

Public Agenda Item #20

** Consideration and Annual Review of Proposed Private Markets Capital Plans for Fiscal Year 2024– (Action)*

August 23, 2023

Anthony Curtiss, Deputy Chief Investment Officer

David T. Veal, Chief Investment Officer

Private Markets Capital Plans

Overview



Capital Planning Process

- Established in IPS
- Guide asset allocation
- Manage commitment activity
- Manage 30+ ACICs per year
- Liquidity management

ERS Private Markets Portfolio	Target Allocation	Target Range	Portfolio Role
Private Equity	16%	11% to 21%	Growth, Enhanced Returns, Illiquidity Premium
Private Real Estate	9%	4% to 14%	Diversification, Yield, Potential to Hedge Inflation, Enhanced Returns, Illiquidity Premium
Private Infrastructure	5%	0% to 10%	Diversification, Income-Orientation, Inflation Hedging, Illiquidity Premium
Private Credit	3%	0% to 8%	Yield, Diversification, Illiquidity Premium

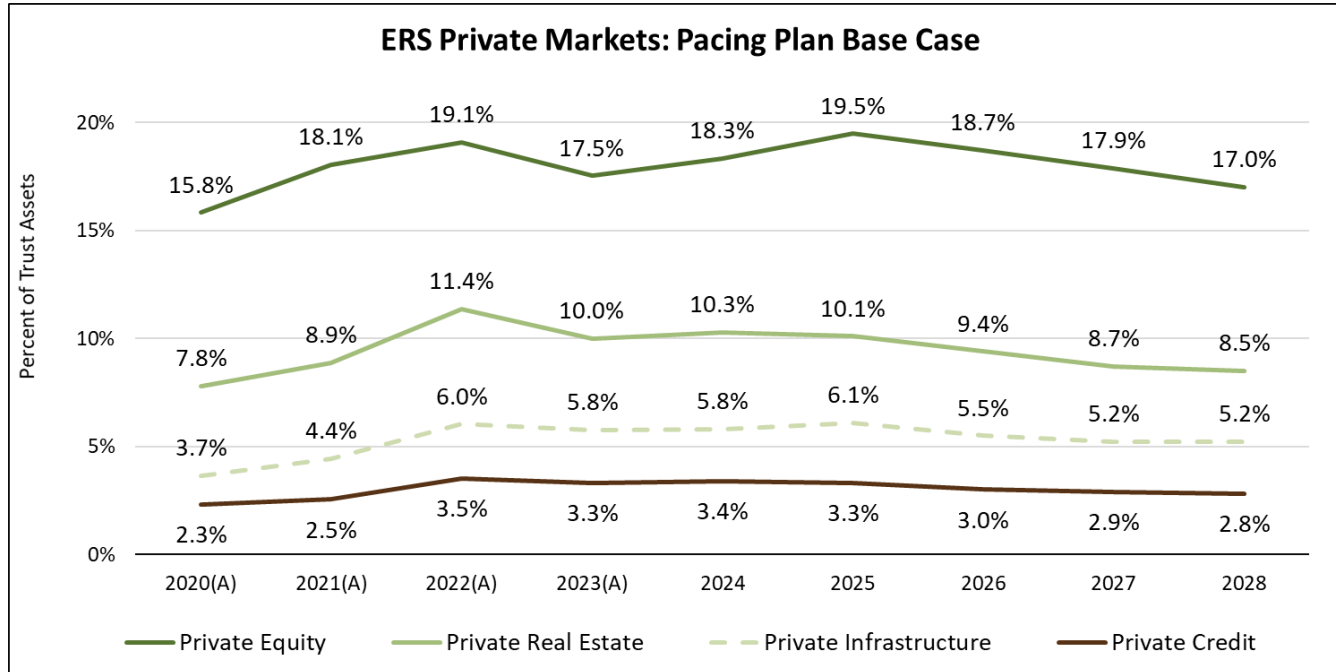
Long-Term View of Trust-level Capital Planning

