

# Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: February 26, 2009

SUBJECT: Proposed Revisions to the Investment Objectives and Guidelines for Private Market Portfolios

TO: Members of the Finance Committee

FROM: Robert E. Little, CPA  
Senior Investment Analyst

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At the March Finance Committee meeting, we will ask the Committee to adopt the proposed Investment Objectives and Guidelines (hereafter referred to as Addenda) for private market portfolios, as revised.

The more substantive changes to the Addenda have been black lined for your convenience in reviewing the changes. Substantive changes to the Addenda are based on suggestions made by Investment Office Staff. If you have any questions or comments regarding these changes, please contact me at 717-720-4707.

## **Addendum R – Pennsylvania Mortgage Program**

No material changes.

## **Addendum S – Open-End Real Estate Fund Investments**

No material changes.

## **Addendum U – Closed-End Opportunistic and Value-Added Real Estate Fund Investments**

No material changes.

## **Addendum V – Direct Real Estate**

1. Changed the Objective to reflect that the program was closed to new acquisitions several years ago and is currently going through an orderly liquidation process.

## **Addendum W – Farmland Investment Program**

1. Changed the Objective to reflect that the program was closed to new acquisitions several years ago and is currently going through an orderly liquidation process.

#### **Addendum X – Private Investment and Venture Capital Policy**

1. Increased the minimum investment from \$25 million to \$50 million.
2. With Venture Capital partnerships, added wording to the minimum requirements to allow General Partners to invest 10% of PSERS commitment in a parallel fund structure. This wording is similar to wording already exists in the Private Equity partnership minimum requirements.
3. With Venture Capital partnerships, removed wording in the method of participation section that permitted direct investment if approved by the Board. This wording was already eliminated from the Private Equity partnership method of participation section.

#### **Addendum X1 – Private Debt Policy**

1. Adjusted the partnership size categories to be consistent throughout the document.
2. Removed wording that required the limited partner to offer PSERS the opportunity to invest in all co-investment opportunities. In the private debt market, there are not the same co-investment opportunities that exist in the private equity and venture capital markets.

# Proposed Revisions to the Investment Objectives and Guidelines for Private Market Portfolios



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Robert E. Little, CPA  
Senior Investment Analyst  
March 12, 2009



# Investment Objectives and Guidelines

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- Investment Objectives and Guidelines (Addendums) provide the general framework for each investment mandate
- Staff endeavors to bring each Addendum to the Finance Committee for your approval once a year
- At the Committee's request, we will stagger the approval process



# Investment Objectives and Guidelines

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- There were no changes made to the following Addenda:
  - Addendum R – Pennsylvania Mortgage Program
  - Addendum S – Open-End Real Estate Fund Investments
  - Addendum U – Closed-End Opportunistic and Value-Added Real Estate Fund Investments



# Investment Objectives and Guidelines

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- Addendum V – Direct Real Estate
- Addendum W – Farmland Investment Program
  - Changed the Objective to reflect that the program was closed to new acquisitions and is currently going through an orderly liquidation process



# Investment Objectives and Guidelines

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- Addendum X – Private Investment and Venture Capital Policy
  - Increased the minimum investment from \$25 million to \$50 million
  - Added wording to the VC policy to allow the GP to invest 10% of PSERS commitment in a parallel fund structure
  - Removed wording from the VC policy that permitted direct investment if approved by the Board



# Investment Objectives and Guidelines

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- Addendum X1 – Private Debt Policy
  - Adjusted the partnership size categories
  - Removed wording that required the LP to offer PSERS the opportunity to invest in all co-investment opportunities



# Proposed Revisions to the Investment Objectives and Guidelines for Private Market Portfolios



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Senior Investment Analyst  
March 12, 2009

**PSERB Resolution 2009-08**  
**Re: Investment Objectives and Guidelines**  
**March 12, 2009**

RESOLVED, that the Public School Employees' Retirement Board adopt the proposed Investment Objectives and Guidelines Addenda listed below pursuant to the recommendation of Robert E. Little, Senior Investment Analyst, dated February 26, 2009.

<b><u>Addendum</u></b>	<b><u>Addendum Title</u></b>
R	Pennsylvania Mortgage Program
S	Open-End Real Estate Fund Investments
U	Closed-End Opportunistic and Value-Added Real Estate Fund Investments
V	Direct Real Estate
W	Farmland Investment Program
X	Private Investment and Venture Capital Policy
X1	Private Debt Policy