

CalPERS Emerging & Diverse Manager Forum

Private Equity (PE) Program Overview

December 3, 2012

Agenda

- Overview / Role
- Governance
- Investment Processes
- Portfolio Exposure
- Emerging Manager & Targeted Investment Program
- Performance
- How to Contact CalPERS PE

CalPERS Portfolio

Asset Class	Net Asset Value (NAV)*	Policy Target
Global Equity	\$112.7	50%
Private Equity	\$34.2	14%
Income	\$41.9	17%
Liquidity	\$7.5	4%
Real Assets	\$24.2	11%
Inflation	\$7.1	4%
Absolute Return Strategies	\$5.1	N/A
TOTAL	\$233.4	

*\$'s in billions as of June 30, 2012

Program Role

To maximize risk-adjusted rates of return while enhancing the CalPERS position as a premier private equity investment manager.

The current policy return expectation is a net excess return of 3% over the public markets.

Program Governance



Approval

- Investment Committee approves investment policy and portfolio target.



Delegation

- Investment decision making authority is delegated to staff.

Program Governance (contin.)

Execution

- Private Equity Program staff, through the Private Equity Investment Review Committee (IRC) process, conduct consistent, thorough and objective analysis to reach investment decisions.

Also Involved in the Decision Making Process:

- Consultants with specialized expertise
- CalPERS Internal Legal Counsel is consulted*
- Outside Legal Counsel provides expert comments
- Board Consultant provides an opinion letter*

**CalPERS Internal Legal Counsel and Board Consultant opine on the conformity of the investment to CalPERS policy and not the decision to make the investment.*

