CalPERS California Initiative 2015

Creating Opportunities in California's Underserved Markets

CalPERS

The CalPERS California Initiative

The CalPERS California Initiative has committed over $1 billion to companies located in traditionally underserved markets, primarily, but not exclusively, located in California. The initiative has sought to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital. The California Initiative's primary objective is to generate attractive financial returns, meeting or exceeding private equity benchmarks. As an ancillary benefit, the California Initiative was designed to focus investment in California's underserved markets and invest in portfolio companies that:

- Have historically had limited access to institutional equity capital
- Employ workers who reside in economically disadvantaged areas
- Provide employment opportunities to women and minority entrepreneurs and managers

Table of Contents

Executive Summary

In 2001, CalPERS established the California Initiative to invest private equity in "traditionally underserved markets, primarily, but not exclusively in California."[1]

The California Initiative began with a capital commitment of $475 million, known as Phase I. In 2006, CalPERS made a second commitment totaling $560 million in an investment vehicle known as the Golden State Investment Fund (GSIF), externally managed by Hamilton Lane.

The objective of the California Initiative is to generate attractive financial returns. The performance of the California Initiative is reported regularly by CalPERS Private Equity and is reported annually with the presentation of this Initiative. Additional goals for the California Initiative included creating jobs and promoting economic opportunity in California. This report is intended to document those objectives. To determine the extent of the ancillary benefits, CalPERS engaged Pacific Community Ventures to measure the impact of the California Initiative by examining portfolio companies that:

- Traditionally have had limited access to institutional equity capital
- Employ workers living in economically disadvantaged areas
- Provide employment opportunities to women and minority entrepreneurs and managers

Since the inception of the California Initiative, CalPERS has invested approximately $1 billion in 538 companies.

Summary Findings

- The California Initiative represents a significant capital investment in California's economy with 68 percent of capital allocated to "California Companies", defined as those headquartered in California, or with a plurality of employees or facilities in the state.
- The California Initiative has created and sustained jobs within California and the nation through continued economic uncertainty, supporting 164,753 workers at all companies since inception.
- Companies receiving investment through the California Initiative have provided quality jobs to employees, with benefit levels for health and retirement outpacing statewide and national levels.
- The California Initiative has invested in areas of the state that have historically not received institutional equity capital, with 36 percent of all dollars deployed in California allocated to companies located in these underserved markets.
- Economically disadvantaged communities benefit from the California Initiative and its portfolio companies. The California Initiative employs a significant number of economically disadvantaged persons, with 49 percent of GSIF portfolio company employees classified as low- to moderate-income.
- California Initiative portfolio companies have leadership that includes women and minorities at levels that outpace national and state and local levels.

Quick Facts on the California Initiative since Inception

California Initiative Capital Allocations	Year of Inception	Manager of Funds	Private Equity Vehicles	Capital Committed	Companies Receiving Investment
Phase I	2001	CalPERS	9 funds	$375,000,000	122
Phase I: Banc of America Fund[2]	2002	Bank of America	15 funds	$100,000,000	177
Golden State Investment Fund	2006	Hamilton Lane	16 funds and 17 direct co-investments	$560,000,000	239
Totals				**1,035,000,000**	**538**

Introduction

In 2001, the CalPERS Investment Committee established, and CalPERS staff implemented, the California Initiative to invest private equity in "traditionally underserved markets, primarily, but not exclusively in California."

The California Initiative was initially launched with a capital commitment of $475 million to nine private equity funds and one fund-of-funds. This initial allocation is known as Phase I. In 2006, CalPERS committed $560 million for a Phase II to be managed by Hamilton Lane, in an investment vehicle known as the Golden State Investment Fund (GSIF). GSIF seeks to invest in both partnerships and direct co-investments primarily in California. At June 30, 2015, GSIF had invested in 16 private equity funds and made 17 direct co-investments. Since inception, CalPERS has invested approximately $1 billion in the California Initiative supporting 538 private companies across the state.

The objective of the California Initiative is to generate attractive financial returns. As an ancillary benefit, the California Initiative was designed to create jobs and promote economic opportunity in California. To determine the extent of the ancillary benefits, CalPERS measures the impact of the California Initiative by examining portfolio companies that:

- Traditionally have had limited access to institutional equity capital
- Employ workers living in economically disadvantaged areas
- Provide employment opportunities to women and minority entrepreneurs and managers

CalPERS and Hamilton Lane engaged Pacific Community Ventures (PCV), a provider of impact investing research and consulting, to collect, analyze and report on the California Initiative's ancillary benefits.

This report focuses solely on data from 361 of the 538 companies that have received funding through Phase I (122) and GSIF (239). The companies not included in this report are the 177 that received funding through a $100 million separate fund-of-funds account in Phase I, known as the Banc of America California Community Venture Fund (BACCVF). A summary of the community benefits derived from BACCVF, prepared separately by Bank of America Merrill Lynch Capital Access Funds, is presented at the end of this report, on page 23.

