

CalPERS Emerging and Diverse Manager Forum  
General Session PART 1 OF 2

Date: December 3, 2012  
Segment: General Session

Dan Lennon:

I came to learn more about the CalPERS emerging manager programs.

Thao Buuhoan:

CalPERS is very much committed to their emerging manager program.

Silas Myers:

I get a better sense of what exactly it is CalPERS is trying to achieve.

John Saunders:

It definitely exceeded my expectations for a conference.

Curtis Spears:

Getting a chance to have access to you know, the top people who are making the decisions at CalPERS has been greatly helpful.

Shaleen Patel:

I think we're coming away with a little bit of a better understanding as to how CalPERS looks to work with managers like us.

Dan Lennon:

I think the turnout's phenomenal and it's good to see that CalPERS is this committed to Emerging Manager programs.

Anne Stausboll:

Good morning. I'm Anne Stausboll. I'm the Chief Executive Officer of CalPERS and on behalf of CalPERS I want to welcome each and every one of you to our forum here today. We are so pleased, so very pleased that you have all joined us and we at CalPERS are very honored to be hosting this event. I want to thank the industry associations and the legislative caucuses that have been so supportive in helping to put this event together, cohosting with us, and your role in helping to shape this dialogue has been invaluable. And I also want to say a special thank you and a note of appreciation to our board members. You'll find that there are many of them here today. We greatly appreciate the leadership of our board. They demonstrated a steadfast commitment to the very important issue of emerging manager investment programs and we greatly appreciate their leadership. When we began to plan this event a couple of months ago, we had a goal of filling a small conference room at our CalPERS headquarters. We never imagined that we'd have the turnout that we have today and it's very exciting. I think it's really a testament to the interest in this issue and to the need for a meaningful engagement and dialogue around public pension fund investment in emerging managers. And that work starts here today in this room with each and every one of you.

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Our mission at CalPERS is to deliver promised retirement and health benefits for our members and we've got over a million and a half members in California, California's public sector workers, they're active and retired, both. And we at CalPERS are very very proud to serve those who serve California. And we very much welcome your participation in making sure that our system is the strongest it can be for our members, our employers and California's taxpayers. So let's work together today to make this a very productive and constructive dialogue. Today's a very important day and it's a new beginning. Thank you so much again for being here and with that I ask that you please welcome me in joining welcoming the CalPERS Board President Rob Feckner.

Rob Feckner:

Well thank you Anne and good morning everybody. You can do better than that. Good morning everybody. That's a little better. So it's a pleasure to have you all here today. First of all let me start on behalf of the CalPERS board thanking you for being here. We know many of you traveled a great distance to be part of this and we certainly appreciate that. And we hope that we're able to offer you some great information today and some good feedback. I know you have a lot of questions, feedback for us and some concerns, and we hope that you're able to share all of that with us here today. Our hope is that the combination of today's program, the information, open and honest dialogue and discussion, and networking, that you'll be able to leave here today with a better understanding of each other and how we can all work together and move forward in a more constructive fashion. Now there are a number of organizations I'd like to recognize today who have been serving as co-conveners shall we say, and help make this event possible. First, the National Association of Security Professionals or NASP; New America Alliance, NAA; National Association of Investment Professionals, NAIC; The Association of Asian American Investment Managers, AAAIM; California Legislative Black Caucus; California Latino Legislative Caucus; and the California Asian Pacific Islander Legislative Caucus. So we thank all of them for the being involved and participating with us today and helping us get such a nice turnout. So thank you.

