

CalPERS Alternative Investment Vehicle (AIV) Fee & Expense Disclosure (AB 2833 Report) – Explanatory Notes

The attached table reflects all disclosures required by Assembly Bill 2833 with respect to CalPERS’ active Private Equity, Real Assets, and Trust Level Portfolio Management (TLPM) Alternative Investment Vehicle (AIV) investments for the one-year reporting period ended June 30, 2017, March 31, 2017, and June 30, 2017, respectively.

AIVs may take the form of limited partnerships, limited liability companies, or similar legal structures. Terms such as “partnership,” “AIV,” “GP,” “LP,” and similar terms shall be deemed to refer to the appropriate analogue for the entity type in question.

Column 3 – Vintage year

The year of AIV formation and/or its first takedown of capital.

Column 4 – Capital committed (\$)

The amount of the CalPERS capital commitment. Note that, for Real Assets, the unused amount of the commitment in most cases may be withdrawn by CalPERS at any time.

Column 5 – Cash contributions (\$)

The amount of capital contributed to the AIV by CalPERS (“cash in”) since inception.

Column 6 – Cash distributions (\$)

The distributions received by CalPERS from the AIV (“cash out”) since inception.

Column 7 – Cash distributions + remaining value (\$)

The “cash out” since inception plus the fair value of unrealized investments.

Column 8 – Cash profit received (\$)

The dollar amount of cash profit, if any, received by CalPERS from the AIV during the reporting period.

Column 9 – Investment multiple

The investment multiple, calculated as the ratio of the current value of remaining investments within the AIV, plus the total value of all distributions to date, relative to the total amount of capital paid into the AIV to date.

Column 10 – Management fees and costs (\$)

CalPERS’ pro-rata share of AIV-level costs paid during the fiscal year, including all management fees (net of offsets) and costs. Carried interest is reported in column 16. For Real Assets, “AIV-level” refers to the costs of operating the AIV, as distinct from “asset-level,” which for Real Assets refers to expenses paid at the property level.

Column 11 – Net IRR

The internal rate of return (IRR) since inception after all fees, expenses, and carried interest.

Column 12 – Gross IRR

The IRR since inception before all fees, expenses, and carried interest. Note that for Private Equity, this information is only available for vintage year 2016 (and later) AIVs.

Column 13 – Fees and expenses paid by CalPERS directly to GP or related parties (\$)

Fees and expenses paid by CalPERS *directly* to the AIV, GP, or related parties during the fiscal year. Note that, in terms of monies remitted directly by CalPERS *to the AIV*, these are not fees *per se*, but rather in the form of capital

contributions. Moreover CalPERS does not typically make payments of fees and expenses directly *to the GP or its related parties*, since the obligation to pay management fees and expenses typically runs from *the AIV* to the GP (or its related parties) and *not from* the individual LPs, whose obligation is to provide the AIV with a specified amount of capital to fund the AIV's investments and operations.

Column 14 – Fees and expenses paid by the AIV to the GP or related parties (\$)

Consistent with CalPERS' approach to reporting under G.C. § 6254.26(a)(8), and as further explained immediately below, this column shows CalPERS' pro-rata share of AIV-level costs paid during the fiscal year, which includes all management fees (net of offsets) and expenses. Note that §7514.7(a)(2) seems to refer more specifically to CalPERS' pro-rata share of fees and expenses paid by the AIV *to the GP or related parties*. For the sake of consistency with §6254.26, however, CalPERS is opting for this broader level of disclosure of AIV-level costs.

Column 15 – Fees and expenses paid by portfolio companies (\$)

CalPERS' pro rata share of aggregate fees and expenses paid at the asset level to the GP or related parties. For Private Equity, this figure represents fees and expenses paid by the portfolio companies to the GP or related parties. For Real Assets, this figure represents fees and expenses paid to the GP and related parties at the property level.

Column 16 – Carried interest distributed (\$)

CalPERS' pro rata share of carried interest (or profit sharing) paid to the GP during the reporting period.

Column 17 – Capital calls netted against distributions (\$)

The amount of any related-party management fees and expenses that were netted out against a distribution otherwise payable to CalPERS during the reporting period. This is the economic equivalent of (1) a distribution to CalPERS, by the AIV, combined with (2) a contemporaneous remittance to the AIV, by CalPERS, pursuant to a capital call. The amounts disclosed in this column represent a subset of the amounts disclosed in Column 14.