Of the 361 companies, 332 (92 percent) provided data for this report. Since inception there have been 198 companies that have had exits and are fully realized investments. Seventeen of these 198 companies exited between July 1, 2014 and June 30, 2015, the period of this report.[3]

As of June 30, 2015, private equity funds that received capital through the California Initiative had active investments in 149 companies (11 in Phase I and 138 in GSIF). Of the 149 active companies, 134 companies (90 percent) provided data at June 30, 2015, including 11 Phase I portfolio companies (100 percent) and 123 GSIF portfolio companies (89 percent).[4]

California Initiative Portfolio Investments[1]

	Phase I	GSIF	Total California Initiative
Number of companies	122	239	361
Active companies (as of June 30, 2015)	11 (9%)	138 (58%)	149 (41%)
Fully realized (as of June 30, 2015)	111 (91%)	87 (36%)	198 (55%)
Active companies, contributed data 2015	11 (100%)	123 (89%)	134 (90%)
All companies ever reporting, including fully realized investments	104 (85%)	228 (95%)	332 (92%)

[1]This table does not include the 177 companies that received funding through the $100 million separate fund-of-funds account in Phase I allocated to the Banc of America California Community Venture Fund.

California Initiative Companies

Employment and Employment Growth

The following sections detail employment growth since the time of investment for companies in Phase I and GSIF of the California Initiative, and from July 1, 2014 to June 30, 2015, benchmarked against the U.S. and California private sectors.

Employment growth since investment

All Investments

Since 2005, 104 Phase I and 228 GSIF portfolio companies have contributed data to at least one assessment effort. The most recent data available from these 332 companies shows total employment of 164,753, demonstrating a growth rate of 28 percent overall (35,756 net new jobs) and 53 percent in California (13,514 net new jobs) since investment.

Within the California Initiative, the 104 Phase I portfolio companies that have contributed data since inception account for 10 percent of the total net new jobs created and 20 percent of the net new jobs created in California, whereas the 228 GSIF portfolio companies account for 90 percent of the total net new jobs created and 80 percent of the net new jobs created in California. Given the greater number of companies receiving investment through GSIF, the ancillary benefits for the California Initiative are predominately driven by the performance of GSIF.

Active Investments

The California Initiative has 134 active portfolio companies that reported data as of June 30, 2015, with 11 active Phase I portfolio companies and 123 active GSIF portfolio companies. Since the time of CalPERS investment, overall employment has increased 79 percent among the 11 active Phase I companies, while California employment has increased 121 percent. This increase far exceeds rates of employment growth in the United States and California between 2001 and 2015.[5] The outsized rate of California job growth experienced by Phase I companies reflects the smaller proportion of employees located in California (ten percent) at time of investment and particularly high employee growth at three specific portfolio companies.

The 123 active GSIF portfolio companies have experienced 44 percent employment growth overall since investment and 69 percent employment growth in California.[6] This also surpasses rates of job growth in the United States and California from 2007 to 2015, where employment increased four percent in the private sector.[7] The lower rate of job growth in California for GSIF portfolio companies, at least compared to Phase I, is attributable to GSIF's investment in larger, more mature companies with a greater proportion of employees in California (23 percent) at time of investment.

California Initiative Portfolio Companies, Employees

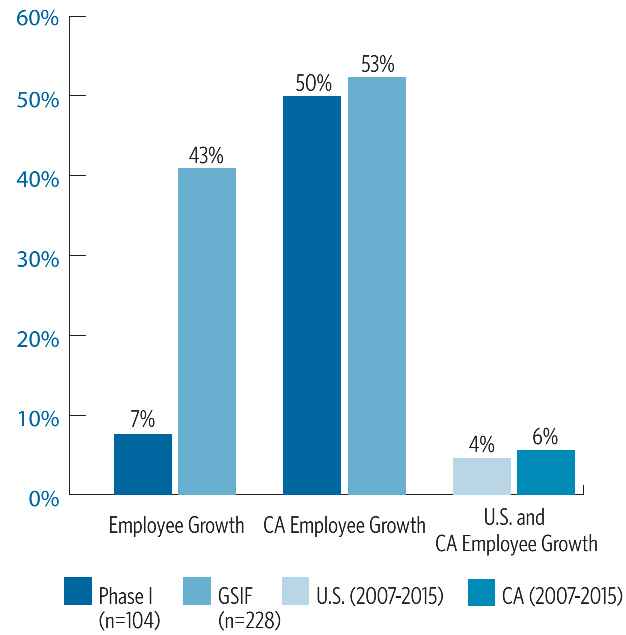
	All Employees			CA Employees		
	At Investment	At June 30, 2015	Net Job Growth Since Investment (new jobs/ % growth)	At Investment	At June 30, 2015	Net Job Growth Since Investment (new jobs/% growth)
Phase I – Active portfolio companies reporting as of June 30, 2015 (n=11)	6,383	11,400	5,017 / 79%	582	1,286	704 / 121%
Phase I – All companies reporting, including fully realized investments (n=104)[8]	53,645	57,313	3,668 / 7%	5,510	8,247	2,737 / 50%
GSIF – Active portfolio companies reporting as of June 30, 2015 (n=123)	55,342	79,728	24,386 / 44%	12,403	21,013	8,610 / 69%
GSIF – All companies reporting, including fully realized investments (n=228)[9]	75,352	107,440	32,088 / 43%	20,228	31,005	10,777 / 53%
Total CA Initiative – Active portfolio companies reporting as of June 30, 2015 (n=134)	61,725	91,128	29,403 / 48%	12,985	22,299	9,314 / 72%
Total CA Initiative – All companies ever reporting, including fully realized investments (n=332)[10]	128,997	164,753	35,756 / 28%	25,738	39,252	13,514 / 53%

