Infrastructure & Forestland Programs Review

Real Assets

November 18, 2013

CalPERS | Investment Office
Real Assets

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I. INVESTMENT REVIEW
INFRASTRUCTURE PROGRAM

Program Role

— The Infrastructure Program Investment Policy was initially established in August 2008. In August 2011, the Policy was revised and approved by the Board.

— Strategic Role*:
  - Stable returns
  - Cash flow
  - Inflation protection
  - Diversification
  - Long-term performance exceeding CPI + 400

*Condensed from CalPERS Statement of Investment Policy for Real Assets, Infrastructure Program, August 15, 2011

Program Role

— The Infrastructure Program invests in public and private infrastructure primarily within the transportation, energy, power and water sectors.

— Asset types include:
  - — Regulated utilities
  - — Long-term-contracted assets
  - — Long-term concessions/ leases/ franchise agreements with public-sector agencies

— The Program invests across the infrastructure risk-return continuum, seeking appropriate return for risk.

DEFENSIVE	DEFENSIVE PLUS	EXTENDED
Low Risk	Medium Risk	Higher Risk
Essential Services	Revenue Risk	Market Risk
GDP Resilient	Growth Risk	Growth Risk
Minimal Competition	Operational Risk	Operational Risk
Contracted / Regulated Cash Flow	Mitigated Construction Risk	Moderate Construction Risk

— The Program employs a variety of investment modes:
  - — Separate accounts; commingled funds; co-investments; and direct investments.

Investment Beliefs

Beliefs	Beliefs in Action / Issues
# 1 Liabilities must influence the asset structure.	— Primary objectives of the Infrastructure and Forestland Programs are to provide reliable cash yields, capital preservation and inflation protection.
# 2 A long time investment horizon is a responsibility and an advantage.	— Investments are underwritten as long-term holdings, with risks and returns evaluated for long time horizons.
# 4 Long-term value creation requires effective management of three forms of capital: financial, physical and human.	— Alignment of interests – with operating partners, asset managers and financial partners – is a key focus of staff's investment underwriting. — Staff routinely investigates, monitors and consults with its partners and managers regarding sustainable investment management practices. — Active effort is being made to further develop and implement standards and practices for sustainable investment.

Investment Beliefs (continued)

Beliefs	Beliefs in Action / Issues
#7 CalPERS will take risk only where we have a strong belief we will be rewarded for it.	— Staff emphasizes thorough due diligence and discipline in evaluating investment opportunities. — Diligence efforts focus on assessment and quantification of key risk-return drivers.
#8 Costs matter and need to be effectively managed.	— Cost effectiveness is achieved through effective negotiation and selective use of investment modes. — Cost considerations are balanced with quality considerations.
#9 Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error.	— Infrastructure and Forestland use various assessments of risk, including sensitivity analyses, downside-case analyses and ESG risks assessments.

Infrastructure Strategic Plan

- The current Infrastructure Strategic Plan was adopted by the Investment Committee in April 2011. Investment Policy for Real Assets - Infrastructure Program requires staff to:
  - Develop and present a new Strategic Plan every five years (2016); and
  - Review the Program's current Strategic Plan annually and report to the Investment Committee.

- Staff recommends continuing implementation of the current Strategic Plan:
  - The strategic role of Infrastructure is unchanged in the current Asset Liability study.

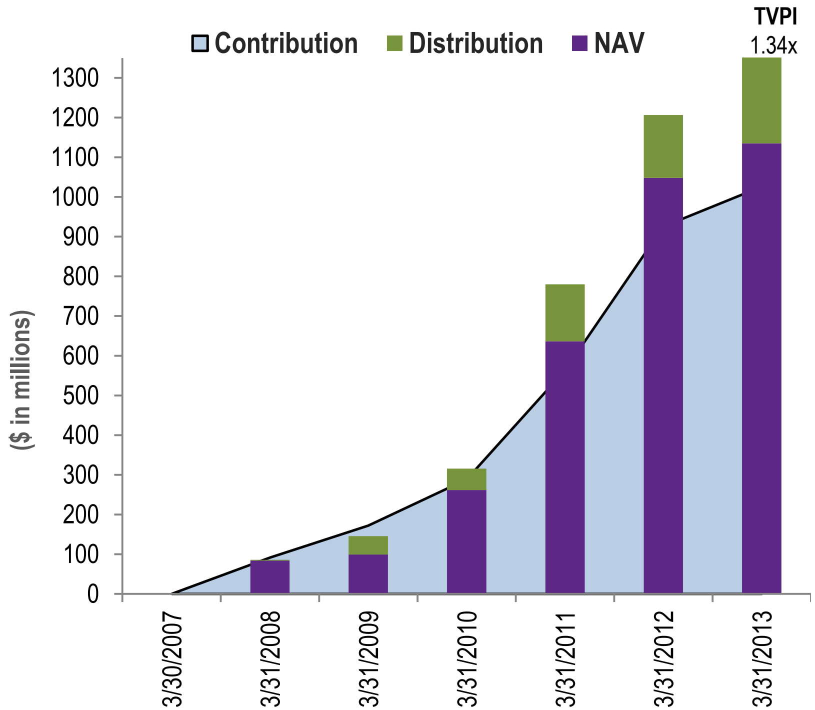
Financial Overview

PORTFOLIO POSITION[a]	
Commitments: To Date and Outstanding	$1,372 mil.; $1,273 mil o/s[b]
Net Funded of Total Commitments	$886 mil.
Net Funded of Outstanding Commitments	$787 mil.
Net Unfunded[c]	$486 mil.
Cumulative Contributions	$1,026 mil.
Cumulative Distributions	$239 mil.
Leverage	45%
NAV	**$1,135 mil.**
Total Nominal Return Net of Fees[d]	**8.1% (since inception)**
IRR Net of Fees[e]	**14.8% (since inception)**

CHANGES IN PORTFOLIO VALUE FOR 12 MOS. ENDING 03/31/13	
Beginning of Quarter NAV	$1,048 mil.
+ Contributions	$100.6 mil.
- Distributions	$81 mil.
+ Appreciation[f]	$67 mil.
+ Income	$12 mil.
- Fees	$18 mil.
+ Other Credits	$7 mil.
End of Year NAV	$1,135 mil.

TOTAL VALUE / PAID IN

TVPI = (DISTRIBUTIONS + NAV) / CONTRIBUTIONS



(a) Data presented reflects the investment partnerships financial statements for the period ending of March 31, 2013. (b) Excludes non-recallable capital returned. (c) Includes recallable distributions. (d) Time Weighted Return. (e) After Fee Internal Rate of Return (IRR). (f) Includes realized and unrealized.

Investment Activity

Allocation Target	— The Program's interim target asset allocation is 1% of the Total Fund; the longer-term target allocation is 2%. — Infrastructure's current NAV/ Total Fund is 0.4%.
Annual Capital Allocation	— A capital allocation of $2 billion for FY 2013-14 was approved by the Investment Strategy Group.
New Commitments	— Infrastructure made new commitments of $932 million* in FY 2012-13.
New Funding	— The Program made investment contributions of $100 million toward new and existing commitments during the reporting period.
New Dispositions	— The Program is in a build-up phase and no significant dispositions were made or are anticipated.
New Opportunities Reviewed	— The Infrastructure Program reviewed 129 new opportunities and closed on three investments in FY 2012-13.

* $682 million was committed post March 31, 2013.

Policy Compliance

Key Policy Parameters	— The Program is in compliance with all "Key Policy Parameters".
Leverage	— Actual Leverage within the current portfolio is 45% of assets, versus Policy limit of 65%. — Staff recommends Policy changes related to Leverage, as further described on page 14.
Transactions Completed Under Delegated Authority	— $250 million commitment to Global Infrastructure Partners Fund II (GIP II), a commingled fund focused internationally on transport, water, power and energy assets (July 2012). **Transactions completed post March 31, 2013:** — $582 million commitment to Gulf Pacific Power, LLC, a separate account with Harbert Power (May 2013). — $100 million commitment to Harbert Power Fund V (May 2013). — In September 2013 Gulf Pacific Power, LLC completed the acquisition of a 36% interest in Astoria Power Partners, LLC.

