



CalPERS Unveils Direct Investment Model for Private Equity

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Fund will explore directly investing in companies to hold long term

SACRAMENTO, Calif. – CalPERS today unveiled two new strategic business models for its private equity program, after more than a year of discussion and examination among the board and investment office.

The forward-looking models, which are part of a larger review of the private equity program, would create a new and separate entity known as CalPERS Direct to make direct private equity investments.

CalPERS Direct would be governed by a separate, independent board to advise on allocation and longer-term capital market perspectives. It would consist of two separate funds. One would focus on late-stage investments in technology, life sciences, and healthcare, and the other on long-term investments in established companies. These would operate alongside CalPERS' existing private equity structure that typically invests in co-mingled private equity funds.

Plans call for CalPERS Direct to launch in the first half of 2019, following final review and approval by the Board. CalPERS anticipates that up to \$13 billion a year will need to be invested in private equity to achieve a ten percent allocation of the portfolio.

"We're excited to move forward with this new approach for CalPERS," said Ted Eliopoulos, CalPERS chief investment officer. "Our investment team has spent months exploring options in order to design an approach to private equity that takes advantage of our size and brand. We believe it will drive stronger private equity returns and help achieve economies of scale over time."

CalPERS' private equity program was launched in the early 1990s, and over the past 20 years has been the fund's highest returning asset class, with a 10.6 percent annual return. The CalPERS Direct model continues the fund's efforts to find new approaches to increasing investment returns, while it works to increase the System's funded ratio and help its employer partners manage pension contributions.

"We need to think differently about how we invest so that we can generate the returns that we need," said Marcie Frost, CalPERS CEO. "Our members and employers need us to be focused on strong risk-adjusted returns and growing our funded status, and this approach does just that."

This plan allows CalPERS to deploy investments at the scale CalPERS requires, and builds a base of talent and relationships that will strengthen over time.

"CalPERS Direct is a long-term investment strategy specifically designed to align with the long-term liabilities we have as a pension system," said Henry Jones, chair of Investment Committee. "That long horizon also gives the CalPERS Board an opportunity to influence the culture of CalPERS Direct to ensure their actions are in sync with our Investment Beliefs. The Board will continue to review each step in the development of CalPERS Direct before we give final approval to launch it."

CalPERS' Investment Office will now begin talking with industry professionals about the makeup of both the independent advisory boards and the management teams.

[View Strategic Business Models for Private Equity Investing.](#)

About CalPERS

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 1.9 million members in the CalPERS retirement system and administers benefits for more than 1.4 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately \$349 billion. For more information, visit www.calpers.ca.gov.