



State Council of the International Association of Fire Fighters - California Labor Federation - AFL-CIO

February 19, 2019

Henry Jones, President
CalPERS Board of Administration
Lincoln Plaza North
400 Q Street, Room 3340
Sacramento, CA 95811

RE: CalPERS Proposed Private Equity Business Models. (SUPPORT)

Dear President Jones:

The California Professional Firefighters (CPF), state council of the International Association of Fire Fighters, representing over 30,000 career firefighting and emergency medical service personnel statewide supports the CalPERS' private equity business models that will be presented to the Investment Committee on Tuesday, February 19th. Strong returns are critical to providing retirement security to the 1.9 million CalPERS members, including California's firefighters.

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 for returns. Private equity has certainly been criticized for being non-transparent with very high fees. CalPERS investment staff has done their homework and researched a plan that deals head on with those criticisms.

An improved private equity model will provide stronger returns, and, when governed by greater transparency, will provide those returns without the expense of excessive fees that traditionally are associated with private equity investing. California's firefighters support prudent investments in private sector companies that create good jobs with an enduring business model. CalPERS' private equity model is predicated on being able to invest in emerging companies, as well as in those who are sustainable over the long period. Such investments boost California's economy in addition to contributing to retirement security.

CalPERS staff has carefully studied this model and developed it in a manner to protect the fund and its members. California's firefighters rely upon CalPERS to be stewards of member funds, invest wisely and administer benefits effectively. Built into this recommendation is the assurance that CalPERS' expert investment staff will not recommend moving forward with any private equity investments that don't achieve favorable terms and conditions and for all of these reasons, we urge the CalPERS Board to approve the private equity model plan.

Sincerely,

CHRISTY BOUMA
Governmental Advocate
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C CalPERS Investment Committee members
CalPERS Board of Administration