Policy Targets

			CalPERS Total Fund 03/31/2013 End Market Value: $257 Billion		
Program Target per Policy as % of Total Fund	Long-Term Strategic Range/Limit per Policy as % of Total Fund	Program Target based on EOY Total Fund ($)[(a)]	Actual Investment as % of Total Fund	Actual Investment (NAV in $ Millions)	Program Commitment (in $ Millions)
2.0%	1.0 - 3.0%	$5.14 Billion	0.4%	$1,135	$1,273

Investment Parameters	Long-Term Strategic Range/Limit	Long-Term Strategic Range/Limit (in $ Millions)	As a % of Program NAV	Total Program (NAV in $ Millions)	Compliance
Risk			Refer to footnote (b) regarding compliance for early stage program		
Defensive	25 - 75%	$1,285 - 3,855	18%	$205	✓
Defensive Plus	25 - 65%	$1,285 - 3,341	55%	$625	✓
Extended	0 - 10%	$0 – 514	27%	$305	✓
Region					
United States	40 - 80%	$2,056 - 4,112	52%	$590	✓
Developed OECD ex US	20 - 50%	$1,028 - 2,570	48%	$545	✓
Less Developed	0 - 10%	$0 – 514	0%	$0	✓
Concentration					
Equity Investments[(c)]	70 -100%	$3,598 - 5,140	100%	$1,135	✓
Debt Investments	0 -10%	$0 - 1,542	0%	$0	✓
Public Equity Securities	0 - 30%	$0 - 514	0%	$0	✓

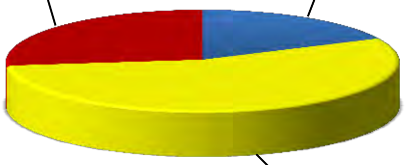
Other Investment Parameters	Long-Term Strategic Range/Limit as % of Total Program	Actual as % of Total Program	
Leverage			
Overall Portfolio LTV	65%	45%	✓

(a)) Data presented reflects the investment partnerships financial statements for the period ending of March 31, 2013 (b) Per the new Infrastructure Policy effective as of August 15, 2011, as stated in Section V.F.2, the requirement to meet the risk and region investment parameters will be applicable for the Infrastructure Program only when the NAV exceeds $3 billion. (c) One commingled fund acquired prior to program inception exceeds the concentration limits for new investments.

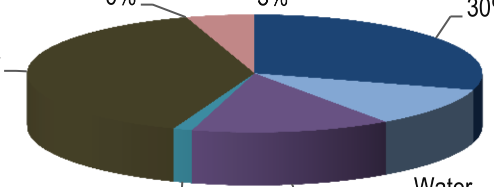
Portfolio Characteristics: Net Asset Value[a]

NAV by Investment Type

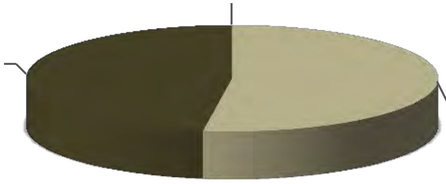
NAV by Risk Classification



NAV by Sector



NAV by Geography



(a)) Data presented reflects the investment partnerships financial statements for the period ending of March 31, 2013.

Investment Policy Review

Staff has reviewed the Statements of Investment Policy for the Program and recommends modifications to the Investment Policy for Real Assets – Infrastructure Program concerning:

1) Limits on permitted leverage; and
2) Limits on amounts that may be committed to any individual externally-managed vehicle.

Policy provision	Challenges with the current provisions	Staff recommendation
Permitted Leverage	Limits for permitted Leverage impair the Program's ability to acquire defensive, lower-risk assets.	Approve revisions to provide flexibility for executing individual investments, while retaining the overall leverage limit for the Program.
Single Investment Concentration	There is no specific limit to amounts that may be committed to any individual externally-managed vehicle.	Approve addition of appropriate limits.

Following this Annual Review:

- Staff will present its recommended Policy amendments to the Investment Committee for initial review (November 2013).

Performance: Overview

All performance reports reflect data from the investment partnerships financial statements for the period ending March 31, 2013.

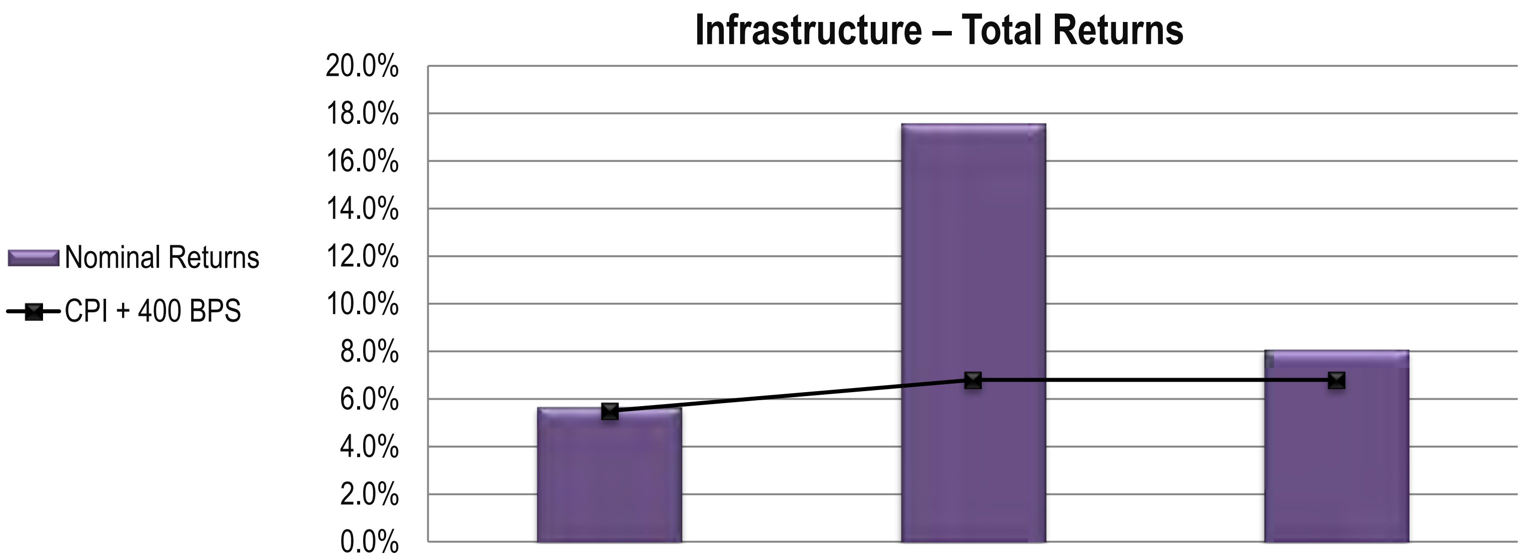
TOTAL INFRASTRUCTURE PROGRAM

- The Program reported Nominal Returns Net of Fees as follows:
  - 5.7% for the 1-year period, **outperformed** the benchmark by 0.2%;
  - 3-year and since inception returns have substantially **outperformed** the benchmark;
- Direct investments have generated strong performance;
- Commingled funds have had mixed performance.