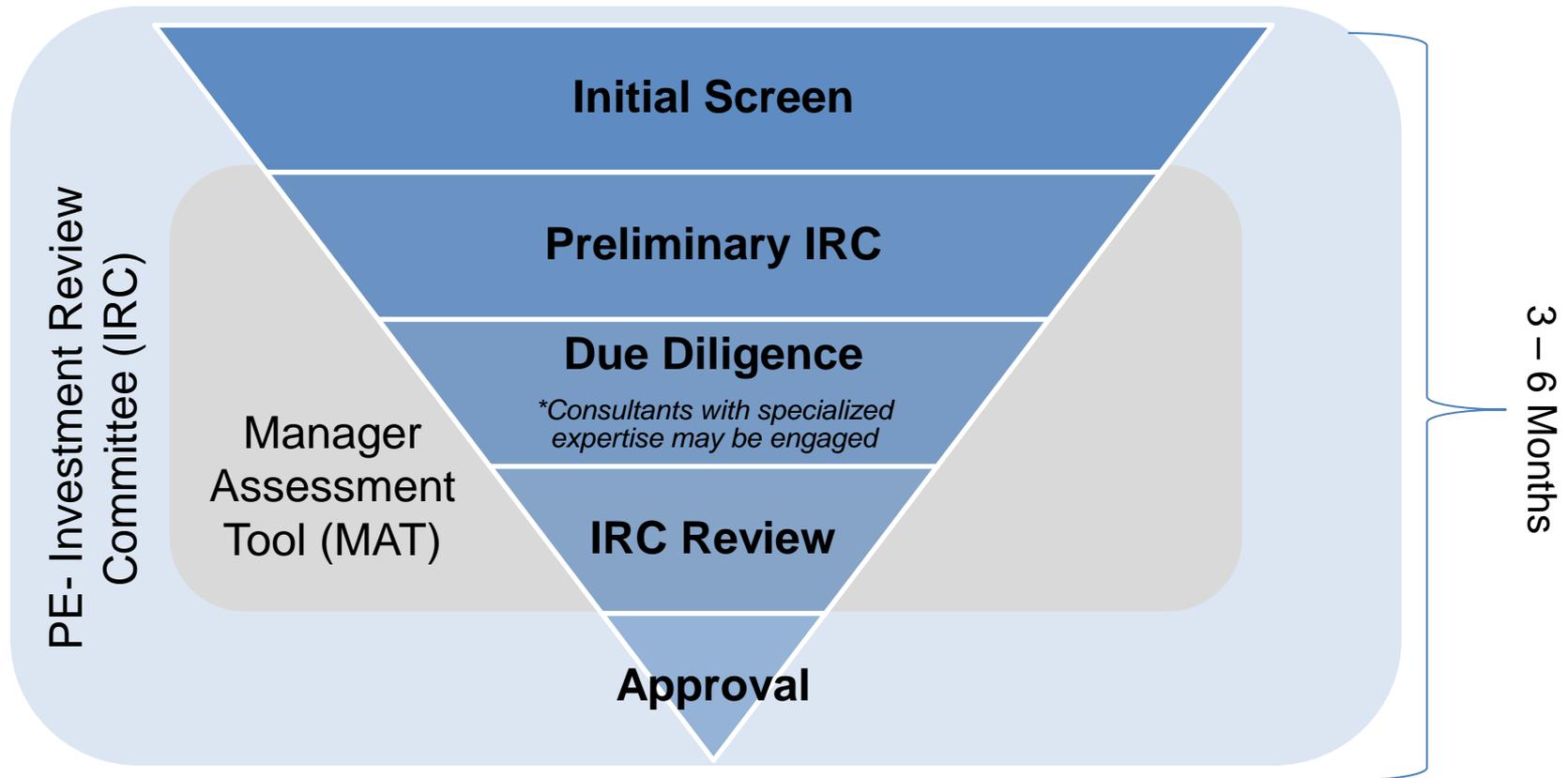
Strategic Review – September 2011

Objectives

- Restructure and rebalance PE portfolio
- Improve governance through the use of IPTS
- Improve portfolio performance
- Reduce fees and economics
- Upgrade technology

Evaluation Process

Investment Proposal Tracking System (IPTS)



Manager Assessment Tool (MAT)

- Investments are screened using a consistent, rigorous process focusing on five key metrics:
 - Alignment/Governance
 - Performance
 - Portfolio Fit
 - Team Cohesiveness
 - Value Creation

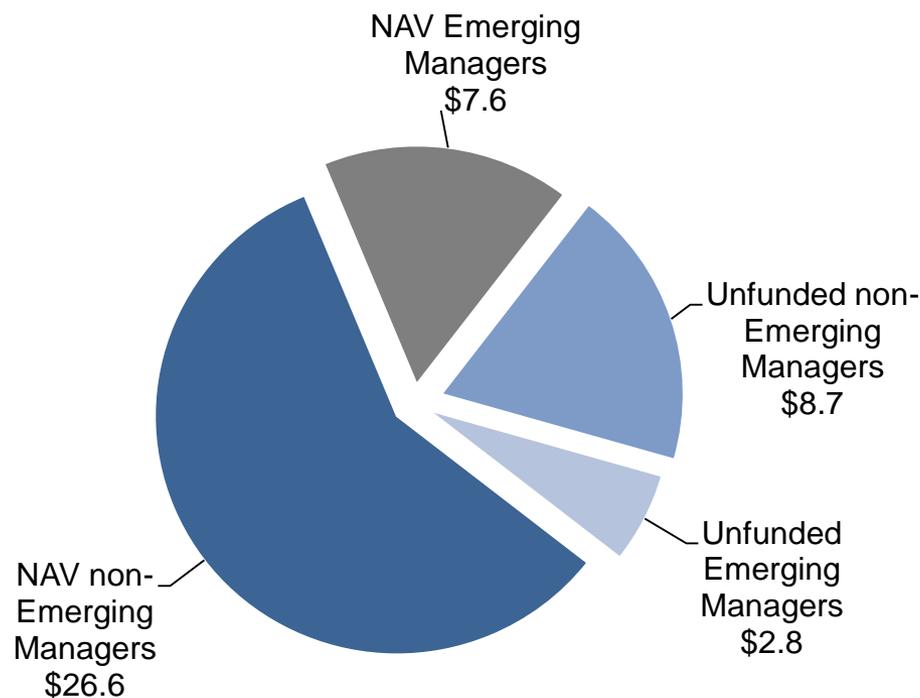
Emerging Manager Definition

“A firm raising a first or second time Institutional Fund.”

An Institutional Fund is a Fund which is being raised by a proven team with a demonstrable track record to which at least three institutional investors have made a commitment.

Portfolio

Net Asset Value plus Unfunded (Total Exposure) is \$45.7 billion



Strategy	Target
Buyouts	60%
Credit Related	15%
Venture Capital	<1%
Growth/Expansion	15%
Opportunistic	10%

As of June 30, 2012; \$'s in billions

Targeted Investment Programs (\$3.4 billion)