As a point of reference: Between June 2007 and June 2015, U.S. employment increased four percent and CA employment increased six percent. Between June 2001 and June 2015, U.S. employment increased eight percent and CA employment increased 10 percent.[11]

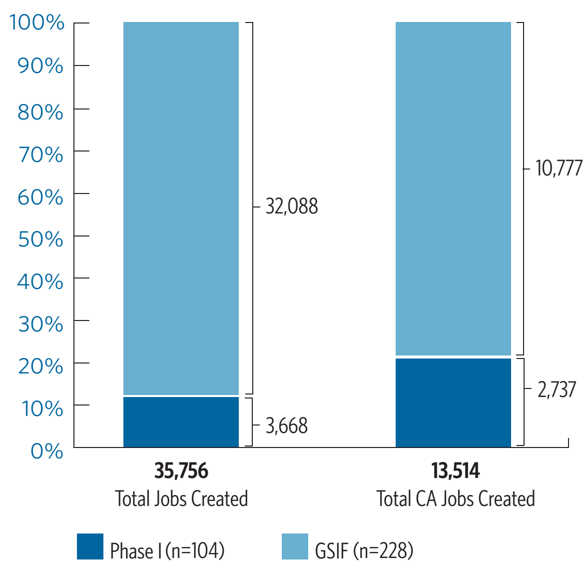
Annual employment growth

California Initiative companies reporting data to PCV in both 2014 and 2015 (n=122) created jobs at a higher rate than the U.S. and California economies as a whole. At Phase I companies (n=10), total employment increased 3 percent and California employment increased 2 percent. GSIF companies that reported data in both 2014 and 2015 (n=112) increased total employment by 4 percent and California employment by 13 percent. By comparison, employment in the United States and California increased 2 percent and 3 percent respectively in the 12 months to June 30, 2015.[12] Driven primarily by GSIF, California Initiative companies that reported data in both 2014 and 2015 increased total employment by 4 percent and California employment by 12 percent.

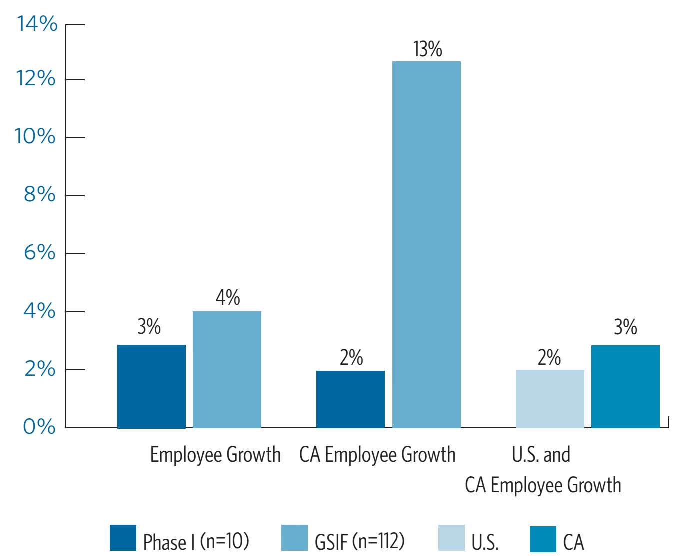
California Initiative Job Growth Since Investment
All Companies Including Fully Realized Investments



California Initiative Jobs Created Since Investment
All Companies Including Fully Realized Investments



California Initiative Annual Job Growth
June 30, 2014 to June 30, 2015 — Active Reporting Companies