PROGRAM INVESTMENTS

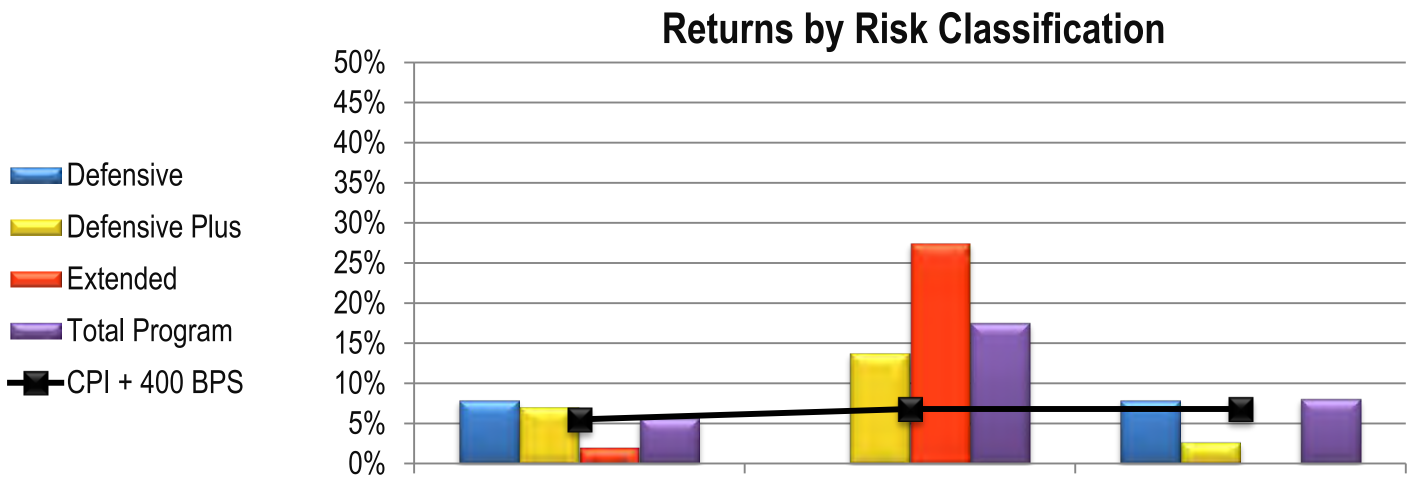
- There are 5 externally-managed funds within the Infrastructure Program representing 64% of the total portfolio NAV. Externally-managed funds have **underperformed** the Program's benchmark for the 1-year, but have outperformed the Program's benchmark for the 3-year and since inception periods.
- Direct Investments represent 36% of the total Infrastructure Program. Direct Investments have **outperformed** the Program's benchmark for the 1-year, 3-year and since inception periods.

Performance: Total Portfolio vs. Benchmark



INFRASTRUCTURE PROGRAM	1-Yr	3-Yr	Since Inception
Nominal Returns (Net of Fees)	5.7%	17.6%	8.1%
CPI + 400 BPS	5.5%	6.8%	6.8%
Excess (Net) Returns	**0.2%**	**10.9%**	**1.3%**

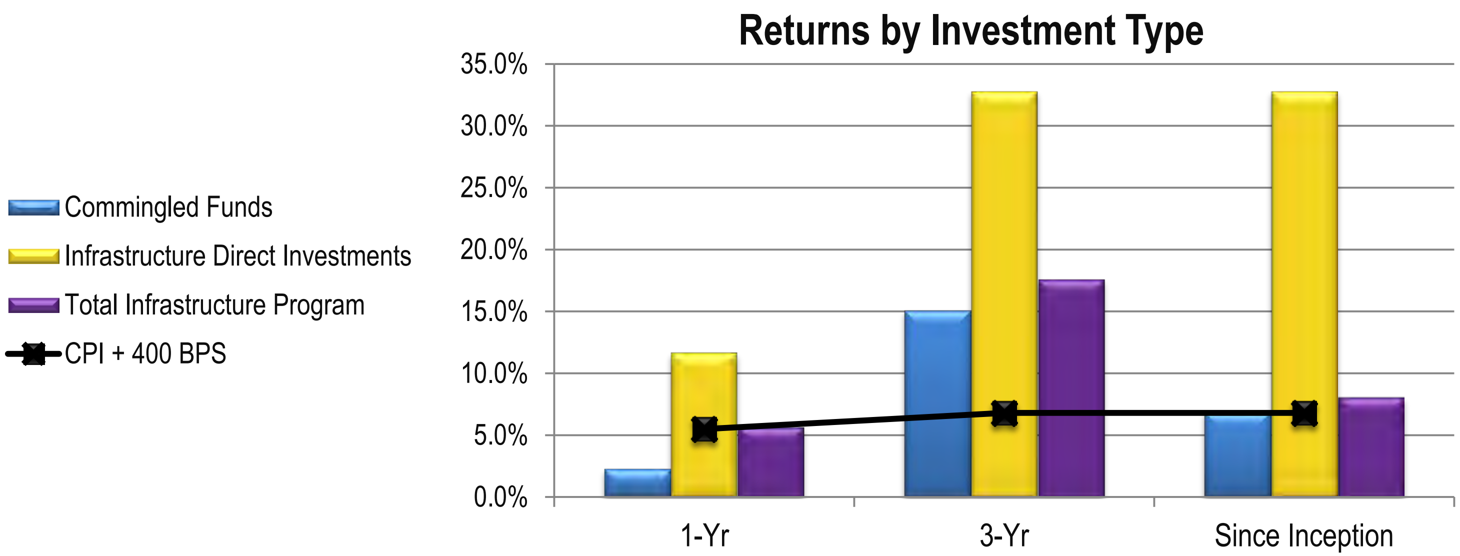
Performance: Risk Classification vs. Benchmark



INFRASTRUCTURE PROGRAM	Net Assets at Fair Market Value	% of Portfolio	1-Yr	3-Yr	Since Inception[a]
Defensive	$ 205,000,000	18%	7.9%	N/A	7.9%
Defensive Plus	$ 624,588,503	55%	7.1%	13.8%	2.7%
Extended	$ 304,991,569	27%	2.0%	27.5%	N/M[b]
Total	**$1,134,580,072**	**100%**	**5.7%**	**17.6%**	**8.1%**[c]
CPI + 400 BPS			**5.5%**	**6.8%**	**6.8%**

(a) Inception dates range from April 2007 to June 2010.
(b) Since Inception returns by risk classification are not meaningful (N/M).
(c) Higher Program return reflects changes in time-weighted capital in components.

Performance: Commingled Funds vs. Direct



INFRASTRUCTURE PROGRAM	Net Assets at Fair Market Value	% of Portfolio	1-Yr	3-Yr	Since Inception of Investment[(a)]
Commingled Funds	$ 729,229,174	64%	2.3%	15.1%	6.9%
Infrastructure Direct Investments	$ 405,350,898	36%	11.7%	32.8%	32.8%
Total Infrastructure Program	**$ 1,134,580,072**	**100%**	**5.7%**	**17.6%**	**8.1%**
CPI + 400 BPS			**5.5%**	**6.8%**	**6.8%**

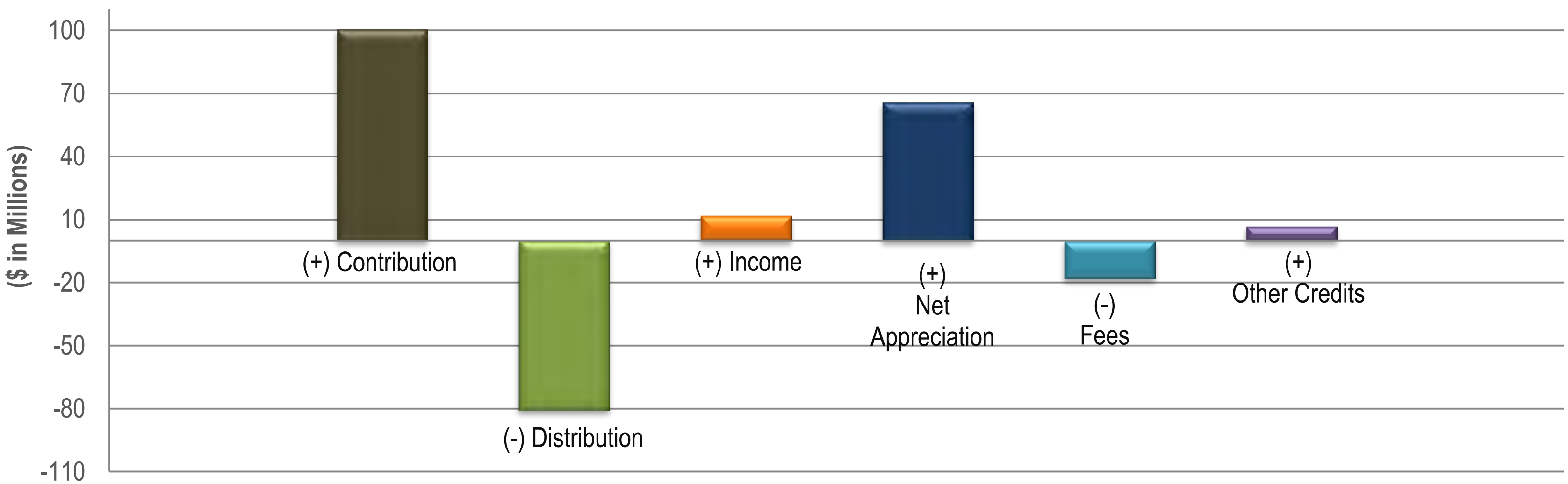
(a) Inception dates range from April 2007 to July 2012.