Private Markets Capital Plans

Plan for Fiscal Years 2024-2028



- Private market allocations continue to trend toward their strategic targets

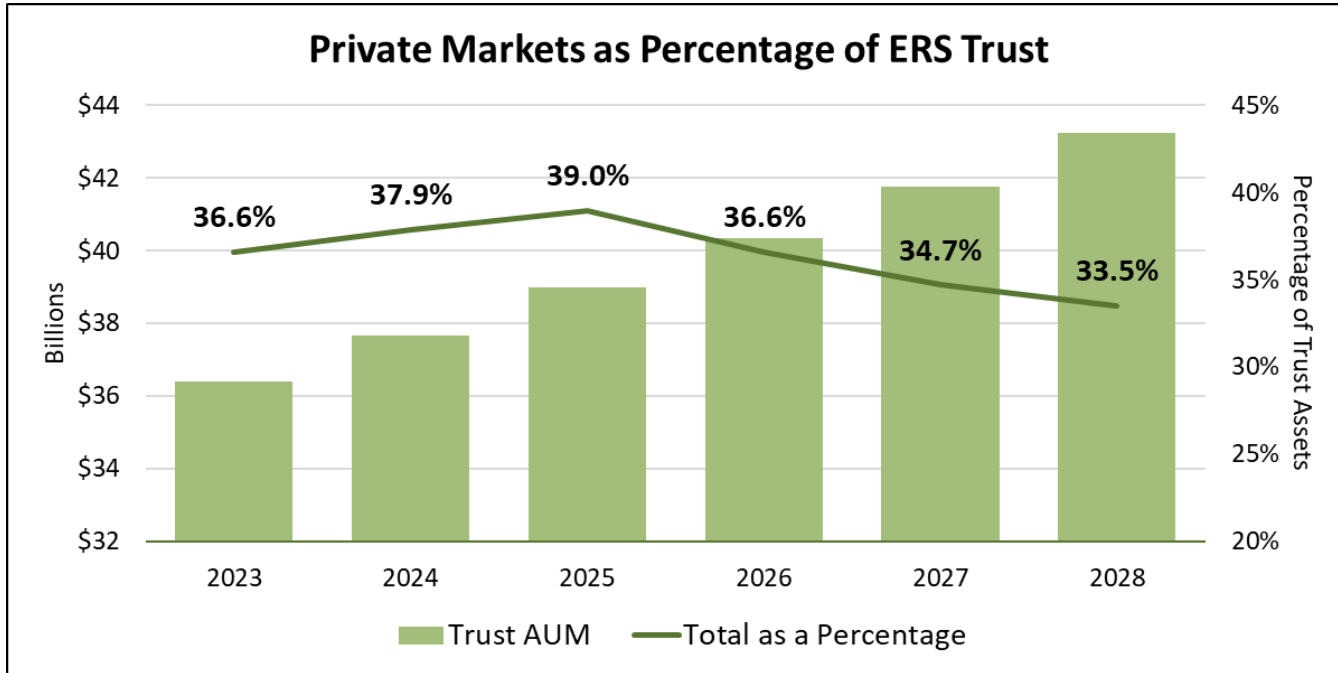


Private Markets Capital Plans

Plan For Fiscal Years 2024-2028



- Current trajectory maintains a prudent risk profile with <40% in private markets