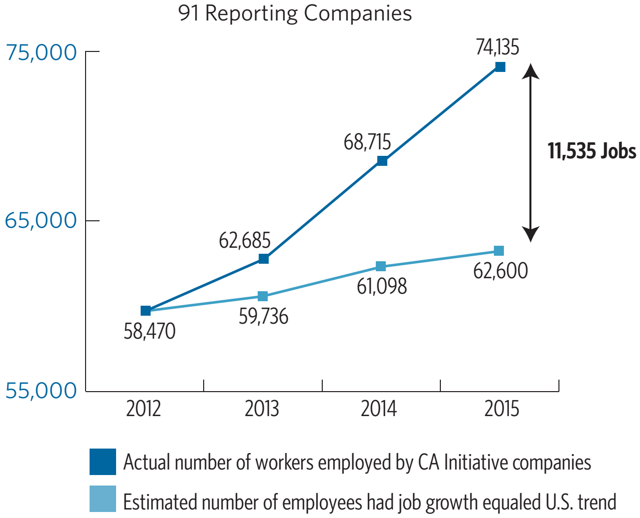
Job Preservation and Growth – California Initiative Employment Growth versus U.S. and California Employment Growth

Overall, California Initiative employment growth exceeded employment growth in the United States and California with most California Initiative companies preserving and creating jobs despite a sluggish, recovering economy. Ninety-one California Initiative portfolio companies participated in four consecutive years of data collection from 2012 to 2015.[13] In 2012, these 91 companies had a total of 58,470 employees, including 13,319 in California. In 2015, they had 74,135 employees, including 18,948 in California, representing 27 percent job growth overall and 42 percent job growth in California.

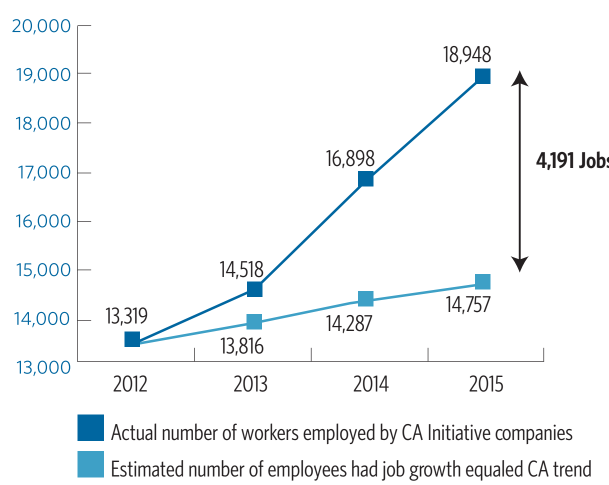
The following charts show:

- Actual job growth for these 91 companies from 2012 to 2015, from 58,470 to 74,135 employees nationwide, and from 13,319 to 18,948 employees in California.
- Hypothetical employee numbers at these 91 companies, had job growth been equivalent to the annual workforce trends in the overall United States and California private sectors.
- The number of jobs that would have been lost or would not have existed, 11,535 nationwide and 4,191 in California, had these companies hypothetically experienced the annual job growth rates of the overall U.S. and California private sectors.

California Initiative: Impact on Job Growth, All Employees
91 Reporting Companies