Annual NAV Changes Analysis

($ in millions)

Quarter Ending	Beginning NAV	(+) Contribution	(-) Distribution	(+) Income	(+) Unrealized Appreciation	(+) Realized Appreciation	(-) Fees	(+) Other Credits	(=) Ending NAV
Last 12 Months	1,048	101	81	12	(65)	131	18	7	1,135

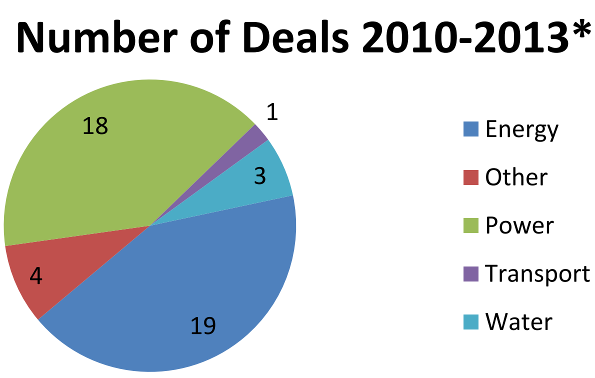
(+) Net Appreciation
$66

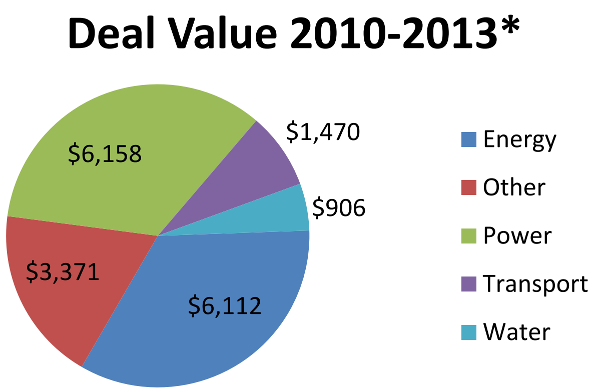


Market Update – U.S. Infrastructure

— Transaction activity is mainly concentrated in the energy and power sectors.
- Strong deal flow in energy transmission and distribution, power generation and energy storage continues
- Shale boom could lead to renaissance in U.S. energy infrastructure
- Increasing direct investment participation by global pensions and sovereign wealth funds
- Financing of renewable energy generation by US utilities/developers. Generally need 'taxpayer' status in the U.S.

— U.S. Public Private Partnerships (PPP) activity remains very light.

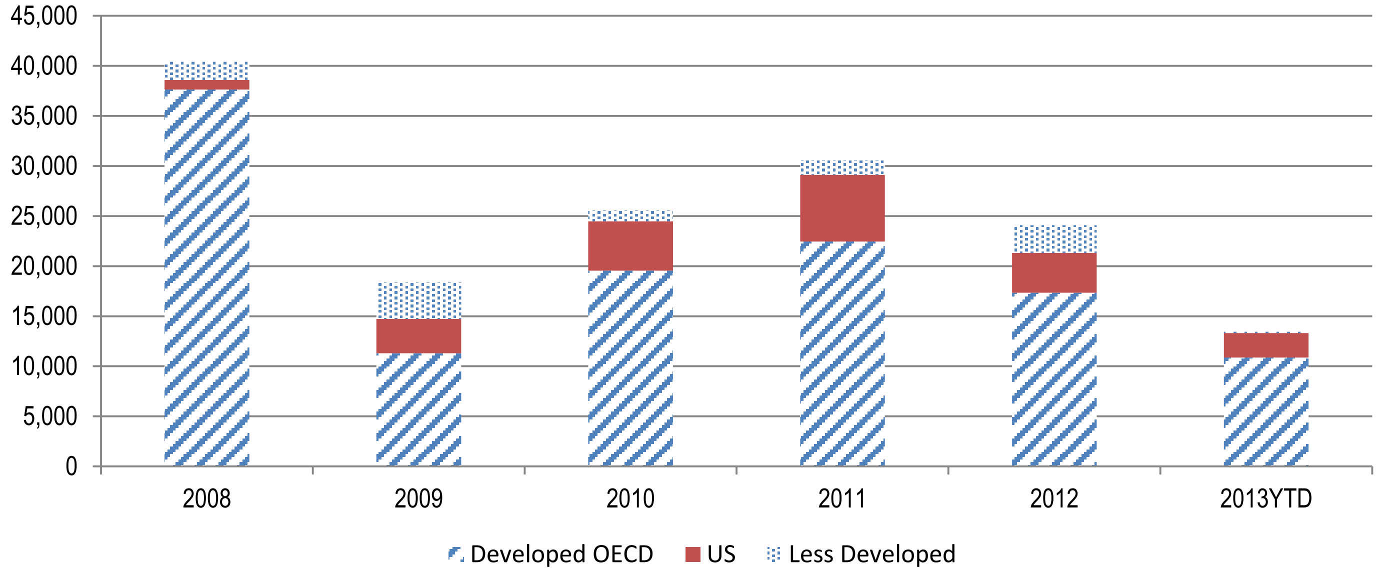




* Source: Preqin; Deal value in U.S.$ millions

Market Update – International Transaction Activity

($ in millions)



- Developed OECD represents 78% of total deal value since 2008.
- U.S. represents 15% of total deal value since 2008.
- Less Developed Regions represents 7% of total deal value since 2008.

* Source: Preqin

Investment Review Activity – FY 2012-13

129
- Total Opportunities – FY 2012-13

7
- Due Diligence Reviews (c.$2.6 billion)

2
- Due Diligence In Progress (c.$365 million)

3
- Closed New Commitments ($932 million)

California Infrastructure Investment

— In September 2011, CalPERS Board approved a plan to target up to ***$800 million*** for investments in California infrastructure over three years.

— Staff conducted an outreach effort to facilitate investment opportunities, including conducting five ***Roundtable Meetings*** with the participation of state and local agencies, the investment community and the other stakeholders.

— Acquisition of new investments in California continues to be a ***Program priority***.

— California investments totaled ***$120 million (or 11%)*** of Program NAV. $114 million of the California investments are invested in the water and wastewater sector.

— Staff has submitted or directed competitive bids for over ***$1 billion*** of California investments within the past 15 months, although no new acquisitions have been agreed to this point.

I. INVESTMENT REVIEW
FORESTLAND PROGRAM

Program Role

- Strategic Role:
  - Cash yield and long-term asset appreciation
  - Inflation protection
  - Diversification

- Cash yields from sales of harvested timber depend on the maturity of the forestland properties and timber prices.

- Long time horizon perspective: shorter-term risks associated with economic growth are mitigated over the long term by inherent defensive qualities, including the tangible nature and biological growth of the assets, and limited supply of forestland resources.

Strategic Plan

- In June 2013, the Investment Strategy Group (ISG) reviewed a 2013 Forestland Strategic Plan (summarized on pages 27-28).

- ISG approved continued focus stabilizing the existing portfolio; ISG further directed Program staff to review the strategic role and fit of Forestland in relation to CalPERS factor-based asset allocation plans (in 2014-15).

- Following the review of the Forestland role, staff will bring the Strategic Plan for Investment Committee review (November 2014).

- Staff utilized a report by Meketa Investments Group Inc. (Meketa) for development of the Forestland Strategic Plan. Meketa provided analysis in respect of the market and the potential fit within CalPERS overall portfolio.

