



Investment Committee Agenda Item 8a

November 14, 2016

Item Name: Private Equity Annual Program Review

Program: Private Equity

Item Type: Information

Executive Summary

This is the annual review for the Private Equity Program for the period ending June 30, 2016. The review includes an overview of the program and details on investment performance, overall program expenses, accomplishments and objectives. Also included is a visual guide displaying how Private Equity is integrating the CalPERS Investment Beliefs into its decision-making processes.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. The Program Review provides detailed information for portfolio characteristics and program highlights to support the CalPERS Investment Committee in its oversight capacity.

Investment Beliefs

This agenda item supports the CalPERS Investment Belief 2: A long time investment horizon is a responsibility and an advantage; Belief 8: Costs matter and need to be effectively managed; and Belief 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.

Background

An annual program review for each asset class or program area is presented to the Investment Committee. The last program review for Private Equity was November 2015.

At the December 14, 2015 Investment Committee Meeting there was a motion to add language to the Private Equity Program Policy (the "Policy") to require all new commitments to require the general partner to disclose fees, carry, discounts, rebates and other forms of economic rent that the general partner may charge. Although the language was not adopted, staff did agree to take it up at the next Annual Program Review. Over the past year staff has required new commitments to provide this information. Additionally, new legislation was introduced that will require all public investment funds in the state of California to disclose gross and net management fees and fees the general partners, or their affiliates, charge to portfolio companies. As a result, staff does not propose changes to the Policy at this point in time.

Analysis

Not Applicable

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

Not Applicable

Attachments

Attachment 1 – Private Equity Annual Program Review

Attachment 2 – Private Equity Annual Program Review – Supplemental Report

Attachment 3 – Management Fees and Profit Sharing for FY 2015-16

Réal Desrochers

Managing Investment Director

Private Equity

Theodore Eliopoulos

Chief Investment Officer