California Initiative: Impact on Job Growth, CA Employees
91 Reporting Companies



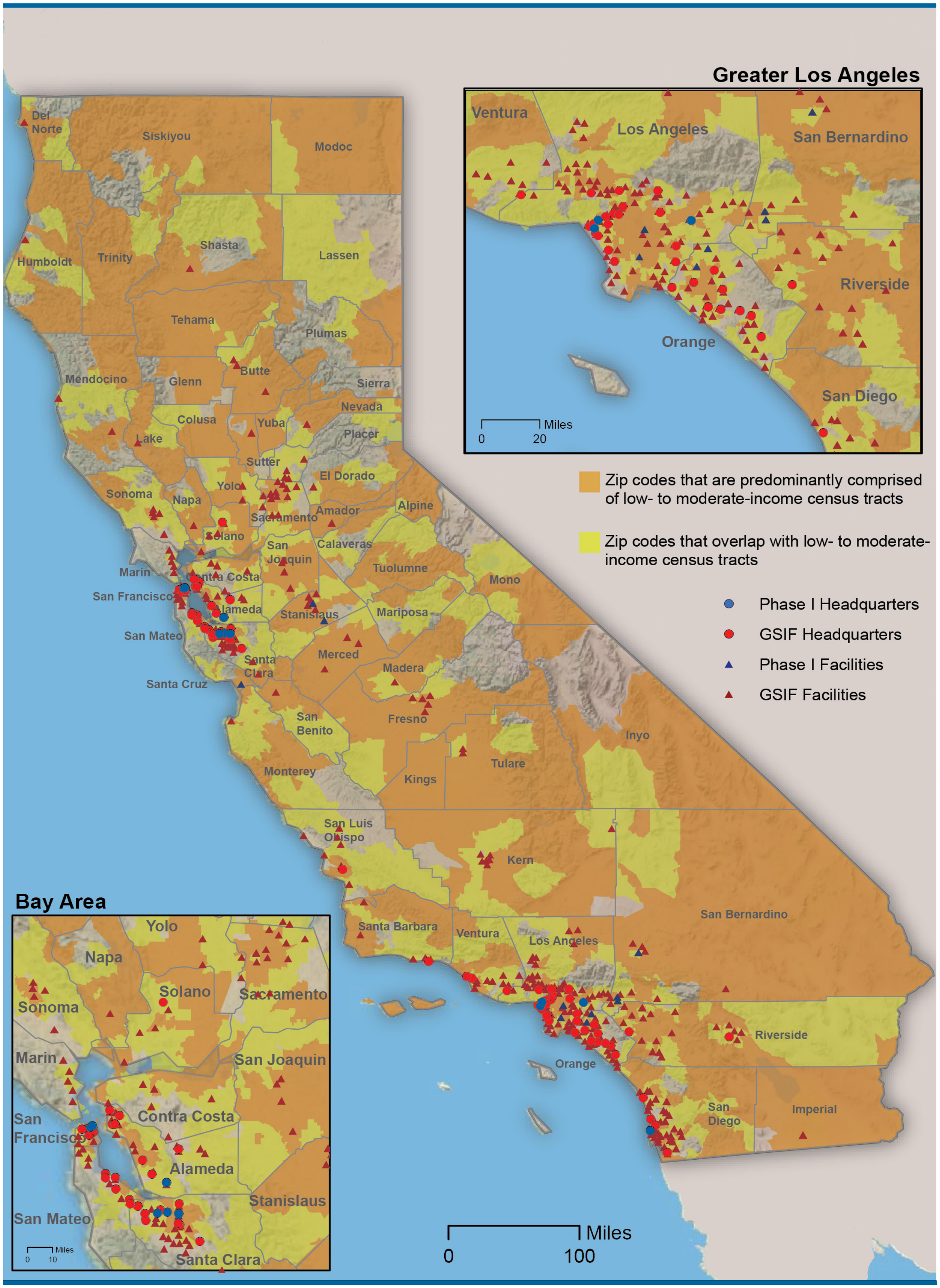
Company Locations

The 134 active California Initiative portfolio companies that contributed data in 2015 operate 2,929 total locations, including both headquarters (134) and facilities (2,795); 62 percent of these companies are headquartered in California, as are 17 percent of facility locations (excluding headquarters).

California Initiative Active Portfolio Companies, Operating Locations

	Headquarters	Facilities	Total
Total California Initiative	134	2,795	2,929
Total California Initiative in California	83 (62%)	483 (17%)	566 (19%)
Phase I	11	200	211
Phase I in California	7 (64%)	17 (9%)	24 (11%)
GSIF	123	2,595	2,718
GSIF in California	76 (62%)	466 (18%)	542 (20%)

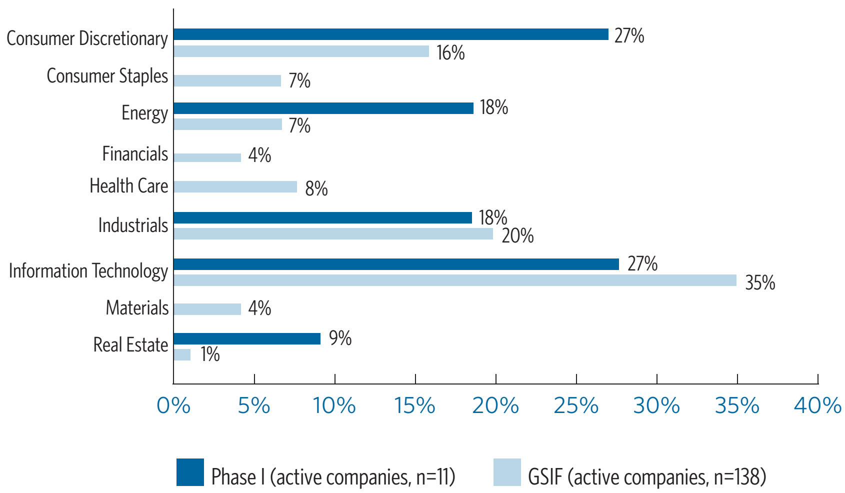
California Initiative Portfolio Company Locations