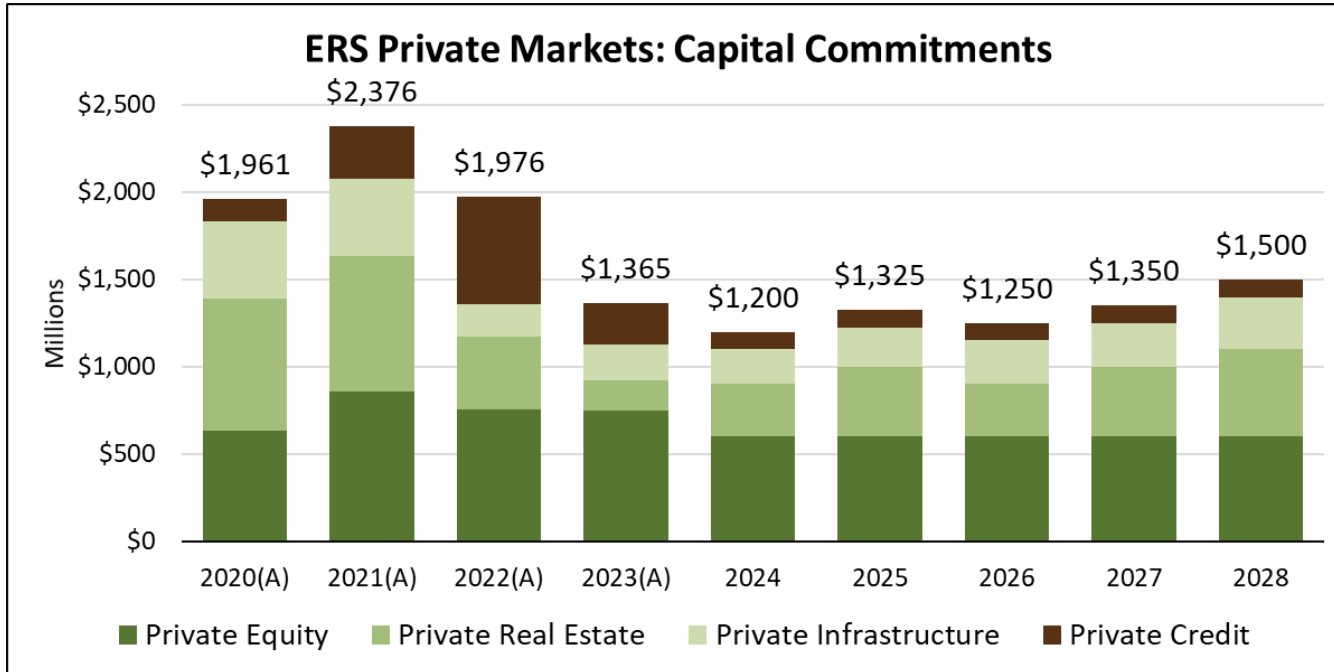


Private Markets Capital Plans

Plan for Fiscal Years 2024-2028



- Conservative commitment level given a mature program

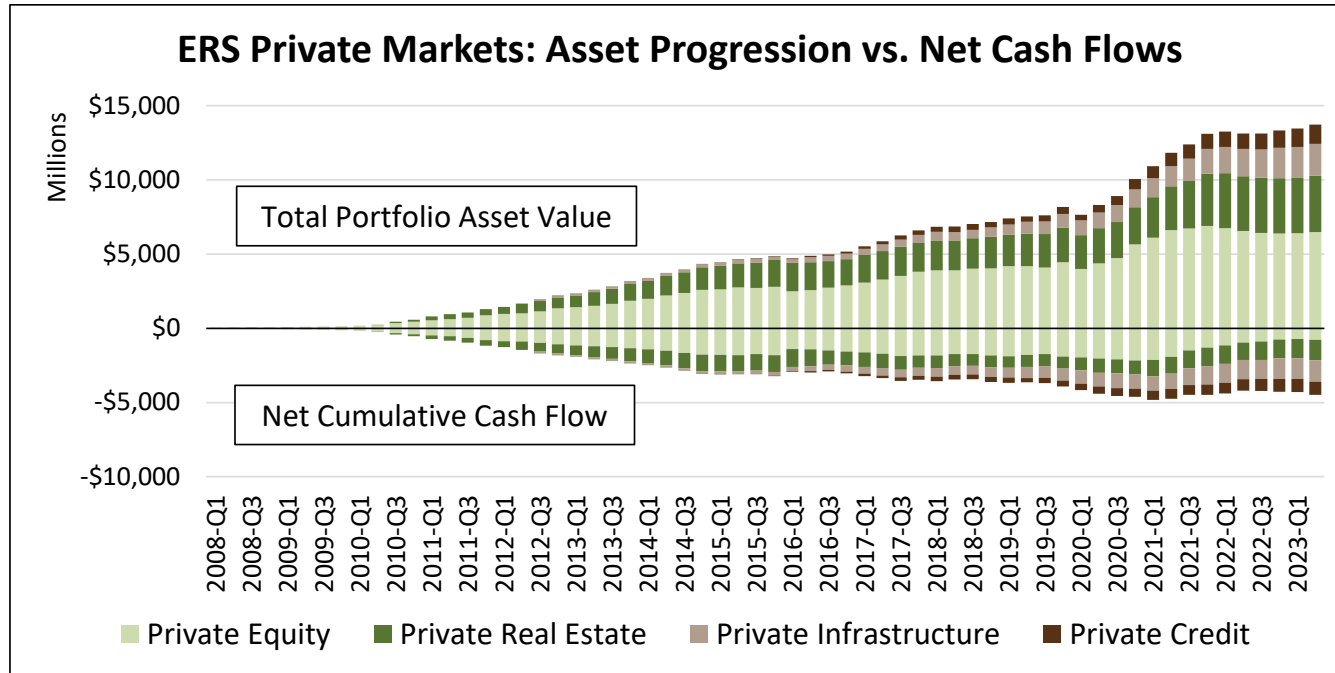


Private Markets Capital Plans

Plan for Fiscal Years 2024-2028 (Action)



- Mature program producing net cash flow, which is expected to continue through FY28