Clean Energy and Technology Program

- \$600 million allocation / fully committed

California Initiative Program

- \$1 billion allocation / fully committed

Healthcare Investment Initiative

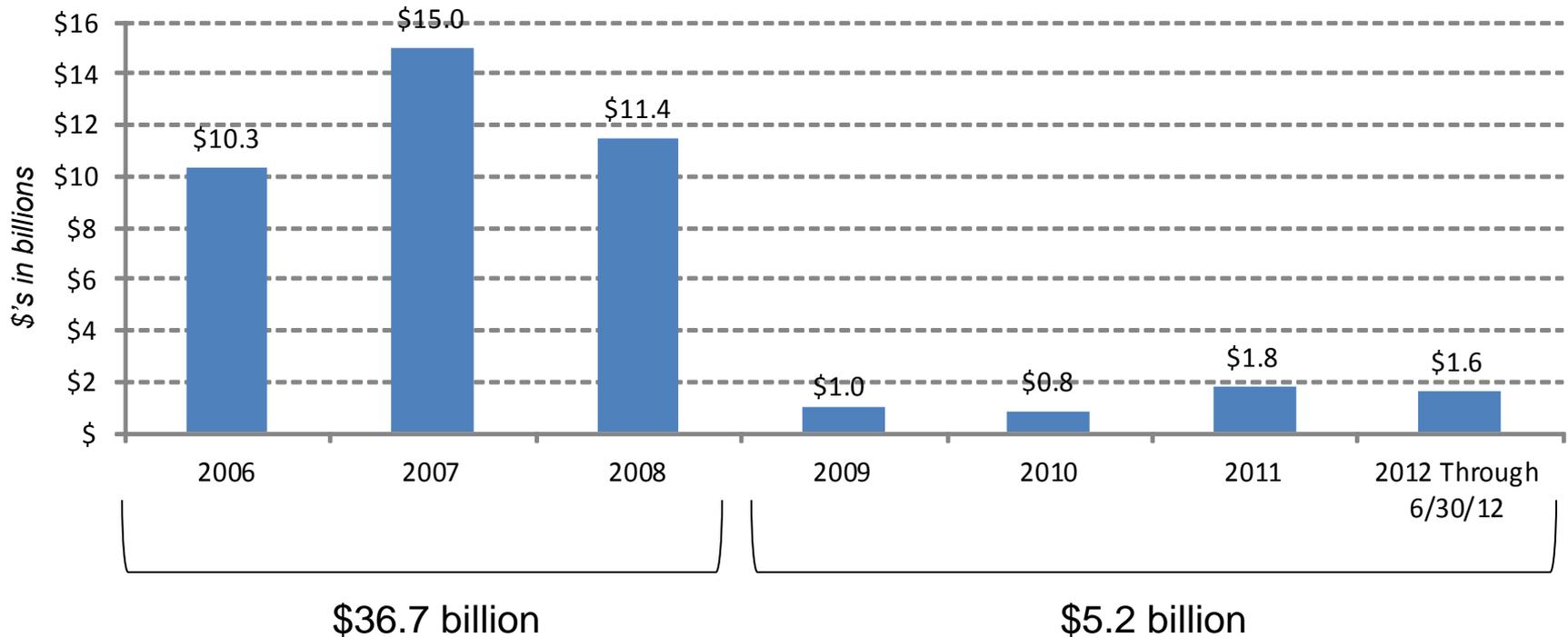
- \$705 million allocation

Emerging Manager Program

- \$1 billion fully committed and \$100 million allocated in 2012

Commitments

Capital Committed by Year



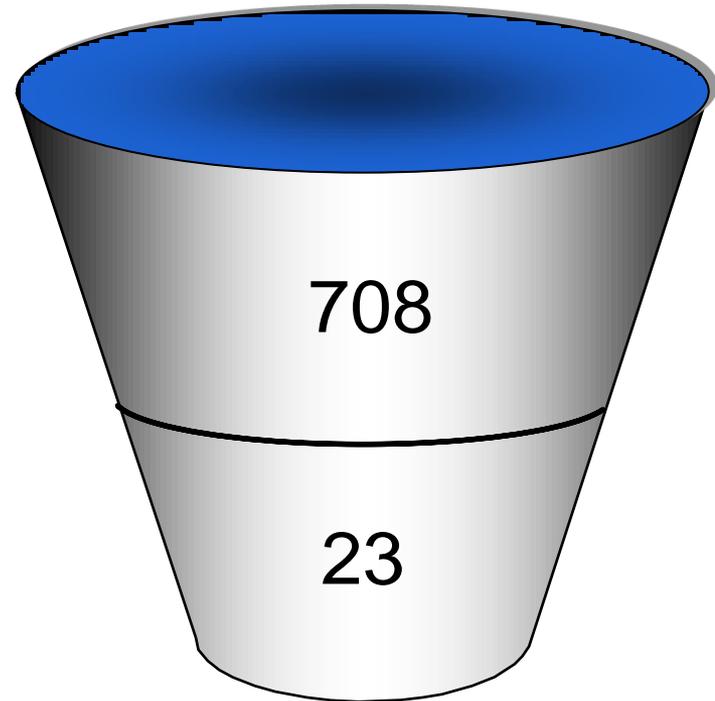
Number of Deals Received/Approved

Total Committed \$36.7
2006 - 2008



12% Approval Rate

Total Committed \$5.2
2009 - 2012



3% Approval Rate

Emerging Manager* Commitments

Type of Investment	Total Partnerships	Net Asset Value
Direct Investments to Emerging Managers by CalPERS	166	\$7.6 B
From CalPERS Fund-of-Funds to Emerging Managers	148	\$1.3 B
Totals Funds	314	

*CalPERS definition of Emerging Managers

Performance

Net IRR as of 6/30/12

	Net Asset Value	10 Year	Since Inception
Private Equity Emerging Managers	\$7.6 B	7.28%	9.55%
Private Equity Non-Emerging	\$26.6 B	9.35%	10.65%
Private Equity Total	\$34.2 B	8.73%	10.30%

Contact Information

IPTS

<http://www.calpers.ca.gov/index.jsp?bc=/investments/investment-proposals.xml>

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Emerging Managers

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