I want to briefly recognize my colleagues and fellow members of our Board. Now I understand, we have a 13 member board, we have one vacancy right now so we actually have 12 members. And up until a couple of days ago, 11 of those 12 were going to be in attendance. We now have nine of the 12 here today. One cancelled early this morning due to an illness and one had a family emergency that came up late last week. So it certainly shows the commitment on behalf of this Board that we certainly are committed and hope that we can all work together moving forward. I'd like to start introducing our board. First Henry Jones, the Chair of our Investment Committee and my diversity advisor on the Board, Henry. Richard Costigan from the State Personnel Board, Richard. JJ Jelencic. Priya Mathur. Bill Slaton. Terry McGuire representing Controller John Chiang. Ralph Cobb representing CalHR. And I'm not sure if Frank Moore's

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here yet, but Frank Moore representing Treasurer Bill Lockyer. If he's not here yet, he will be. So I'd also like to recognize one of our former board members, Maeley Tom, who's been a strong supporter of diversity during her time on our board and was also my diversity advisor when she served on our board. So Maeley, thank you. And you may notice we're documenting this event by video today. So don't anybody panic, we're not selling it to anyone. This is to ensure that we can capture all of the feedback and discussions that we hear today so it's archived so we can go back and make sure that we have worked on everything that we talked about and we have a better understanding of what we're going to be working on going forward. So don't let it chill your dialogue. Let's still have a robust discussion. That's what we're here for. We want open and honest dialogue and discussion amongst all our participants.

So that being said, we do want to hear directly from you. And so we have a video crew that's ready to capture your thoughts and experiences from this event. So please don't be shy. We would welcome all of your suggestions, opinions and feedback. Again, it's gonna be a busy day, filled with all kinds of interesting discussions and conversations, but a great time to network and get your opportunity to meet some of the CalPERS board members, our exec staff, and if you haven't already built a relationship, start building one, because we certainly know that we can all help each other by working together as we move forward.

So with that, I'd like to again welcome you, thank you for being here and turn you over to Henry Jones, the Chair of our Investment Committee. Henry.

Henry Jones:

Thank you Rob and good morning everyone. It is better. I'm pleased to be here today and glad to see such a large turnout. I'd like to reiterate CalPERS' commitment to emerging managers. As the largest public pension fund in the nation, within the nation's most ethnically and culturally diverse state, we can't reach our full potential without having the broadest pool of talent to work with. As chair of the Investment Committee, this is an issue that I take great interest in. I firmly believe that diversity is a good thing and makes CalPERS stronger. For this reason, our agenda today is packed with information and opportunities for you to ask questions and network with CalPERS staff and your peers. To provide a brief overview, we'll start with CalPERS Chief Investment Officer Joe Dear and Laurie Weir, our Senior Portfolio Manager, who will address our current programs and look at our five year emerging manager plan. In an effort to improve the effectiveness of emerging manager program, we have launched this plan to improve the implementation of emerging managers strategies and improve communications with the emerging manager community. It is our road map for the coming years. Then we'll move into a roundtable discussion and key stakeholders as we look at the current opportunities and issues in the emerging management investment community. We have a short networking break, and then move into a breakout session with staff from individual asset classes. This

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is where you'll be able to provide, get more specific information as it pertains to your area of expertise. Lunch will be a working lunch, where you again have the opportunity to talk with CalPERS staff and investment advisors. And then we'll wrap up the day with another networking opportunity to exchange ideas and lessons learned over light deserts.

Before I close, let me offer a few next steps in our quest to improve our emerging manager programs, our work with you and diversity in general. The CalPERS board has directed our staff to make our programs better, to improve performance, improve our capital department, and strengthen our relationships with our emerging manager community. We plan to do this by taking stock in our programs, analyzing our data, identifying lessons learned and forging a new path for success. Our efforts also span other parts of our investment portfolio. Later this month, the California State Teachers Retirement and CalPERS, in partnership with the Twigo Foundation, are hosting an event to showcase our work on board quality and diversity on corporate boards. This has been a successful effort and to bring greater diversity, experience and perspective to corporate boards. I'm confident that we can demonstrate the same progress with emerging managers. I hope everyone finds value in what we have planned. Before we get started however, I would like to welcome the Honorable Paul Fong. Chair of the California Legislatures Asian Pacific Islanders Caucus to deliver a few remarks. Paul?