Strategic Plan

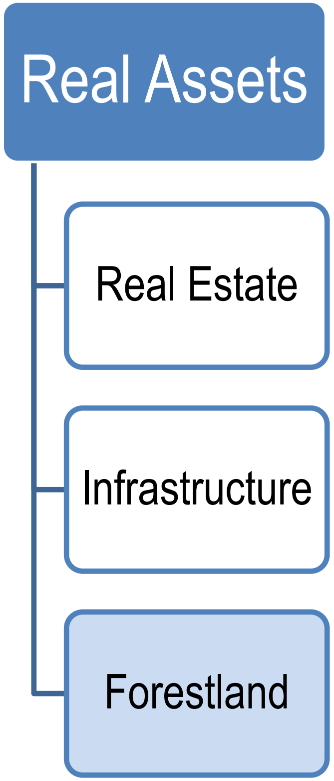
Role of Forestland

The 2013 Asset Liability Management Review describes the role of Forestland as providing:

- Moderate cash yield
- Moderate growth risk
- Inflation protection
- Illiquidity

2013 Strategic Plan Conclusions and Recommendations

1. Most appropriate fit for Forestland remains within Real Assets.
2. Portfolio size is large for the sector, but small for CalPERS overall.
3. Liquidation not optimal due to structural and market constraints. Selective small scale disposition in U.S. to manage debt covenants.
4. Close to fully allocated portfolio. Domestic portfolio hindered by vintage, concentration and debt issues. Necessitates near-term focus on asset management.
5. Rebalancing and redeployment over medium to long-term.
6. Leverage has exacerbated investment underperformance and imposed further constraints. Low leverage approach is better suited to this asset class.
7. Recommend retaining existing benchmark as most appropriately linked to market factors.



Strategic Focus and Objectives

Near-Term
0-2 years

Objectives
Stabilize portfolio

Focus
Asset management
Debt management
Selective disposition
(for debt management)

Medium-Term
1-4 years

Objectives
Portfolio rebalancing
Portfolio diversification

Focus
Reposition existing portfolio
Selective asset realization
Debt restructuring options
Opportunistic new investment

Long-Term
3-5 years+

Objectives
Portfolio diversification
Realization
Redeployment

Focus
Investment realizations
Alternative sub-sector assessment

Investment Activity

— **Target:** The Forestland Program target allocation of 1% is based on the Real Assets Allocation established by the CalPERS Investment Policy for Asset Allocation Strategy. The Program currently has a NAV of $2.24 billion, or 0.9% of CalPERS Total Fund.

— **Allocation:** The FY 2012/13 request of $40 million was ultimately not required or funded. No additional capital was requested for FY 2013-14.

— **Commitments:** There are no expected new commitments for FY 2013-14. For the near term, staff will focus on stabilizing the existing portfolio (i.e., asset management / debt management / selective dispositions).

Policy Compliance & Performance Drivers

Geography	— The portfolio maintains an overweight to the U.S. South and International geographies relative to the NCREIF Timberland Index.
International Returns	— The International Investments provide diversification to the portfolio and contribute a positive performance.
Primary Product	— The portfolio has a large exposure to US Southern saw timber, a primary feedstock for the Southeastern housing market.
Leverage	— Leverage of 21% is below the Forestland policy limit of 40%. However, the leverage has contributed substantially to underperformance against the Benchmark.
End Market Region	— The primary end market region is the U.S. Southeast, driven by housing demand.
Capital Allocation	— The portfolio NAV of 0.9% of Total Fund is close to its 1% policy target.
Transactions Completed Under Delegated Authority	— CalPERS agreed upon the renewal of the Sylvanus separate account agreement effective July 1, 2012.

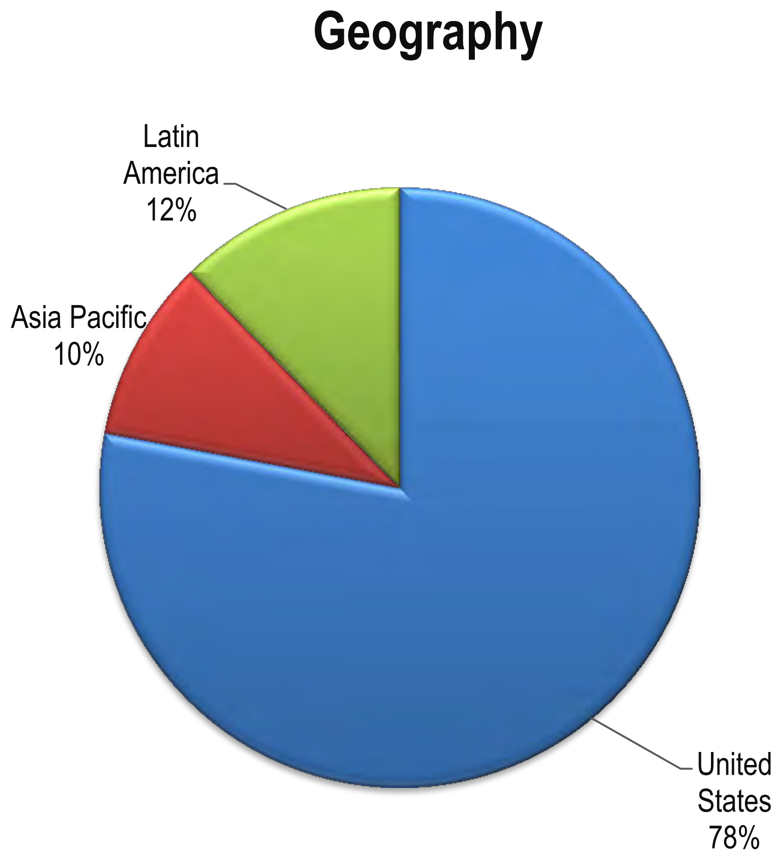
Characteristics: Regional Allocation vs. Benchmark

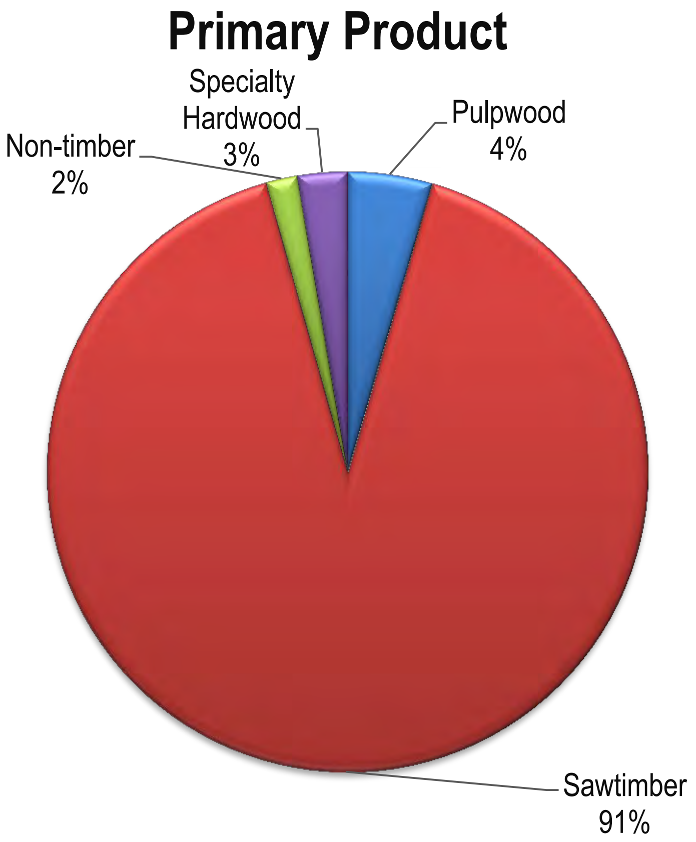
- The NCREIF Timberland Index is generally regarded as the best available timberland investment returns benchmark, although it contains only U.S. properties.
- Relative to the NCREIF Timberland Index, the Forestland portfolio is:
  - overweight in the U.S. South and international regions, and
  - underweight in other U.S. regions.