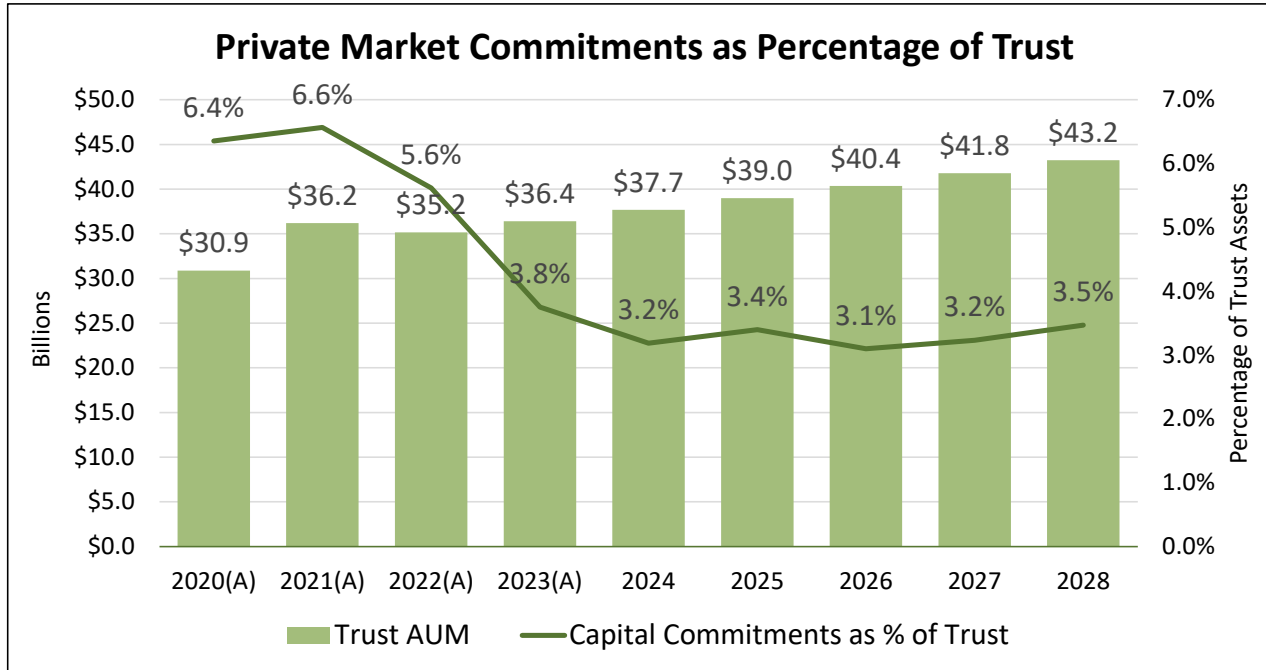


Private Markets Capital Plans

Plan for Fiscal Years 2024-2028



- After a decade of growth, the private markets program has now reached maturity

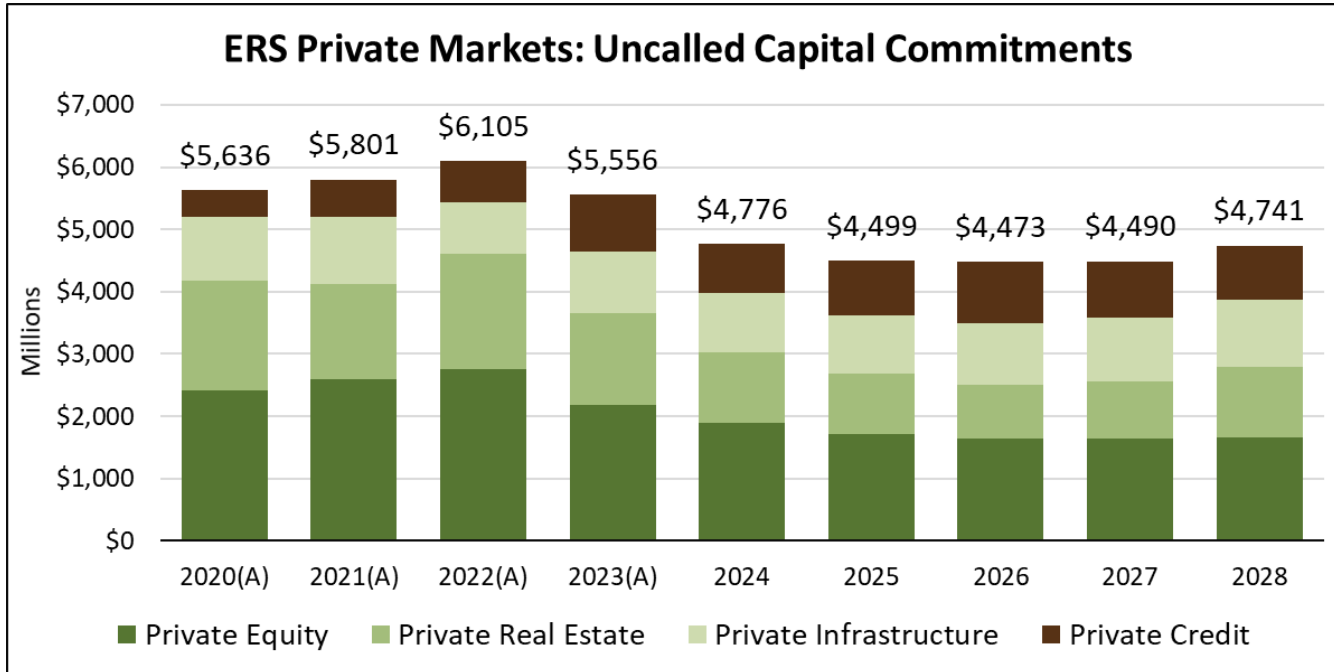


Private Markets Capital Plans

Plan for Fiscal Years 2024-2028



- Uncalled commitments have peaked and are expected to remain stable

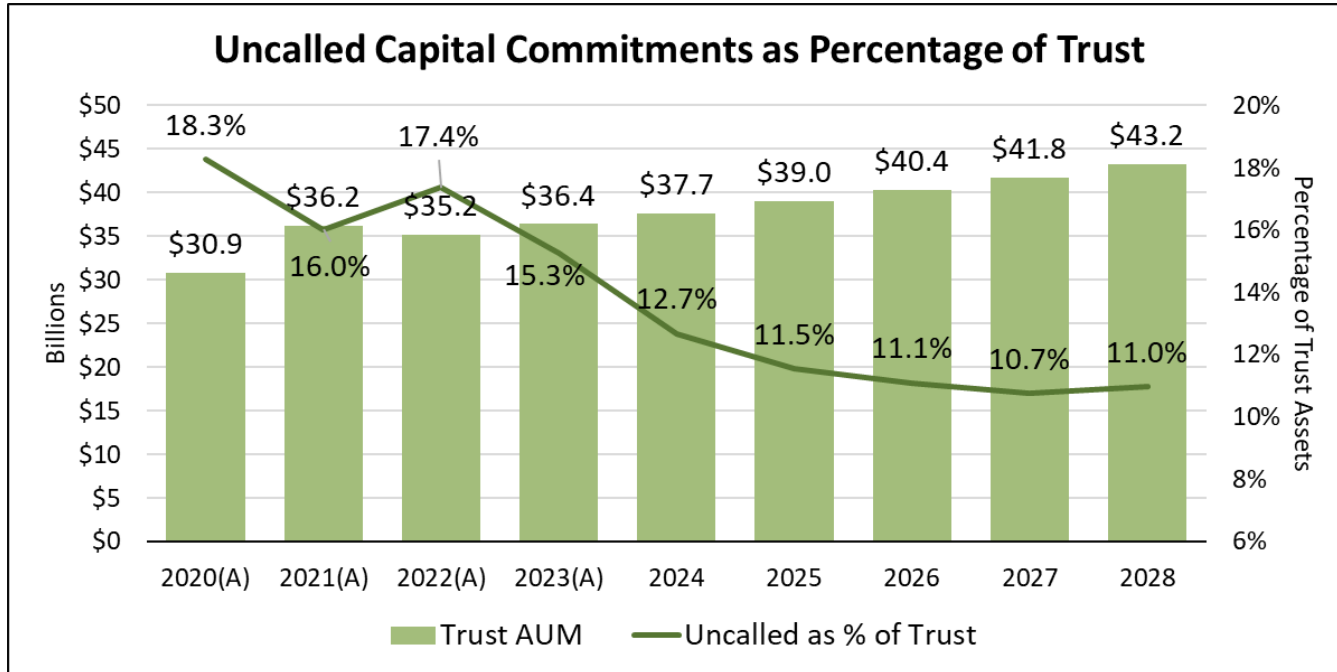


Private Markets Capital Plans