Paul Fong:

Thank you Mr. Jones for the kind instruction. Good morning. I'd like to welcome everyone to the first CalPERS Emerging Managers Forum. I'm Assembly member Paul Fong. I represent the new 28<sup>th</sup> Assembly District which includes the cities of Cupertino, Saratoga, Campbell, Los Gatos and parts of San Jose. It's known as Silicone Valley. As the chair of the Asian and Pacific Islander Legislative Caucus, which is made up of the 11 Asian and Pacific Islander American members of the California State Legislature, we are proud to cosponsor this forum along with the Black and Latino Legislative Caucuses. I'd like to acknowledge Senator Curren Price for his leadership and dedication to SB294, establishing the emerging manager five year plan, adding to CalPERS' commitment to engage the emerging manager stakeholder community. I'd like to encourage all of you to take advantage of the emerging manager forum that will help first time investors learn about doing business with CalPERS. As you know, the California Public Utilities Retirement System, CalPERS, is the largest public pension fund in the United States with assets of about \$231.9 billion and provides retirement benefits to more than 1.6 million state, public school and local public agency employees, retirees and their families. It also provides health benefits to more than 1.3 million members. It provides health benefits for me too. The Tri Caucus firmly believes in those that diversity brings a competitive advantage. I applaud CalPERS for upholding the principle that diversity and inclusion in our workplace, work force and marketplace, improves business performance. Many emerging leaders tend to be woman or from communities of

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color, making this a great opportunity to bring greater diversity in the pool who invest into CalPERS. This is a tremendous opportunity for the attendees and the benefit for the state. Take this opportunity to build relationships amongst this remarkable group of future investors, as well as build a stronger relationship with knowledgeable and talented staff and leaders at CalPERS. Thank you very much for your time and welcome.

Anne Stausboll:

Thank you Assembly member Fong. We really appreciate that you took the time to be here today and we appreciate your leadership on issues of diversity. With that, it's time to get to the heart of our program today. So please welcome to the stage our Chief Investment Officer at CalPERS, Mr. Joe Dear.

Joe Dear:

Thank you Anne. All right. Thank you very much Anne. Good morning everyone. All right, getting better. This is fantastic to see you all here. Anne wasn't kidding when we thought if we could fill up the auditorium at the building on P Street that we would be doing a great job. And it's a happy high-class kind of problem when 400 folks decide they want to learn more about our emerging managers programs and participate in an effort to make them better. This is an interesting time in the development of CalPERS emerging manager programs because it's a time for change at CalPERS. As we apply the lessons learned as a result of the global financial crisis, and as we adjust our governance, so that we never again have to experience the pain of a tarnished reputation. As you've heard already from the chairman of our Investment Committee, Henry Jones, from our Board President, from our CEO, CalPERS is unequivocally committed to emerging manager programs. I believe as Chief Investment Officer that the key here is an investment thesis, which is this. That if there are barriers to entry to the marketplace for investment managers so that some firms are overlooked, yet they retain the skill and quality that's required to produce excess returns in investment, an enterprise like CalPERS a pension fund which goes out and identifies and hires those managers, can get a competitive advantage. Those firms, those emerging firms, have a hunger to succeed and they have a smaller size and they're focused on return. Not on asset gathering. So our commitment to emerging managers is both value-based, because diversity is important to our society, but also very practically focused on the economics of achieving our return target of 7-1/2 percent. Now, CalPERS is extremely proud of our leadership in emerging managers and our role in expanding opportunities for emerging and diverse managers. Let me give you a few numbers. We've been at this for over 20 years. We keep refining our strategies and part of today's meeting will be a further effort to expand and improve those strategies. We currently have about \$10 billion managed by emerging managers. That represents 11 percent of all the externally managed assets controlled by CalPERS. In the past three years, we've committed one billion dollars new capital to emerging manager strategies. Currently, across all these strategies and private equity, global equity, real estate, hedge funds, there's \$900 million of

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capital that's available but is yet uncommitted for emerging manager strategies. In total, we have 300 emerging manager partners, and over 80 of these are identified as diverse managers. Although we're doing a survey as part of the plan that Laurie Weir will describe for you shortly to make sure we have these numbers exactly right. Now, what all this means is that we're willing to take a chance on someone that's new, that's not completely established. Now chance favors the prepared mind, as someone said. So what I'd like to do in the rest of my time this morning is explain the context in which our decisions are being made. How we're trying to prepare our minds to make good selections, and we take those chances. In the panel which follows, there'll be an opportunity to discuss and elaborate on this in more detail, and opportunities for you to answer questions. So if I could, let me take you through some slides to talk about our priorities, our performance and our future programs.

