amounts up to 1.5% of the PE Policy Target.**
4. **For Emerging Management Teams, to limit PE's Commitment to no more than 25% of the fund, with SIO-PE approval required for amounts up to .75% of the PE Policy Target and CIO approval for amounts up to 1.5% of the PE Policy Target.**
5. **For Customized Investment Accounts, SIO-PE may approve commitment up to 3% of PE Policy Target and CIO may approve commitment up to 4.5% of the PE Policy Target. Furthermore, CIO may approve an increase in committed capital to an existing Customized Investment Account with top-quartile performance by up to 20%.**
- ~~5.6.~~ **For Secondary Market Purchases, with SIO-PE approval required for amounts up to 2% of the PE Policy Target and CIO approval for amounts up to 4% of the PE Policy Target.**
- ~~6.7.~~ **To manage all ongoing portfolio maintenance, including without limitation amendments, consents, waivers, and sales/dispositions.**

PE Investment Policy, Section V

C. *Authority to Directly Invest In and Dispose Of Private Securities*

Investment Committee approval will be required for commitments beyond those authorized for the SIO-PE or the CIO. If there is a vacancy in the CIO position, Investment Committee approval will be required for commitment authority otherwise delegated to the CIO.

1. **For Co-Investments, provided the investment by the funds managed by the General Partner is is-making-an-equal to or larger than the CalPERS PE investment commitment and the investment is smaller than CalPERS PE commitment to the**

fund, the SIO-PE may approve a commitment of up to .75% of the PE Policy Target and the CIO may approve up to 1.5% of the PE Policy Target.

2. For **Direct Investments**, to limit **PEAIM**'s commitment to no more than .5% of PE Policy Target.
3. To manage all ongoing portfolio maintenance, including **without limitation** amendments, consents, waivers, and sales/dispositions.

PE Investment Policy, Section V

D. Authority to Fund Investment Managers Retained through a Contractual Arrangement (pursuant to public contracting process) ~~(No-Delegation)~~

1. **Consistent with the investment limits set forth herein, to select and terminate investment managers obtained through public contracting process.**

E. Authority Relating to Shareowner Resolutions and Proxy Execution

1. To manage all ongoing portfolio maintenance, including **without limitation** amendments, consents, waivers, and sales/dispositions.

PE Investment Policy, Section V

III. Authority to Make Contracting Decisions

A. Authority to Select and Terminate Investment Managers (obtained through public contracting process)

1. **Consistent with the investment limits set forth herein, to select and terminate investment managers obtained through public contracting process.**

PE Investment Policy, Section V

B. Authority to Select and Terminate Investment Consultants Other than the Board's Investment Consultants

1. **Staff may establish a "spring-fed pool" of External Resources to meet the Program needs.**

PE Investment Policy, Section V

2. **The CIO shall have authority to use the “best business practice” exemption from competitive bidding to hire External Resources, but only on a highly selective basis, when necessitated by the urgent nature of the work and where the pool of existing External Resources is inadequate. Use of this exemption must be reported monthly to the Investment Committee.**

PE Investment Policy, Section V

Delegation No. 07-02-INV History

<u>Date</u>	<u>Approval / Revision Details</u>
<u>02-20-2007</u>	<u>Approved by the Investment Committee</u>
<u>05-17-2010</u>	<u>Revised to delegate authority to the CIO and rescind SIO-AIM authority</u>
<u>06-13-2011</u>	<u>Revised to delegate authority to the CIO and the SIO-AIM</u>
<u>05-14-2012</u>	<u>Revised to include delegation re Customized Investment Account</u>
<u>09-10-2012</u>	<u>Updated definitions</u>
<u>11-18-2013</u>	<u>Revised to include clarifying language regarding secondary markets and co-investments</u>

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Definitions

Commitment

The total amount CalPERS has committed to a fund, including management fees and partnership expenses.

Co-Investment

A Direct Investment made by CalPERS where CalPERS has an existing commitment to a fund which is also investing in the company.

Customized Investment Account

An investment structure in which CalPERS partners with a firm that has distinct investment expertise in an industry, geographic region or investment style and has demonstrated the ability to provide top-quartile returns. Other than the General Partner, CalPERS would be the sole investor. This structure may have an individual mandate or may invest alongside other similarly structured funds in the same investments with different terms.

Direct Investment

An investment that is made directly or indirectly by CalPERS in a company.

Emerging Management Team

A firm raising a first or second time Institutional Fund.

External Resource

Consultants and advisors qualified through a public contracting process to perform consulting and advisory work for the PE Program. May include but is not limited to management consultants, accountants, attorneys, industry specialists, traditional pension fund consultants, investment bankers, or industry experts.

General Partner

The managing member of a limited liability company (LLC), or the management company or managing organization of a limited partnership. As used in this delegation resolution, the term General Partner can also generically refer to the principals that manage a family of funds.

Institutional Fund

A Fund which is being raised by a proven team with a demonstrable track record to which at least three institutional investors have made a commitment.

Net Committed Capital

Remaining cost plus unfunded commitments. ~~Total active commitments less permanent return of capital.~~

Second-Quartile Firm

A General Partner with whom CalPERS may or may not have an existing relationship and where the capital-weighted average net IRR or multiple of invested capital of ~~all~~ the four most recent funds pursuing the same strategy managed by the General Partner is in the second-quartile of a private equity industry benchmark.

Top-Quartile Firm

A General Partner with whom CalPERS may or may not have an existing relationship and where the capital-weighted average net IRR or multiple of invested capital of ~~all~~ the four most recent funds pursuing the same strategy managed by the General Partner is in the top-quartile of a private equity industry benchmark.