



San Bernardino County Employees' Retirement Assoc.

Staff Report Details (With Text)

File #: 19-661 **Name:**

Type: Action Item

File created: 11/19/2019 **In control:** INVESTMENT COMMITTEE

On agenda: 1/14/2020 **Final action:** 1/14/2020

Title: Recommend that the Board approve the 2020 Private Equity Pacing Plan.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit A: NEPC Private Markets Strategic Investment Plan

Date	Ver.	Action By	Action	Result
1/14/2020	1	INVESTMENT COMMITTEE	Approved	Pass

FROM: Don Pierce, Chief Investment Officer

SUBJECT: 2020 Private Equity Pacing Plan

RECOMMENDATION:

Recommend that the Board approve the 2020 Private Equity Pacing Plan.

BACKGROUND:

The SBCERA Investment Team and NEPC review the Private Equity program annually to ensure the program continues to meet SBCERA's allocation objectives. For the 2020 calendar year, Staff is recommending a PE budget of \$600 million. This budget will allow SBCERA to continue deploying capital in private assets at a measured pace while maintaining the Investment Policy target of 16% allocation to the strategy.

The 2020 PE budget includes allocations to a new MCA account, new fund commitment, and a re-up for Crestline Portfolio Financing Fund II. Existing MCA relationships are allocated \$245 million in the proposed budget leaving \$155 million as dry-powder for future opportunities. Please refer to Exhibit 1 for a breakdown of the allocations.

Exhibit 1: Private Equity Budget and Allocations for 2020

Manager	2019 Allocations	2020 Allocations
Total PE Budget	\$500 MM	\$600 MM
Adams Street Partners MCA ¹	-	\$50 MM
New Fund Commitment [*]	-	\$50 MM
Ares MCA	\$15 MM	-
Crestline Portfolio Fin. Fund II ⁺	-	\$100 MM

Gramercy MCA	\$25 MM	\$25 MM
Industry Ventures MCA	\$100 MM	\$50 MM
Kayne Anderson MCA	\$100 MM	\$50 MM
Partners Group MCA	-	\$50 MM
Pathway Capital MCA	\$102 MM	\$70 MM
Tennenbaum MCA	\$30 MM	-
Waterfall MCA	-	-
Allocated PE Budget	\$372 MM	\$445 MM
Unallocated PE Budget	\$128 MM	\$155 MM

¹MCA subject to SBCERA Investment Committee and Board approval.

*Quarter 1 potential investment.

*Follow-on fund commitment plus reserve for potential MCA.

Crestline Portfolio Finance Fund II (or “Fund II”):

SBCERA committed \$50 million in February 2018 to Crestline Portfolio Finance Fund (or “Fund I”). Fund II will be similar to Fund I from an investment objective, expected returns, and terms perspective. Investor-friendly terms include fees on invested capital and performance fees at the fund level (vs. deal-by-deal basis). The fund’s objective is to provide capital solutions for PE funds that are at least five years old. Expected returns are in the 12%-15% gross of fees return range.

BUDGET IMPACT:

Investment Costs are deducted from Net Asset Value.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Prudent Fiscal Management

STAFF CONTACT:

Amit Thanki

ATTACHMENTS:

Exhibit A: NEPC Private Markets Strategic Investment Plan