I like to say that there are three P's at CalPERS, performance, plumbing and people. Performance is obviously what we're here to do, to generate investment return to 7-1/2 percent for the total fund, that's required to assure our ability to pay benefits to the 1.6 million retired and active employees who are members of our system. Plumbing refers to the system's controls, decision processes that are necessary to sustain a global investment program like the one we have. And people is our talent management. None of this will work if we don't have the right people in the right jobs, and provide career opportunities for those and growth opportunities to make all of this work. Now I will spare you a detailed discussion of plumbing and people today. The Board would give me the hook if I spent too much time on that, and focus on performance. Because that's what this is all about. We have a road map which describes the priorities of the program and the initiatives we're undertaking to improve our performance. Talked about the investment forms in that top box. We also have capital allocation, risk management and cost effectiveness as initiatives to improve investment performance, and then the plumbing, the organization systems and controls, and the talent management box. Here's our portfolio as of the end of September. We have targets and ranges as all pension funds do. Most of our funds are right at or very close to target. So I'm going to discuss and view the actual allocations. That large purple slice on the right side is public equity comprising 49 percent of the portfolio, so over half. Almost half of the portfolio is globally diversified portfolio of publicly traded stocks. Moving then clockwise around, just under 18 percent is fixed income, income related securities. And I should say, let me back up, in the public equity bucket, 80 percent of those assets are managed internally by CalPERS, and when we can manage internally, the cost effectiveness advantage that comes to us is quite large. But we have to be as good as those we could hire from the outside to take that step. In fixed income, 90 percent of the assets in the program are internally managed. The next slice over, again moving clockwise, the yellow is private equity of 13-1/2 percent. All of the private equity program assets are externally managed. At 1.3 percent in the next box is forest land and infrastructure. Infrastructure's targeted to become two percent of the portfolio, it's slightly below one now. We do have the capability in

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infrastructure to do some direct investment, although you also do fund investment in this area too. Inflation assets are internally managed, those are commodities and linkers, inflation linked bonds. Real estate, almost 9 percent of the portfolio is all externally managed, as are the absolute return strategies, or hedge funds, at just over two percent of the portfolio. Liquidity bucket is cash and treasuries, internally managed. So that's our portfolio today.

How have we been doing in performance wise? These are performance for the 12 months and longer for the period ending September 30, 2012, this year. So the quarter, first quarter of the fiscal year was great, 4.3 percent, well ahead of our benchmark. I mean, I like positive numbers and I like talking about them, but when you're talking about performance of a very large pool of assets like this, quarterly performance, and even annual performance may not be a time period long enough to provide meaningful information. But having said that, the one year return at 13-1/2 percent, 10 basis points above the benchmark is quite good. And it's really interesting if you contrast this quarter with the 12 months reported for the quarter ended June 30, 2012. There, the return was 1.01 percent. So in one quarter, the performance for, on a 12 month rolling basis, went from one percent to 13 percent. Those of our skeptics to think our 7-1/2 percent return target is unattainable were, requires assumption of too much risk to get there, should be advised that you know, this period that we've gone through, the global financial crisis, did push returns down, but we're seeing them come back. And as you can see at the far right on this chart, our since inception return at 8.4 percent is comfortably above that 7-1/2 percent target. But make no mistake, 7-1/2 percent is an ambitious goal. And we need your help to get there. Our three year return is slightly below benchmark, at 9.2 percent. And our five year return, that little gap there in the chart, at .4 percent is well below the benchmark.

This is the reality of the CalPERS portfolio. And something that I and my colleagues and the Board think about frequently. In my case, I think about it every day. This performance, in the 10 year performance at 90 basis points under the target mean that as an organization, CalPERS in comparison with our public pension funds, is a below median performer. I find the necessity to report that to be extremely depressing. It's really unacceptable and if there's anything you leave the room with after our talk today, is that we're focused on performance and we believe emerging managers can help us attain that performance, to get that performance that our stakeholders, our beneficiaries deserve.

