

Inventory of Policy Changes for September IC

Executive Summary

This year's policy review is centered on the implementation of the increased allocation to Private Assets related to the new Strategic Asset Allocation adopted at the November 2021 IC meeting.

1. Total Fund
 - a. Updates to the Staff Delegation Limits for Private Assets
 - b. Revise Prudent Person Opinion (PPO) requirements for Private Equity and Real Assets and establish PPO requirements for Private Debt
 - c. Updates to the Private Equity Program limitations and constraints
 - d. Updates to the Real Assets Program limitations and constraints

Inventory of Policy Changes – Private Assets Implementation

1) Total Fund – Private Assets

a) Private Equity

- i) Increase staff authority limits, add DCIO limit, add secondary markets sales column and remove the MID cumulative annual authority limit - **Attachment 3 pg.31 of 113**

Current

The Managing Investment Director (MID) and Chief Investment Officer (CIO) limits apply per commitment.	Funds	Co-Investments	Customized Investment Account	Secondary
MID	\$0.5	\$0.3	\$1.3	\$0.9
CIO	\$1	\$0.6	\$1.9	\$1.7
MID Fiscal Year Limit*	\$10	\$3	\$5	\$3

Proposed

The Managing Investment Director (MID), Deputy Chief Investment Officer (DCIO) and Chief Investment Officer (CIO) limits apply per commitment.	Funds	Co-Investments	Customized Investment Account	*Secondary Market Purchases	Secondary Market Sales of funds and CIAs
MID	\$1.25	\$1.0	\$2.0	\$1.0	\$2.0
DCIO	\$2	\$1.25	\$3.0	\$2.0	\$4.0
CIO	\$3.0	\$1.5	\$4.0	\$3.0	\$6.0

*Single asset GP-led secondaries, for purposes of delegated authority, will be treated as co-investments

- ii) Adjust investment strategy targets and ranges - **Attachment 3 pg.31 of 113**
- iii) Allow co-investment alongside institutional investors where CalPERS is not currently an investor, noting that further restrictions will be outlined in the Private Equity Program policy related procedure - **Attachment 3 pg. 31 of 113**
- iv) Increase the per fund investment limitation from 25% to 35% of a respective fund - **Attachment 3 pg. 31 of 113**

- v) Increased the general partner net committed capital limit from 10% to 15% - **Attachment 3 pg. 31 of 113**
- vi) Clarified that single asset GP-led secondaries, for purposes of delegated authority, will be treated as co-investments - **Attachment 3 pg. 31 of 113**
- vii) Adjust Customized Investment Account (CIA) definition such that CalPERS is no longer the sole investor and instead the majority investor (important for Venture Capital) - **Attachment 5 pg. 1 of 4**

b) Real Assets

- i) Increase staff authority limits, add DCIO limit, and remove the MID cumulative annual authority limit - **Attachment 3 pgs.26 of 113**

Current

	Commitments (\$ billions)	Dispositions (\$ billions)
Managing Investment Director limit per: (Real Estate)	\$3	\$3
Chief Investment Officer limit per: (Real Estate)	\$6	\$6
Managing Investment Director limit per: (Infrastructure)	\$1	\$1
Chief Investment Officer limit per: (Infrastructure)	\$2	\$2
Managing Investment Director limit per: (Forestland)	\$1	\$1
Chief Investment Officer limit per: (Forestland)	\$2	\$2
Managing Investment Director Cumulative Fiscal Year Limit: (Real Assets)	\$15	\$15

Proposed

	Commitments (\$ billions)	Dispositions (\$ billions)
Managing Investment Director limit per: (Real Estate)	\$3	\$3
Deputy Chief Investment Director limit per: (Real Estate)	\$4.5	\$4.5
Chief Investment Officer limit per: (Real Estate)	\$6	\$6
Managing Investment Director limit per: (Infrastructure)	\$2	\$2
Deputy Chief Investment Officer limit per: (Infrastructure)	\$4	\$4
Chief Investment Officer limit per: (Infrastructure)	\$6	\$6
Managing Investment Director limit per: (Forestland)	\$1	\$1
Chief Investment Officer limit per: (Forestland)	\$2	\$2

- ii) Modify infrastructure geographic limits – Attachment 3 pg. 27 of 113.

c) ***Private Debt & Opportunistic***

i) Remove the MID cumulative annual authority limit - Attachment 3 pg.33 and pg.67 of 113

Private Debt**Current**

MID, Deputy Chief Investment Officer (DCIO), and Chief Investment Officer (CIO) limits apply per each commitment to an external manager	Funds	Co-Investments	Customized Investment Account
MID	\$1.0	\$1.0	\$2.0
DCIO	\$2.0	\$2.0	\$4.0
CIO	\$3.0	\$3.0	\$6.0
MID Fiscal Year Limit*	\$7.0	\$5.0	\$6.0

*Fiscal Year Limit applies to cumulative commitments.