Region	% of Total CalPERS Portfolio	NCREIF Timberland	CalPERS - NCREIF Difference
US South	78.0%	62.5%	15.5%
Asia Pacific	9.8%	0.0%	9.8%
Latin America	12.2%	0.0%	12.2%
US Pacific Northwest	0.0%	31.0%	-31.0%
US Northeast	0.0%	4.5%	-4.5%
Other US[a]	0.0%	2.0%	-2.0%

(a) Region labeled "Other" includes: all U.S. States outside of the South, Pacific Northwest and Northeast

Characteristics: Geography & Primary Product (a)





(a)) Data presented reflects the investment partnerships financial statements for the period ending of March 31, 2013.

Performance: Overview

All performance reports reflect data from the investment partnerships financial statements for the period ending March 31, 2013.

Total Forestland Portfolio

- Total Forestland portfolio returns have **underperformed** relative to the Forestland Policy Benchmark across all periods.

Domestic Portfolio

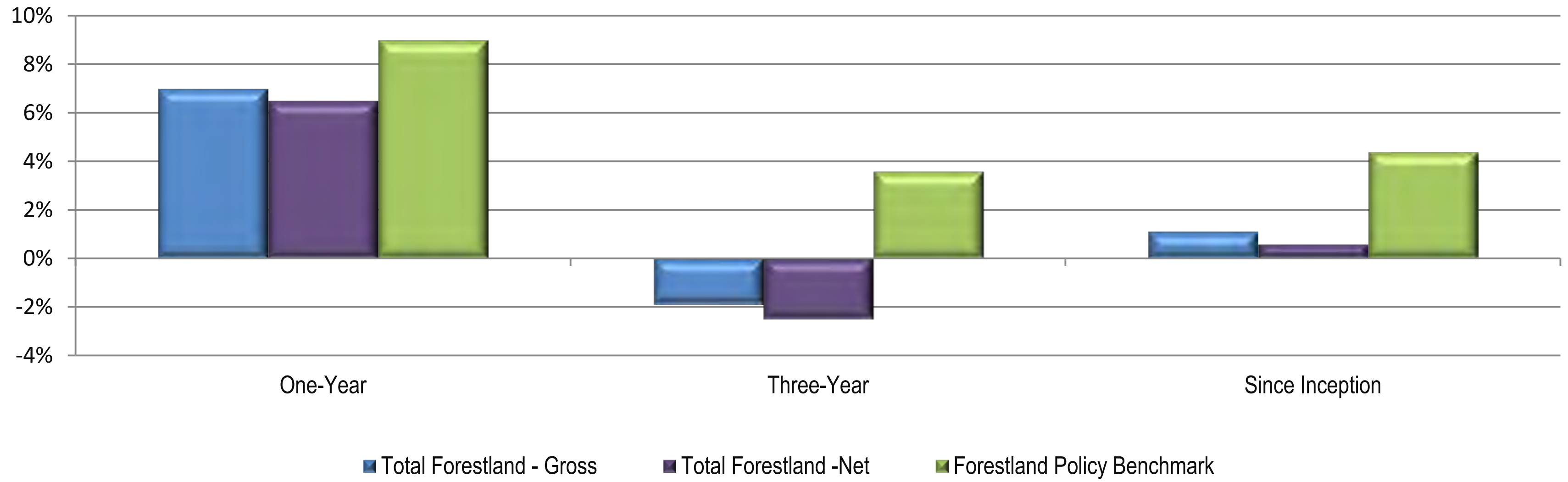
- The Domestic Portfolio, which represents 78% of the portfolio, **underperformed** the Benchmark across all periods.

International Portfolio

- The International Portfolio, which represents 22% of the portfolio, **outperformed** the Benchmark across the 1-year, 3-year and since inception periods.

Performance: Portfolio Returns

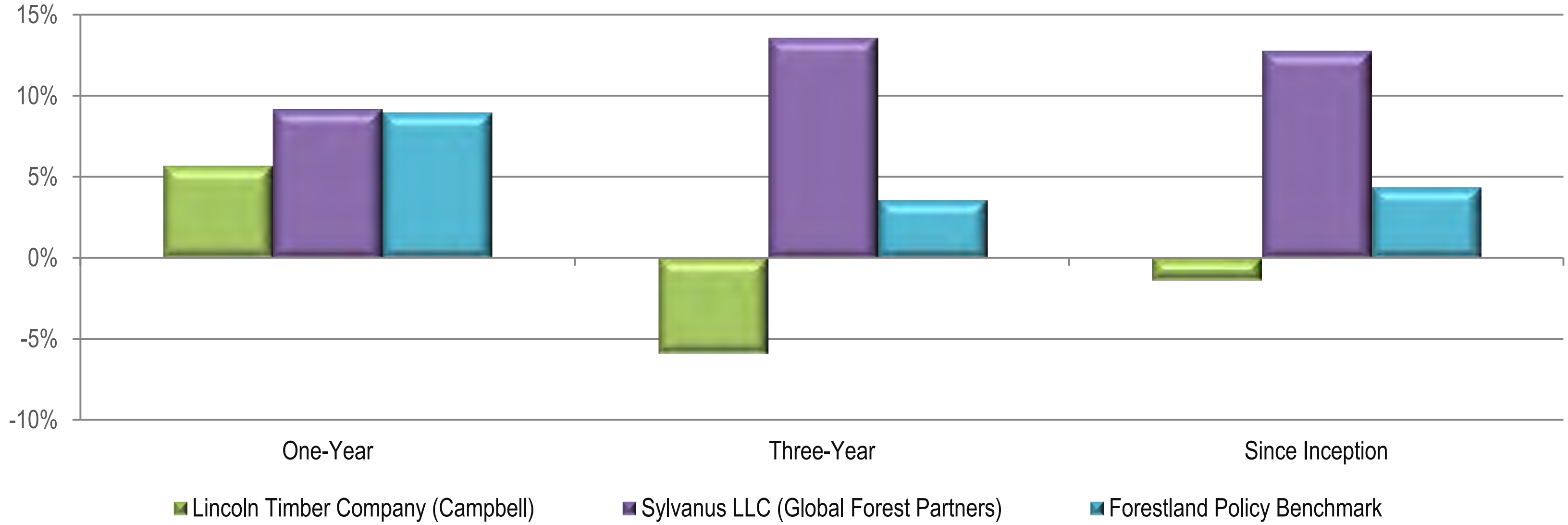
Nominal Returns	1-Yr	3-Yr	Since Inception[a]
Total Forestland – Gross	7.0%	-1.9%	1.1%
Total Forestland – Net	6.5%	-2.5%	0.6%
Forestland Policy Benchmark	9.0%	3.6%	4.4%
Excess (Net) Returns	**-2.5%**	**-6.1%**	**-3.8%**



(a)The Forestland partnership-level and all portfolio-level time weighted returns are calculated based on an October 1, 2007 inception date. While Forestland existed prior to 10/1/07, these historical returns are included in the Real Estate portfolio (Legacy sub-portfolio).