The last chart, breaking this down, where does this performance come from? Again, these are September 30 numbers, and you can see global equity which is that large bar and the one year total at over 20 percent had a fantastic year and all asset classes were positive. The three year, the number one performer was private equity. And for the peer universe comparison, I have to drop back a quarter for peer universe comparison. Private equity was number one among the

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public pension plans surveyed by the Tufts University Comparison Service. But at five years, you begin to see disparate performance. Global equity's slightly negative. Fixed income performing quite well, 8 percent on a five year basis. That's really quite good. And then that low chart there at minus 12 percent for real assets, which includes real estate, forest land and infrastructure. And that, because we have infrastructure and forest land in there, really understates the damage that the real estate portfolio did to CalPERS as a result of the financial crisis. The underperformance there is understated. And hedge funds, the last one in the five years in green, is pretty good. But that five year number, we're 560 basis points under the benchmark. Over five percent below where we intend to be. Why is that? It's largely because the private equity portfolio has too many investments in it. Over 750 funds managed by over 350 general partners. At that level, you simply drive the portfolio towards a median return. It's just the number. So when I talk about applying the lessons of the global financial crisis, one of the things I'm talking about is restructuring our portfolios to improve their performance. And so for real estate and private equity in particular, that means carefully evaluating the performance of our partners and reducing the number of relationships and thereby increasing the size of our commitments to those programs, so that we get performance which we need. A top quartile performance because we've hired top quartile partners. And you can see that finally again in the 10 year performance, the gap in private equity's not as large as it is for five years, but it's still 50 basis points under and 10 years is a time period that's meaningful in terms of performance and tells us why we need to improve our performance. And the real estate, which is the second to last bar on the 10 year chart there, is 540 basis points under the benchmark. Again, a real telling result, which has affected the overall performance of the total fund. For that 10 year time period, CalPERS is 58<sup>th</sup> in the comparison universe. I just, I can't stand, I just can't stand being below median. It's just not good enough for us, for you, for any, for all the folks we work with. So, performance, when you get to those three P's, performance, plumbing and people, performance is what it's about. And what I'm trying to say to you today is there are changes in the portfolio which have caused some concerns. There are opportunities in this portfolio for skilled managers to help us get to our goal.

Now, to sum up, as all of you in this room know, CalPERS has to work within the confines of California's proposition 209. That means we cannot establish goals or targets for placement of external investment based on race, ethnicity, color or gender. That makes management of these programs more difficult, because if you're managing and you have a goal, you know what you're kind of doing. When you can't have a goal, you have to have some interim discussion about what we're trying to do. But here's what we know. We know that diverse managers make up a greater proportion of the emerging manager community than they do in the overall investment manager community. For this reason, we remain committed and confident that we can meet the expectations of the diverse manager community by focusing on emerging manager programs, and stay within the confines of California law. Now in an effort to improve the

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effectiveness of our emerging manager programs, we've launched the five year plan. That is pursuant to legislation, authorized by Senator Curren Price and about which Assemblyman Fong spoke. And about whose detail you'll hear shortly from Laurie Weir. But our vision with this plan is to continue to commit capital to robust emerging manager programs with a focus on three important goals. First, to generate risk adjusted investment returns by identifying early stage funds with the potential for strong investment performance. Second, to assess investment opportunities that may otherwise be overlooked. And third, to cultivate the next generation of external portfolio investment management talent. Over the next five years, we hope to better understand the drivers of performance again, that prepared mind that's willing to take chances to establishes criteria for allocating additional capital to emerging manager programs, and importantly, to improve our communication and outreach with the emerging manager community. We're starting that today, and your very presence here is testament to the possibilities that improving communication holds. I'm hopeful that today we can have a thoughtful and open discussion about how we can together better reach our mutual goals. With our successful past as prologue, we're ready to focus on the future, and look for ways to foster the growth of emerging managers and create opportunities for you and for CalPERS members. Thank you for being here.

And now as promised, Laurie Weir to talk about our five year plan. Laurie?