Plan for Fiscal Years 2024-2028



- The relative amount of uncalled capital commitments continues to trend down



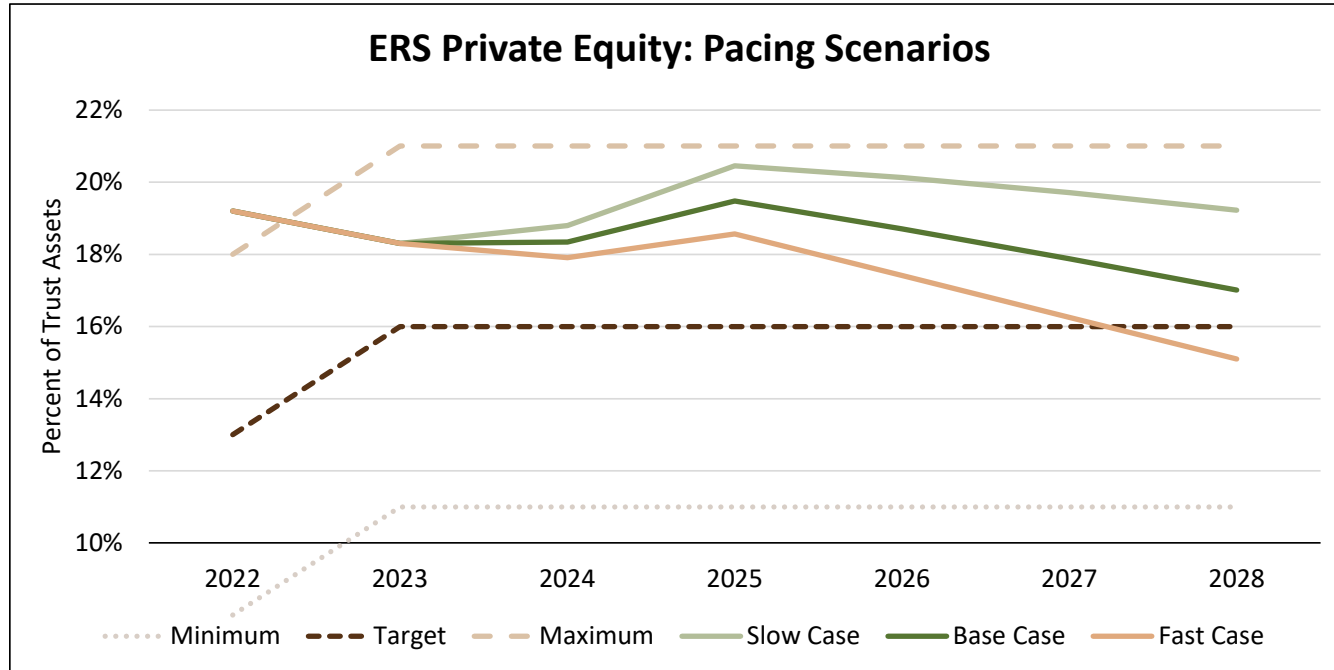
Capital Plans for Private Market Asset Classes

Private Equity Capital Plan

Proposed Tactical Plan for FY24 (Action)



- Target FY24 commitments of \$600 million, range of \$450-750 million



Private Equity Capital Plan

Proposed Tactical Plan for FY24 (Action)



