



AFL-CIO

California School Employees Association

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The nation's largest
independent classified
employee association



February 7, 2019

Henry Jones, President
CalPERS Board of Directors
Lincoln Plaza North
400 Q Street, Rm. 3340
Sacramento, CA 95811

Dear President Jones:

The California School Employees Association (CSEA, AFL-CIO) supports the staff recommendation on private equity. Private equity is a critical element of the CalPERS portfolio. However, private equity is also notoriously non-transparent and entails high fees. Despite this, private equity has been the only category of investment that has consistently outperformed the discount rate even after fees are considered and CalPERS must include private equity in a diversified portfolio in order to maximize its ability to meet the current 7% target.

The private equity plan proposed by CalPERS staff is well researched and thought out. CSEA believes that it strikes an appropriate balance, because it proposes to take advantage of CalPERS' ability to invest long-term and identify opportunities that many hedge funds might overlook due to their more short-term horizons and interests in immediate returns.

The proposal is also consistent with the values of our members, who want their money invested in companies that create good jobs and are built to last, rather than in hedge funds that squeeze the value out of companies by looting their assets and abusing employees.

Classified employees and other members of CalPERS rely on you to be stewards of our funds, to invest them wisely and to administer benefits effectively. The private equity plan before the board breaks new ground and has been developed over eighteen months with input from a variety of experts. While nobody can predict or guarantee success, we believe it is worth pursuing and we urge the CalPERS Board to approve the plan and move forward.

Sincerely,

Dave Low
Executive Director

Keith Pace
Executive Director

cc: Ben Valdepena, Association President
Marcie Frost, CalPERS Chief Executive Officer
Members, CalPERS Board

DL:KP:kg

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Our mission: To improve the lives of our members, students and community.