Laurie Weir:

Thanks Joe. Great job. Good morning everyone. How are you? I'm Laurie Weir. I'm Senior Portfolio Manager for this funny program at CalPERS called the targeted investment programs, and what on earth could that mean. The Board and the senior staff in the investment office realized that there were important programs across the total investment office that needed coordination, and so I am a coordinator and chief for the CalPERS investment office for a series of important programs, many of which have what we like to call ancillary benefits. And those ancillary benefits might be increased diversity of our externally managed capital, they might be investments in the state of California that help stimulate economic activity. So my staff and I work on emerging manager strategies across the portfolio, on diversity and inclusion initiatives and California initiatives, to name a few. I have a few PowerPoint slides for you today. Let's see if we can get those up on screen. Thank you.

So this presentation will cover the objectives of our emerging manager programs that Joe Dear talked about a little bit. I'll spend some time on CalPERS emerging manager five year plan, our emerging manager definitions be asset class, and our diversity and inclusion initiative. So what do we want to achieve with our emerging manager program. Clearly Joe articulated the number one thing is performance. Importantly, we are also looking to access investment strategies that might otherwise be overlooked. What does that mean. We look to our emerging managers as having unique insights into investment strategies and

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communities that our other larger investment managers a) don't have the DNA to see, or they see it and they realize it's not in their investment strategy either because of size or because of the specifics around that investment. So you are our intellectual capital for a very important part of our investment program. Also, we look to cultivate that next generation. CalPERS is a long term investor. We have actuarial studies that go out over 50 and 75 years. So we need to constantly know that the next generation of talent is there and ready to work with CalPERS. So, Senator Curren Price lead the initiative through the California Legislature to, and the Governor signed the legislation for the five year plan that requires PERS and STRS to a) create the plan, to report annually to the Legislature on the activities and progress under the plan, and to define emerging manager by asset class. So, in our plan, we've developed 10 key work streams. Six of those work streams are around performance and emerging manager programs. And four of those work streams are around outreach and networking opportunities. So the six work streams that are on the screen now are our portfolio management work streams, and I'll just tell you a little bit about the work that we're doing already. So staff has initiated an effort to understand across our entire fund what exactly is our exposure to emerging managers and to diverse managers. And in order to do that, we actually needed to do a survey of our managers to really understand the diversity of our externally managed portfolio, and I'm gonna circle back to that and talk about that in a little bit more detail in a minute. We have also got our global equity team working on a new holistic approach to what is the largest asset class in CalPERS, our global equity asset class. In our private equity group, we have the customized fund investment group has identified their first emerging manager investment and is in the process of finalizing that. In real estate we have Canyon Capital and what are now calling the catalyst fund, managing and importantly mentoring in our brand new first ever emerging manager program in real estate. So for those of you in the audience that want to know more about those three things, global equity, private equity and real estate and ARS hedge funds, later today we're gonna have break out sessions. You'll meet Canyon, Customized Fund Investment Group, senior staff at each asset class, and I encourage you to go and really learn more in each of those asset classes. We also have worked to establish criteria for transitioning emerging managers to direct relationships with CalPERS. We have work to do to establish criteria for placing new capital in emerging manager programs and also to benchmark our work against our peers. And we will be initiating those efforts in the coming years, and reporting out to our board and to the Legislature annually on those efforts. So we'll keep you posted on that.

Our external outreach program involves improving communication around our investment proposal website. Does everybody know how to submit an investment proposal at CalPERS? Say yes or no, give me a hand. Yes, yes. Okay, so I'll tell you a little bit about it because that wasn't entirely convincing. So CalPERS created a portal on our website, [www.calpers.ca.gov](http://www.calpers.ca.gov). Click on investment office and you'll see a button that says submit your investment proposal here. So what you need to do is spend quite a bit of time on that portal.

