



# San Bernardino County Employees' Retirement Assoc.

## Staff Report Details (With Text)

**File #:** 19-661.1 **Name:**

**Type:** Action Item

**File created:** 1/15/2020 **In control:** BOARD OF RETIREMENT

**On agenda:** 2/6/2020 **Final action:** 2/6/2020

**Title:** 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
2/6/2020	1	BOARD OF RETIREMENT	Approved	Pass

**FROM:** Don Pierce, Chief Investment Officer

**SUBJECT:** 2020 Private Equity Pacing Plan

### RECOMMENDATION:

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
<b>Total PE Budget</b>	<b>\$500 MM</b>	<b>\$600 MM</b>
Adams Street Partners MCA <sup>1</sup>	-	\$50 MM
New Fund Commitment <sup>*</sup>	-	\$50 MM
Ares MCA	\$15 MM	-
Crestline Portfolio Fin. Fund II <sup>+</sup>	-	\$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	-	-
<b>Allocated PE Budget</b>	<b>\$372 MM</b>	<b>\$445 MM</b>
<b>Unallocated PE Budget</b>	<b>\$128 MM</b>	<b>\$155 MM</b>

<sup>1</sup>MCA 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.

**COMMITTEE REVIEW:**

This item was reviewed by the Investment Committee at its January 14, 2020 meeting and recommends Board approval, with a 4-0 vote.

**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