Portfolio Diversification

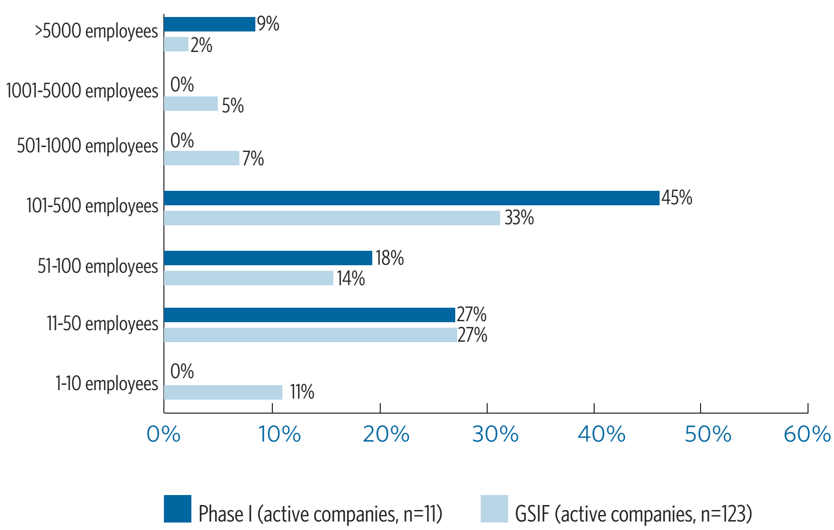
California Initiative portfolio companies operate across a variety of industries.[14]

Portfolio Diversification by Industry



Portfolio companies range in size from fewer than 10 to more than 25,000 employees. The majority of portfolio companies (54 percent) employ between 11 and 150 workers.

California Initiative Active
Portfolio Companies by Employee Size



Job Quality

At both Phase I and GSIF portfolio companies reporting data as of June 30, 2015, the "quality" of jobs, defined as the provision of medical coverage, retirement plans, and paid sick and vacation leave, compares favorably with job quality at companies in California and the United States.

Job quality at Phase I portfolio companies

A higher percentage of Phase I companies offer employees benefits than comparable companies in the United States and California. All Phase I companies provide medical insurance to at least some of their employees compared with 57 percent of U.S. companies [15] and 58 percent of California companies.[16] Ninety-three percent of Phase I companies offer medical insurance to between 76 percent and 100 percent of their employees, as compared to 70 percent of U.S.[17] and 76 percent of California employees that are eligible for employer-based medical insurance.[18]

Phase I companies compare favorably to U.S companies as a whole in the provision of retirement benefits, sick leave, and paid vacation. Phase I companies report job quality data by the percentage range of employees eligible to receive a particular benefit, as demonstrated in the table below.

Phase I Portfolio Companies, Employee Benefits

	Benefits provided to zero employees	Benefits provided to 1-25% of employees	Benefits provided to 26-50% of employees	Benefits provided to 51-75% of employees	Benefits provided to 76%-100% of employees	Total percentage of companies offering benefits to at least some employees
Medical Insurance	0%	9%	0%	0%	91%	100%
Retirement Plan	0%	9%	0%	0%	91%	100%
Paid Sick Leave	0%	9%	0%	0%	91%	100%
Paid Vacation	0%	9%	0%	0%	91%	100%
Company Stock	45.5%	9%	0%	0%	45.5%	55%

Job quality at GSIF portfolio companies

GSIF portfolio companies report the absolute number of employees eligible for and enrolled in each benefit. The GSIF approach allows for more precise measurement of benefits and better comparisons to state and national data, providing a clearer picture of job quality for portfolio company employees. To accurately represent job quality for lower income workers, many of whom are employed in hourly wage jobs, GSIF portfolio companies report data for salaried and non-salaried employees separately. Benefit eligibility rates of these portfolio companies compare favorably to the rates in both the United States and California. Enrollment rates, while similar for salaried employees, are lower for non-salaried employees in the GSIF portfolio.

Job quality changes since investment

As part of measuring job quality at GSIF portfolio companies, changes to employee benefit packages are tracked. Of the 228 GSIF portfolio companies that have ever reported data, including fully realized investments, 130 (57 percent) have made changes to their benefits packages since the time of investment. A majority of companies have increased benefits packages offered to employees with 82 (63 percent) of the 130 companies reporting improvements to employee benefits packages, while only 15 companies (12 percent) have reported decreased benefits. Another 33 (25 percent) of the 130 companies indicated changes in benefit providers or benefits package with an indeterminate impact on employee benefits since investment.