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It's information-rich. Figure out how to do it and what you're gonna submit before you decide to get on and actually submit. Now why did CalPERS do this? CalPERS values equal access and equal opportunity. We wanted to make sure that there was a way for each of you to submit your investment proposal regardless of who you know. And I feel, here's my best guess, that when you're submitting this investment proposal, you're probably thinking hm, this is a little cold. It feels like it could maybe go into that deep dark hole of internet nothingness. What I want to assure each and every one of you that every single proposal received on this website is routed to the appropriate asset class staff, and is reviewed and we will be getting back to you on it and we're gonna actually improve our communication around the outcome of that investment processing, investment proposal processing. So we're looking also to improve our communication on our website with our emerging managers. And gosh, host and participate in workshops and forums and thank you here today, for making this such a success. The point I want to make about this work stream is that today is not an end in and of itself. This is the first of several workshops and forums and webinars and opportunities for you to coordinate and hear and for us to hear you around emerging manager issues. So this is the beginning of a series of events. We also look to improve communication and strengthen relationships with stakeholder organizations. Our next panel today will be with Joe Dear and our stakeholder groups. So take a minute in the five year plan. By the way, in all of your, what's the word I'm looking for, in all of the paperwork that you've received today for this forum, there's a QR reader, did you all see the QR reader in your work there? Download that free app for QR readers and scan that, and that will take you to a webpage that has the entire five year plan. It has all of the agendas and bios for today. It has everything you want to know about today's event on one webpage. Also for those of you that took one of these cards that says CalPERS emerging manager five year plan, QR reader on the back, scan it, and like magic this five year plan comes up. And I gotta go faster. So here's our definitions. I won't go into too much detail except to say that our asset classes manage these programs globally. What we will do is report out the international exposure separate from the domestic exposure. Joe talked about that so I won't talk about that. I want to talk a little bit more about our diverse manager exposure. So we have three billion dollars invested with 80 managers that are diverse. That's about four percent of our externally managed capital. So what that means really is about two percent of that is managed by minority owned firms and about 1.2 percent is managed by woman owned firms. And if you ask me today is that good enough? I would tell you no. We have work to do. Because we believe in diversity and we believe in equal opportunity running robust emerging manager strategies will increase the diversity of our externally managed capital. That's the link that you need to understand there. So in order to really understand the diversity of our current portfolio, we realize that staff was just anecdotally identifying managers as owned by woman or minorities. So we sent out, we sent out a survey saying we really want to know from you, are you diverse or not. And in order to do that, we actually had to define what we meant by a diverse investment management business. So for profit enterprise,

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physically headquartered in the United States, owned and operated by woman and/or minorities, and the categories for minorities are based on U.S. Census track data. So we are going to be reporting our two tranches of diversity. One is what we call substantially diverse, 25 to 49 percent owned by woman or minorities. The other we call majority diverse, which is 50 percent or greater owned by women or minorities. We have also got work streams. So the emerging manager five year plan is around investment strategies. We have in the investment office diversity and inclusion work streams that are separate, connected in ways but separate from the five year plan. And I want to talk very briefly about some of the work we're going around those initiatives. The first is at some point in the coming year, we will be surveying all of our external managers, and all of our consultants, for diversity in their key competency positions. So what would we want to do that? We have found that many diverse, many emerging managers are spinouts from large well known investment houses. If they have diversity in their key competency positions, the positions that touch the money, and help make investment decisions, then when there are spinouts, we will get more firms of diversity forming in the marketplace. We hope to use our bully pulpit in the marketplace to encourage others to look at the diversity of their firms. We will also track and report our net asset value by asset class for managed, capital managed by women and minorities. And we'll report the number of investment proposals submitted on our web-based proposal submittal, for the number of proposals received from women and minorities. So just to wrap up these remarks. Important to know that CalPERS has taken the five year plan process very seriously. The Board has directed staff to engage in these efforts in the most robust ways. CalPERS' commitment to the plan is very meaningful and disciplined and it is intended to maintain our leadership position in the field of emerging manager programs. So with that, I thank you very much. And I look forward to talking with all of you later today. Thank you.

So if I may have everybody stay where you are, we're gonna do a bit of a transition here on stage. I'd like to bring up Ginger Lew the moderator, facilitator of our next panel of stakeholders. And Ginger, come on up. And stakeholders and Joe please join us. Ginger is the former senior counselor for the White House National Economic Council and she is currently with Three Oaks Capital and Ginger will introduce the balance of the folks on the panel. Thanks again.