



Agenda Item 7d

June 16, 2014

ITEM NAME: CalPERS for California Report 2013

PROGRAM: Targeted Investment Programs

ITEM TYPE: Program Review – Information

EXECUTIVE SUMMARY

This agenda item, which includes a presentation slide deck (Attachment 1), the *CalPERS for California 2013* report (Attachment 2), and the *California Initiative 2013* report (Attachment 3), provides the annual update 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 identifies and analyzes CalPERS investments in California by asset class which includes approximately \$20.8 billion of investment across the portfolio. The report includes new case studies of California investments including an update on Private Equity's California Initiative. The California Initiative report sought to invest in portfolio companies in traditionally underserved markets primarily located in California.

ANALYSIS

Key findings highlighted in the *CalPERS for California 2013* report are:

- Fiscal Year 2012-13 California investments totaled \$20.8 billion or 8.1% of the Total Fund.
- Over 290,000 jobs have been supported as a result of CalPERS private asset class investments in California.
- Over 1.2 million jobs are present statewide at the companies headquartered in California receiving investment through CalPERS public equity and fixed income investments.

- Compared to the prior reporting year, CalPERS dollars invested in California rose 5.6%.

Key findings highlighted in the *CalPERS California Initiative 2013* report are:

- Since the inception of the *California Initiative*, CalPERS has directed and invested over \$1 billion in 515 companies primarily located 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 summarized in the table below:

As of 9/30/13	Vintage Year	Capital Committed	Net¹ IRR	Net¹ Multiple
Phase I	2001	\$480 million	13.8% ²	1.8x ²
Phase II	2006	\$560 million	5.1%	1.2x

¹ The “Net” amounts are returns of invested capital.

² The positive return for Phase I is driven by one investment. If that investment is excluded, the return drops to -4.81% IRR and 0.73x net multiple.

Trend of CalPERS Investment in California

Over the last four years CalPERS investments in California have grown every year and continue to represent over 8% of all CalPERS assets. A brief summary of the last four years of CalPERS investments in California is as follows:

2010-2013 Comparison of California Investment					
	Year	2010	2011	2012	2013
CalPERS Assets (billions)		\$201	\$208	\$233	\$257
Dollars invested in CA (billions)		\$17.1	\$19.4	\$19.7	\$20.8
Dollars invested in CA as percentage of CalPERS assets		8.5%	8.2%	8.9%	8.1%

BUDGET AND FISCAL IMPACTS

Not Applicable.

ATTACHMENTS

Attachment 1 – CalPERS for California and California Initiative 2013 Update

Attachment 2 – *CalPERS for California 2013*

Attachment 3 – *CalPERS California Initiative 2013*

LAURIE WEIR
Senior Portfolio Manager
Targeted Investment Programs

THEODORE ELIOPOULOS
Interim Chief Investment Officer