GSIF Portfolio Companies, Employee Benefits

		GSIF Salaried	GSIF Non-salaried	U.S. — All Employees[19]	CA — All Employees[20]
Medical coverage	Establishments offering	93%	59%	57%	58%
	Employees eligible for	82%	73%	70%	76%
	Employees enrolled in	64%	45%	55%	64%
Retirement benefits	Establishments offering	79%	55%	48%	n/a
	Employees eligible for	76%	52%	66%	n/a
	Employees enrolled in	51%	21%	49%	n/a
Other benefits	Employees eligible for disability benefits	80%	70%	40%	n/a
	Employees eligible for paid vacation time	80%	80%	76%	n/a
	Employees eligible for paid sick leave	61%	53%	61%	n/a

Suppliers

As of June 30, 2015, California Initiative Phase I and GSIF companies had active supplier relationships with more than 83,000 vendors.[21] In addition to the boost to the economy provided directly by California Initiative portfolio companies, 15,704 other California businesses (19 percent of all Phase I and GSIF suppliers) have indirectly benefited from this capital investment.

Patents

The number of patents granted is an indicator of innovation, which often precedes job growth at a company. GSIF portfolio companies report the number of patents granted to them annually. Seventeen portfolio companies were granted 58 new patents between July 1, 2014, and June 30, 2015.

California Focus

To gain a more complete understanding of the impact California Initiative investments have in California, GSIF portfolio companies provide additional data on the approximate annual revenues they generate in California, in the rest of the United States, and outside the United States, as well as any plans to increase business activities in California in the next year.

Twenty-two percent of active GSIF companies reported plans for expansion in California in the coming year. Of the companies that have expansion plans, 30 percent reported plans to open new operating locations in California, 41 percent reported plans to increase employment in California, and 56 percent reported operating plans that are expected to result in increased sales in California.

Total revenue generated by GSIF companies is approximately $14.6 billion, with 14 percent or $2.1 billion generated in California, 74 percent generated in the United States outside of California, and 12 percent generated internationally.[22]

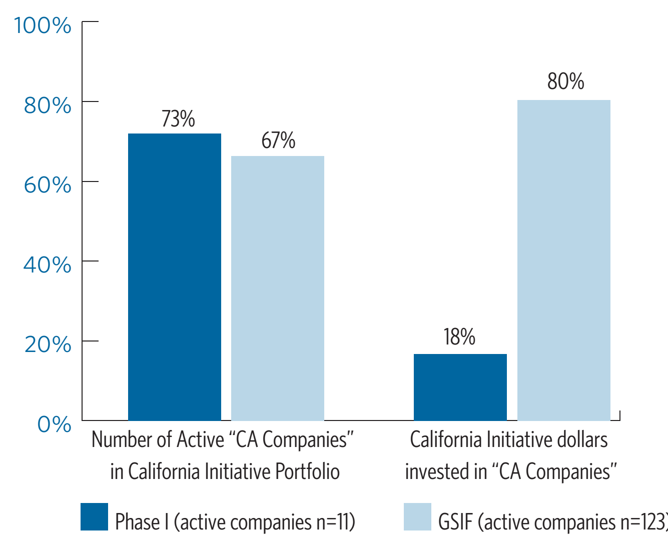
A “California Company” is a company that meets at least one of the following three criteria:[23]

1. Company headquarters in California
2. More employees reside in California than in any other state
3. More facility locations in California than in any other state

Based on this definition, eight Phase I (73 percent) and 83 GSIF (67 percent) portfolio companies are considered “California Companies,” representing 68 percent of dollars (18 percent of Phase I dollars and 80 percent of GSIF dollars).

At June 30, 2015, approximately $178 million was invested in active California Initiative companies defined as “California Companies.” California Initiative dollars are part of a larger total investment in most companies. An additional $738 million ($11 million in Phase I and $727 million in GSIF) in private equity capital from other third-parties was co-invested alongside CalPERS in these same active “California Companies.” Since inception, GSIF has also committed approximately $194 million to 17 co-investments in “California Companies”, alongside $8.3 billion invested by other third-parties.

California Initiative “California Companies”



CalPERS California Initiative – Investing in Underserved Markets

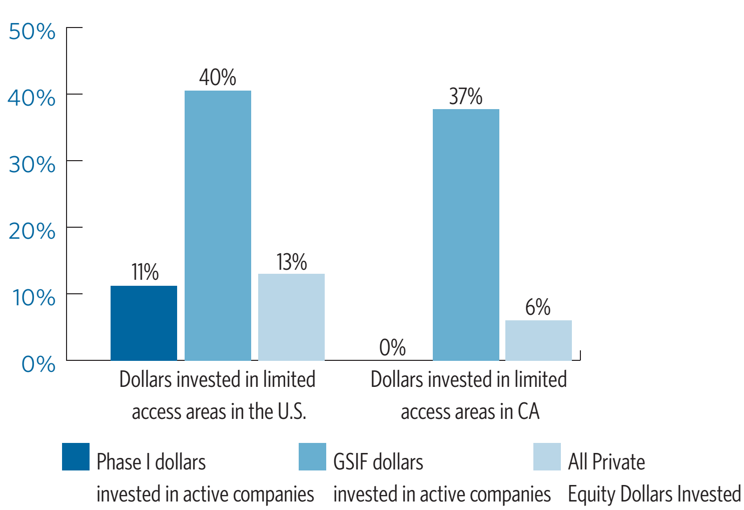
Portfolio Companies That Have Historically Had Limited Access to Equity Capital