Proposed

MID, Deputy Chief Investment Officer (DCIO), and Chief Investment Officer (CIO) limits apply per each commitment to an external manager	Funds	Co-Investments	Customized Investment Account
MID	\$1.0	\$1.0	\$2.0
DCIO	\$2.0	\$2.0	\$4.0
CIO	\$3.0	\$3.0	\$6.0

Opportunistic**Current**

MID, Deputy Chief Investment Officer (DCIO), and Chief Investment Officer (CIO) limits apply per each commitment to an external manager	Funds	Co-Investments	Customized Investment Account
MID	\$1.0	\$1.0	\$2.0
DCIO	\$2.0	\$2.0	\$4.0
CIO	\$3.0	\$3.0	\$6.0
MID Fiscal Year Limit*	\$7.0	\$5.0	\$6.0

*Fiscal Year Limit applies to cumulative commitments.

Proposed

MID, Deputy Chief Investment Officer (DCIO), and Chief Investment Officer (CIO) limits apply per each commitment to an external manager	Funds	Co-Investments	Customized Investment Account
MID	\$1.0	\$1.0	\$2.0
DCIO	\$2.0	\$2.0	\$4.0
CIO	\$3.0	\$3.0	\$6.0

d) **PPO Table**

- i) Modify Prudent Person Opinion thresholds with the intent to balance good governance for Private Equity and Real Assets- Attachment 3 pgs. 54-55 of 113

Current**Private Equity Program Related Responsibilities**

Ref #	Transaction Type/Size	Independent Due Diligence Report (not PACBIC)	Prudent Person Opinion (not PACBIC)	PACBIC Transaction Role	Opinion to the Board
1.	Fund Investments	MID discretion	Not required **	MID discretion	Not required
2.1	Co-Investment ≤\$200 million	MID discretion	MID discretion***	MID discretion	Not required
2.2	Co-Investment >\$200 million	MID discretion	Required	MID discretion	Not required
3.	<i>Customized Investment Accounts</i>	MID discretion	Required	MID discretion	Not required
4.	>Staff Delegated Authority	Not required	Required	Required	Required

** A **Prudent Person Opinion** is required for fund investments in the third or fourth quartile.

***For transactions between \$101 million and \$200 million the MID must receive either CIO approval or a **Prudent Person Opinion**.

Proposed**Private Equity Program Related Responsibilities**

Ref #	Commitment Type	Prudent Person Opinion (not PACBIC)	Opinion to the Board
1.	Fund Investments	Not required *	Not required
2	Co-Investment >\$500 million	Required**	Not required
3.	<i>Customized Investment Accounts</i>	Required	Not required
4.	>Staff Delegated Authority	Required	Required

* A **Prudent Person Opinion** is required for fund investments in the third or fourth quartile.

** A Prudent Person Opinion is required for co-investments greater than \$250 million when done alongside institutional investors with which the PE Program does not have an active commitment.

Current**Real Assets Program Related Responsibilities**

Ref #	Transaction Type/Size	Independent Due Diligence Report (not PACBIC)	Prudent Person Opinion (not PACBIC)	PACBIC Transaction Role	Opinion to the Board
1.	≤ \$100 million	Not required	MID discretion	MID discretion	Not required
2.	>\$100 million	Not required	Required	MID discretion	Not required
3.	>Staff Delegated Authority	Not required	Required	Required	Required

Proposed**Real Assets Program Related Responsibilities**

Ref #	Transaction Type/Size	Prudent Person Opinion (not PACBIC)	Opinion to the Board
1.	≤ \$250 million	MID discretion	Not required
2.	>\$250 million	Required	Not required
3.	>Staff Delegated Authority	Required	Required

- ii) Added PPO Table for Private Debt - Attachment 3 pgs. 55 of 113

New**Private Debt and Opportunistic Strategies Program Related Responsibilities**

	Commitment Size	Prudent Person Opinion(not PACBIC)	PACBIC Opinion to the Board
1.	≤ \$250 million	MID discretion	Not required
2.	>\$250 million	Required	Not required
3.	>Staff Delegated Authority	Required	Required