



November 16, 2015

ITEM NAME: Private Equity Workshop

PROGRAM: Private Equity

ITEM TYPE: Investment Committee Workshop – Information

EXECUTIVE SUMMARY

The goal of the Private Equity Workshop is to review the private equity asset class. The presentation aims to outline the benefits and drawbacks of Private Equity in the CalPERS portfolio.

STRATEGIC PLAN

This item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. A review of Private Equity's role within asset allocation and some of the nuances associated with Private Equity, should lead to a better understanding of the dynamics related to Private Equity.

BACKGROUND

CalPERS has been investing in private equity since 1990, and as of June 30, 2015, CalPERS' net asset value in Private Equity totaled \$28.8 billion. Private Equity has contributed positively to CalPERS targeted Plan return over time however the relative costs associated with investing in the asset class are high. An industry that was a cottage industry in its early years, has only more recently started to become more institutionalized. As such, investors such as CalPERS are increasingly seeking greater transparency of its inner workings, in particular the economics, to better capture and understand the fees associated with the asset class.

ANALYSIS

The Private Equity Workshop will review the following:

- The benefits and drawbacks of Private Equity in the CalPERS Portfolio
- Review of the Private Equity Industry and CalPERS' role
- Principal legal terms and conditions associated with Limited Partnership Agreements
- Review of the primary elements associated with a private equity waterfall
- Investment office Vision 2020 for CalPERS' Private Equity

ATTACHMENTS

Attachment 1 – Private Equity Workshop Material

Attachment 2 – Private Equity Workshop- Supplemental Material

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