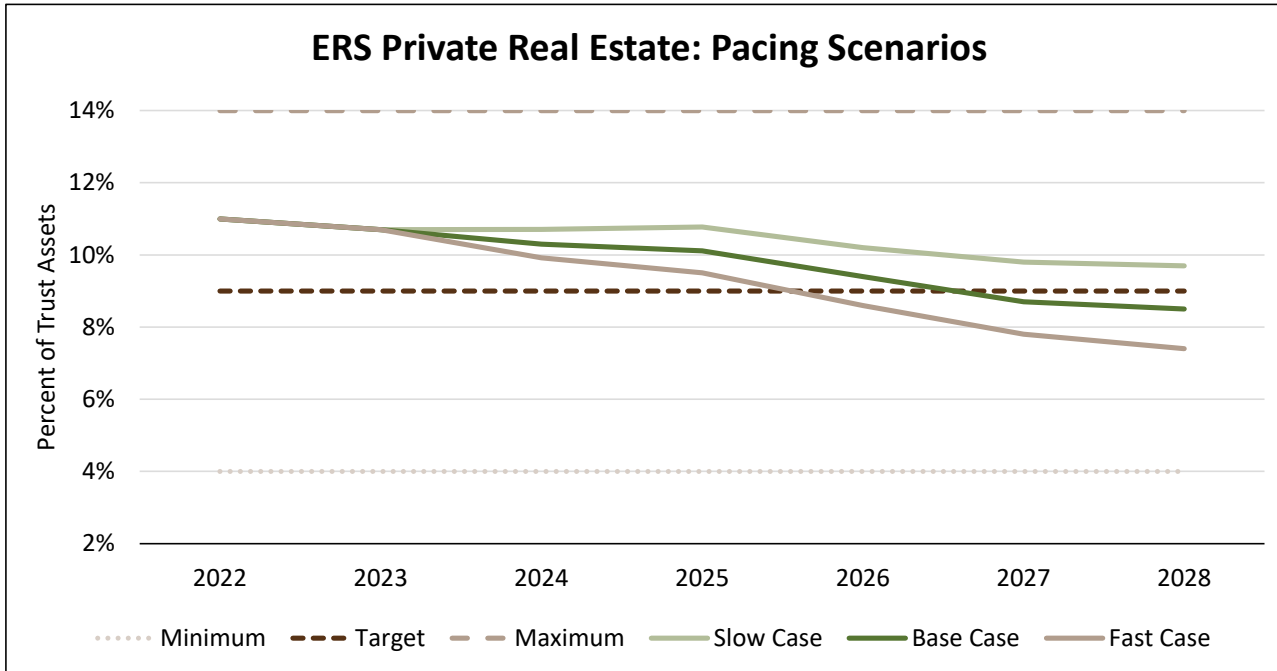
- 12 new primary fund commitments and 5-9 co-investments
- Focus on both buyout and growth equity, with a targeted approach to healthcare and technology
- Additional consideration for energy investments
- Staff expects to maintain a similar pacing for the FY24-FY28
- Transaction multiples continue to decline, driven by slower M&A activity and a difficult fundraising environment

