

June 13, 2016**Item Name:** CalPERS for California Report 2015**Program:** Targeted Investment Programs**Item Type:** Information**Executive Summary**

This agenda item, which includes a presentation slide deck (Attachment 1), the *CalPERS for California 2015* report (Attachment 2), and the *California Initiative 2015* 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 CalPERS for California report is used by staff to reach out to stakeholders who are interested in CalPERS' investments in California. The ability to gain stakeholder feedback can help CalPERS make informed investment decisions. Engagement with stakeholders 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 \$27.8 billion of investment across the portfolio. The report includes case studies of California investments including an update on Private Equity's *California Initiative*, Real Estate's Oakland Logistics Center, and Infrastructure's California Peaker Portfolio. The *California Initiative*, established in 2001, has invested \$1 billion in portfolio companies in traditionally underserved markets primarily located in California. The Oakland Logistics Center, a 2015 real estate investment, is a state-of-the-art industrial building that supports the distribution of goods throughout California. The California Peaker Portfolio, an infrastructure investment, is a portfolio of five natural gas-fired power plants located throughout California.

Analysis

Key findings highlighted in the 2015 *CalPERS for California* report are:

- California investments totaled \$27.8 billion or 9.2% of the Total Fund.
- Over 362,000 jobs have been supported as a result of CalPERS' private asset class investments in California.

- The companies headquartered in California receiving investment through CalPERS' public equity and fixed income investments employ over a million people.
- Compared to the prior reporting year, CalPERS' dollars invested in California rose 8.2%.

Key findings highlighted in the *CalPERS California Initiative 2015* report are:

- Since the inception of the *California Initiative*, CalPERS has directed and invested over \$1 billion in 538 companies primarily 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 36% of capital allocated to companies located in these underserved markets.
- *California Initiative* performance is reported in detail 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 9/30/15	Vintage Year	Capital Committed	Net ¹ IRR	Net ¹ Multiple
Phase I	2001	\$480 million	13.0% ²	1.6x ²
Phase II	2006	\$560 million	8.30%	1.4x

¹ The Net amounts are returns on invested capital.

² The positive return for Phase I is driven by one investment. If that investment is excluded, the return drops to -4.5% IRR and 0.8x net multiple.

- Historical performance of the California Initiative shows that while Phase I performance is declining slightly over time; Phase 2 is showing mixed improvement.

2012-2015 Comparison of Returns for the California Initiative ¹				
Year	2012	2013	2014	2015
Net IRR				
Phase 1	14.10%	13.80%	13.50%	13.00%
Phase 2	5.40%	5.10%	8.40%	8.30%
Net Multiple				
Phase 1	1.8x	1.8x	1.8x	1.6x
Phase 2	1.1x	1.2x	1.4x	1.4x

¹All performance as of 9/30/xx

Trend of CalPERS' Investing in California

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

2010-2015 Comparison of California Investment						
Fiscal Year	2010	2011	2012	2013	2014	2015
CalPERS' Assets (billions)	\$201	\$208	\$233	\$257	\$300	\$302
Dollars invested in CA (billions)	\$17.1	\$19.4	\$19.7	\$20.8	\$25.7	\$27.8
Dollars invested in CA as percentage of CalPERS' assets	8.5%	8.2%	8.9%	8.1%	8.5%	9.2%

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

Not Applicable.

Attachments

Attachment 1 – CalPERS for California and California Initiative 2015

Attachment 2 – CalPERS for California 2015

Attachment 3 – CalPERS California Initiative 2015

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