Performance: Net Returns by Account

Partnerships	Inception Date	Net Assets at Fair Market Value	1-Yr	3-Yr	Since Inception[a]
Lincoln Timber Company (The Campbell Group)	Oct-07	1,745,799,004	5.7%	-5.9%	-1.4%
Sylvanus LLC (Global Forest Partners)	Oct-07	496,260,319	9.2%	13.6%	12.8%
Total Forestland Portfolio (Net)		**$2,242,059,323**	**6.5%**	**-2.5%**	**0.6%**
Forestland Policy Benchmark			**9.0%**	**3.6%**	**4.4%**



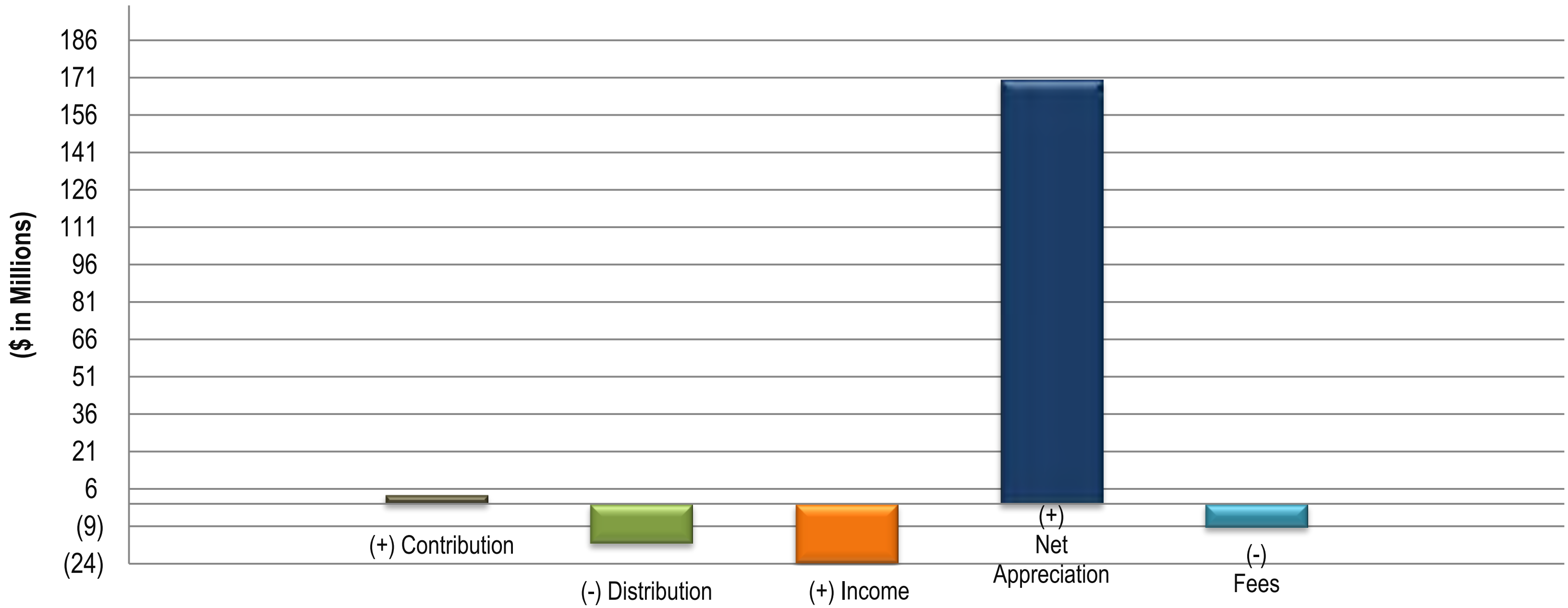
(a) The Forestland partnership-level and all portfolio-level time weighted returns are calculated based on an October 1, 2007 inception date. While Forestland existed prior to 10/1/07, these historical returns are included in the Real Estate portfolio (Legacy sub-portfolio).

Annual NAV Changes Analysis

($ in millions)

Quarter Ending	Beginning NAV	(+) Contribution	(-) Distribution	(+) Income	(+) Unrealized Appreciation	(+) Realized Appreciation	(-) Fees	(+) Other Credits	(=) Ending NAV
Last 12 Months	2,117	4	16	(24)	170	-	9	-	2,242

(+) Net Appreciation[a]
$170



(a) Before an adjustment of $28.45 million related to post-period finalization of the annual appraisal.

Market Update

Domestic

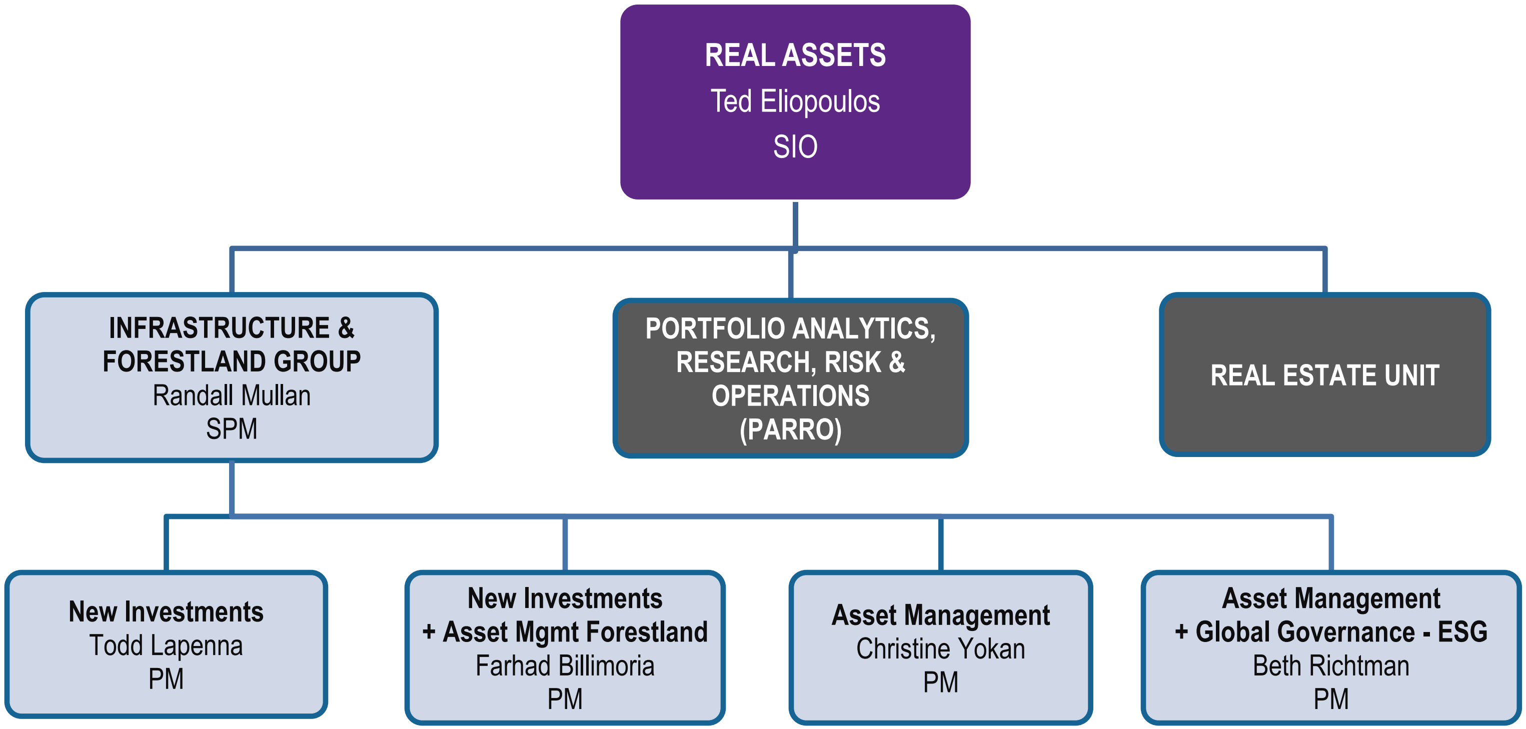
- Pricing for US Southern pine remain depressed as markets continue to clear high log inventories built up during the crisis.
- As housing starts grow and mills in the Southeast begin to re-open, log prices are expected to recover.
- West Coast pricing continues to grow driven by expanding lumber and log demand from China.

International

- Asia Pacific
  - Australia's housing remains strong, boosted by low interest rates. This has provided support to local log markets.
  - China's market is currently struggling under ongoing economic moderation. Growth from other Asian economies is expected to provide some offset.
- Latin America
  - Brazilian market conditions supported an increase in sales during the second quarter, and price increases across a number of grades.

II. BUSINESS REVIEW
INFRASTRUCTURE & FORESTLAND PROGRAM

Staffing



- Current Infrastructure and Forestland Group (IFG) staff: ***12***
- Hires within recent 15 months: ***five***
- Recruitments in progress: ***two***

The Infrastructure and Forestland Programs joined Real Assets as of 7/1/2011.