Real Estate Capital Plan

Proposed Tactical Plan for FY24



- Target commitments of \$300 million, range of \$150-450 million



Private Real Estate Capital Plan

Proposed Tactical Plan for FY24 (Action)



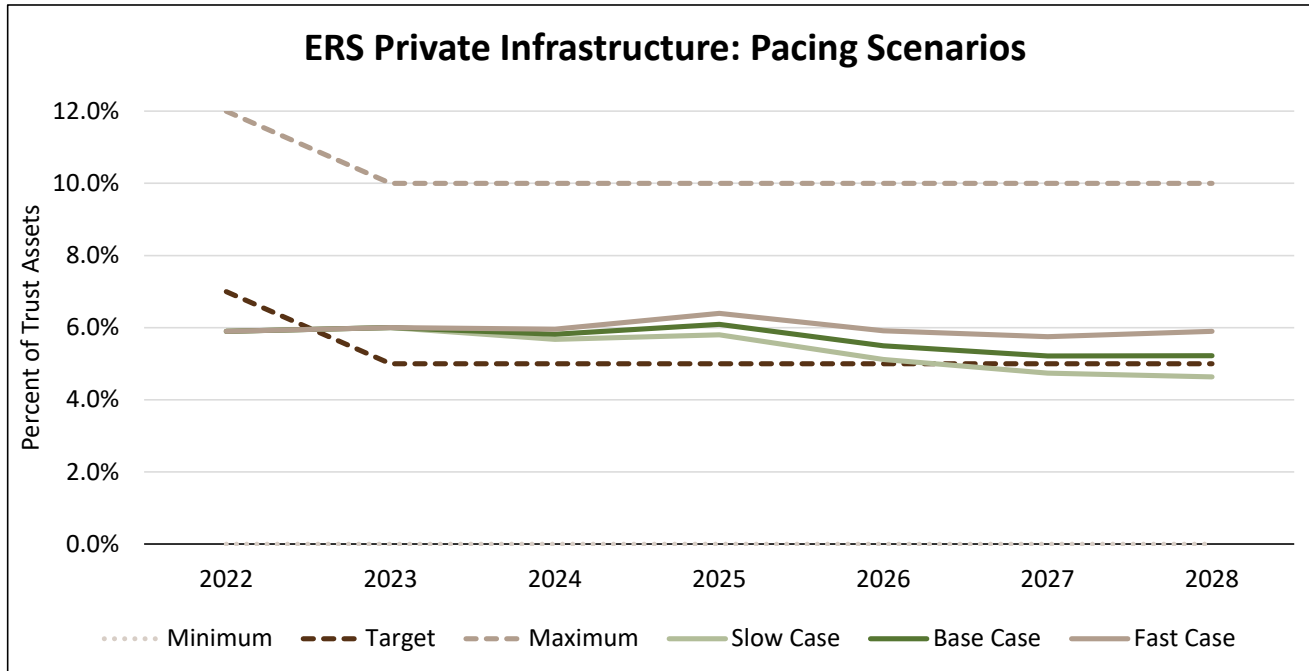
- 5-8 commitments (inclusive of co-investments)
- Strong desire to add industrial exposure
- Niche strategies (i.e. life science, data centers, self storage, etc.)
- Pull forward of some additional commitment capacity
- Vintage year outlook appears favorable with Real Estate prices off ~15% vs. March 2022 highs

Private Infrastructure Capital Plan

Proposed Tactical Plan for FY24



- Target commitments of \$200 million, range of \$150-250 million



Private Infrastructure Capital Plan

Proposed Tactical Plan for FY24 (Action)



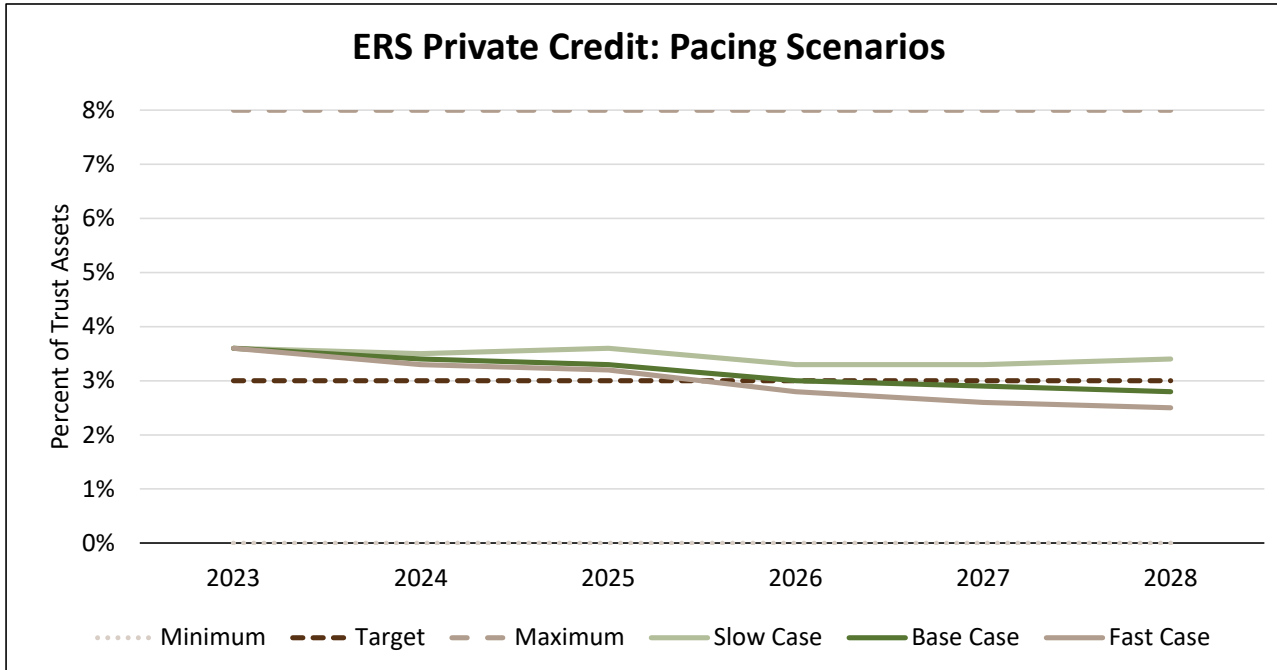
- 4 – 9 commitments (inclusive of co-investments)
- Consideration of adding core exposure in FY24
- Non-U.S. exposure consideration (Europe and Australia)
- Staff expects a gradual increase to its pacing after FY24
- Transaction multiples remain stable despite market volatility

Private Credit Capital Plan

Proposed Tactical Plan for FY24



- Target commitments of \$100 million, range of \$100-150 million



Private Credit Capital Plan

Proposed Tactical Plan for FY24 (Action)



- Continue to pursue opportunistic approach
- 1 - 2 new primary fund commitments for the year
- Some areas within structured credit appear attractive
- Staff expects to maintain a similar pacing for the FY24-FY28

Private Markets Capital Plan

Capital Plan Proposal for FY24 (Action)



- Total commitments of \$1.2 billion, range of \$900 million to \$1.5 billion

Program	Proposed FY24	Target Range FY24
Private Equity	\$600 million	\$450 to \$750 million
Private Real Estate	\$300 million	\$150 to \$450 million
Private Infrastructure	\$200 million	\$150 to \$250 million
Private Credit	\$100 million	\$100 to \$150 million
TOTAL TRUST	\$1,200 million	\$900 million to \$1,500 million

Discussion
Action Item