Program Expenses

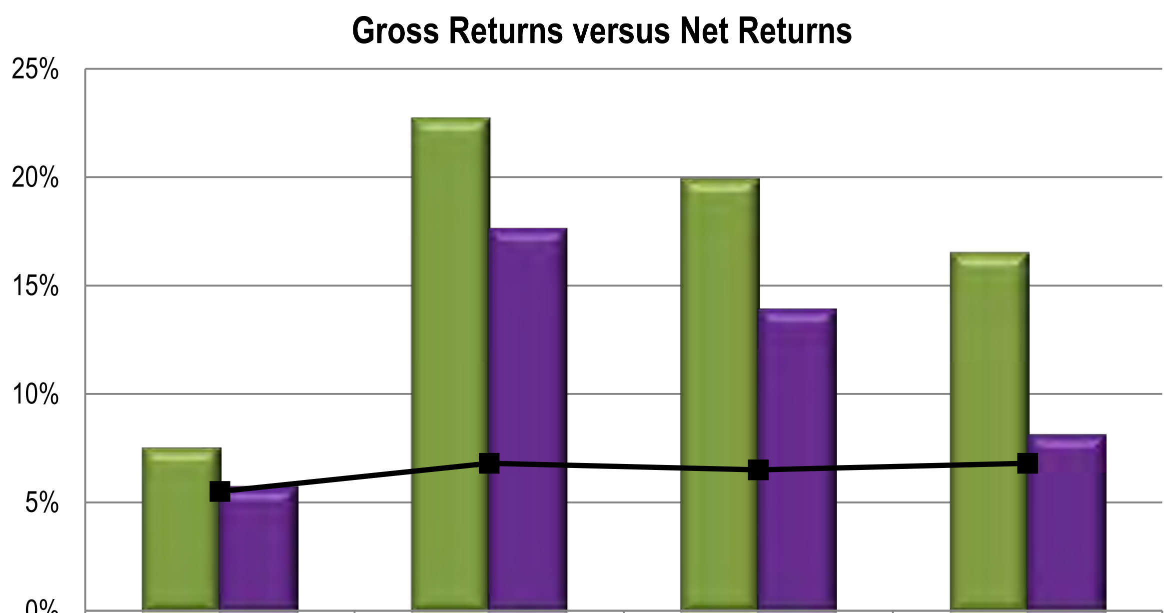
- Portfolio Management Expenses for IFG totaled $5.1 million which is **45 basis points** of the total Infrastructure portfolio average NAV.

- Asset Management Fees for the Infrastructure Program totaled $10.9 million, which is **99 basis points** of the Infrastructure portfolio average NAV.

- Asset Management Fees for the Forestland Program totaled $9.6 million, which is **44 basis points** of the Forestland portfolio average NAV.

Costs: Nominal Returns – Gross and Net of Fees[a]

— Infrastructure net returns are reported after asset management and performance fees/incentive fees.

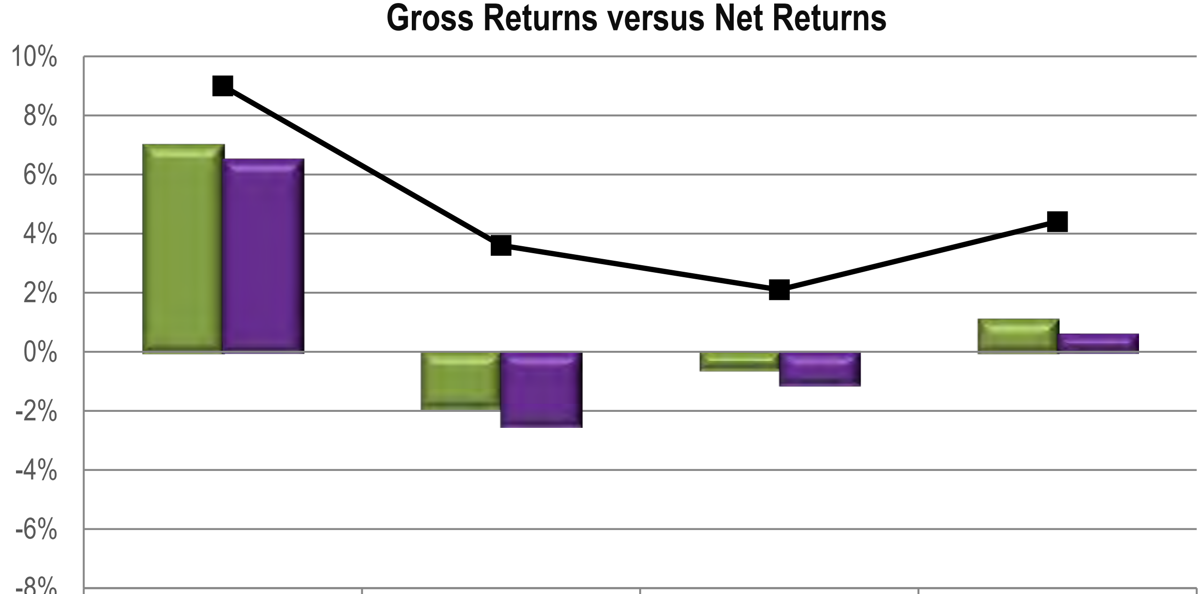


	1-Year	3-Year	5-Year	Since Inception
Total Infrastructure - Gross	7.5%	22.7%	19.9%	16.5%
Total Infrastructure - Net	5.7%	17.6%	13.9%	8.1%
CPI + 400 BPS	5.5%	6.8%	6.5%	6.8%
Difference Between Infrastructure Returns and CPI + 400 BPS (Net of Fees)	0.2%	10.9%	7.4%	1.3%

(a) Data presented reflects the investment partnerships financial statements for the period ending of March 31, 2013.

Costs: Nominal Returns – Gross and Net of Fees[a]

— Forestland net returns are reported after asset management and performance fees/incentive fees.



	1-Year	3-Year	5-Year	Since Inception[b]
Total Forestland - Gross	7.0%	-1.9%	-0.6%	1.1%
Total Forestland - Net	6.5%	-2.5%	-1.1%	0.6%
NCREIF Timberland Index	9.0%	3.6%	2.1%	4.4%
Difference Between Forestland Returns and NCREIF Timberland Index (Net of Fees)	-2.5%	-6.1%	-3.2%	-3.8%

(a) Data presented reflects the investment partnerships financial statements for the period ending of March 31, 2013.
(b) The Forestland partnership-level and all portfolio-level time weighted returns are calculated based on an October 1, 2007 inception date. While Forestland existed prior to 10/1/07, these historical returns are included in the Real Estate portfolio (Legacy sub-portfolio).

Cost Effectiveness

- **Cost Effectiveness Measurement**
  - Staff measures cost effectiveness of new and existing investments relative to estimated market pricing for typical fund structures (see below).
- **Cost Savings Realized**
  - $17 million of estimated annual management and performance fee savings since inception for the Infrastructure Program.
- **Future Cost Savings**
  - $36 million (or 150 bps/year) of estimated fee savings associated with investments over the next 10 years for the Infrastructure Program.

Infrastructure and Forestland Roadmap

FY 2012-13 Initiatives	Accomplishments
Execute IFG Strategic Plan	— Completed due diligence on \$2.6 billion on new investment opportunities — Presented Forestland Strategy Review to ISG.
Fulfill ESG Workshop Commitments	— Participated in CalPERS cross-asset class ESG initiative, including attending peer discussions and CalPERS research initiative.

FY 2013-14 Initiatives	Milestones
Talent Management – Fully integrate the functional reorganization within Real Assets (People)	— Continue to perform quarterly and annual performance evaluations for staff and managers.
Fully integrate a Quarterly Monitoring Process (Plumbing)	— Develop a process for monitoring "Sustainability" with respect to investments. — Integrate IFG Reporting and Quarterly Review processes within Real Assets.
Meet Benchmarks for Investment Performance (Performance)	— Perform IFG annual Capital Allocation process. — Conduct due diligence on Infrastructure investment opportunities representing \$1.5B of potential new investment for the Infrastructure Program. — Review the role of Forestland in relation to CalPERS factor-based asset allocation plan (2014-15).