To define areas that have historically had limited access to institutional equity capital, PCV analyzed data from Thomson Reuters that tracked private equity transactions from 2002 through 2011. This data shows that approximately 73 percent of private equity investment dollars were concentrated in 1,000 postal codes worldwide.[24] Most of these 1,000 postal codes (634 or 2 percent of all U.S. ZIP codes) are in the United States. More than 85 percent of all private equity in the United States and nearly 95 percent of all private equity in California has been invested to these 634 ZIP codes. For the purposes of this analysis, any company outside of these 634 United States ZIP codes is considered to be in an area that has historically had limited access to institutional equity capital.

Across the U.S., just 13 percent of all private equity investment dollars are deployed in areas that have historically had limited access to institutional equity capital. By contrast, 35 percent of all California Initiative investment dollars deployed in the United States, including 40 percent of GSIF investment dollars, have been invested in areas that have historically had limited access to institutional equity capital. This indicates that the initiative's efforts to direct capital to underserved markets has worked.

For private equity investment in California, 6 percent of investment dollars are deployed in areas that have historically had limited access to institutional equity capital. Thirty-six percent of all California Initiative dollars deployed in California are invested in areas of the state that have historically had limited access to institutional equity capital.

Percentage of Dollars Invested in Active California Initiative Companies Located in Areas that have Historically had Limited Access to Institutional Equity Capital



Portfolio Companies That Employ Workers Living In Economically Disadvantaged Areas

California Initiative portfolio companies benefit low- to moderate-income (LMI) workers in a number of ways. First, these companies provide quality jobs to residents of LMI areas, generating wealth in places that need it most. Second, companies that are headquartered or operate facilities in LMI areas bring economic activity to distressed neighborhoods, indirectly supporting the creation of more jobs.

To assess the extent to which California Initiative companies support employment for residents of LMI areas, locations where companies operate as well as where company employees live have been examined.[25]

Phase I portfolio companies report the ZIP codes of operating locations in California. GSIF portfolio companies report the ZIP codes of all operating locations, not just those in California. In the Phase I portfolio, 54 percent of company headquarters and operating facilities are located in predominantly LMI areas.[26] GSIF portfolio companies have a total of 2,718 operating locations, including both facilities and headquarters; approximately 31 percent are in predominantly LMI areas.

Sixty-four percent of Phase I and 41 percent of GSIF portfolio company employees in California live in predominantly low-income areas.[27]

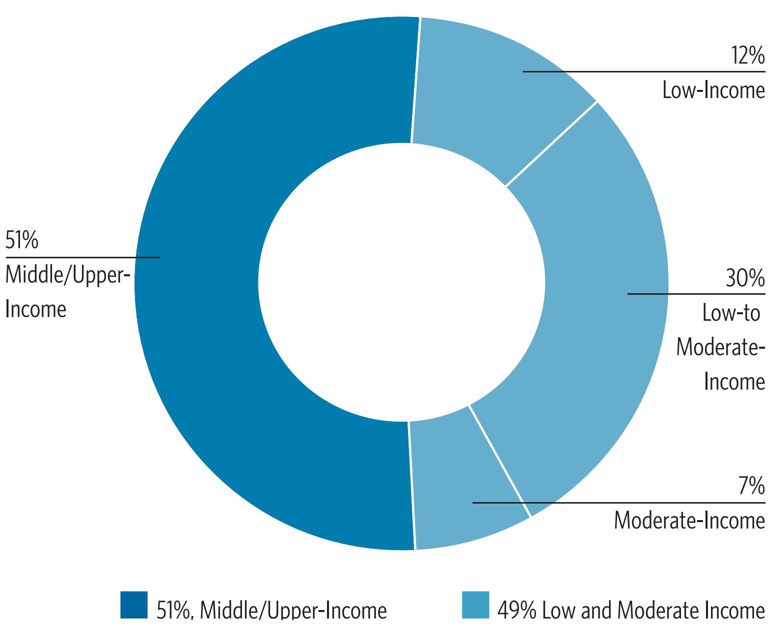
Employees Living, and Companies Located, in Low- and Moderate-Income Geographies

		Located in a ZIP Code that is Predominantly Comprised of LMI Census Tracts
Phase I	Headquarters (n=11)	3 (27%)
	California Headquarters	3 (43%)
	California Facilities	12 (71%)
	California Employees	448 (64%)
GSIF	Headquarters (n=123)	41 (33%)
	California Headquarters	22 (29%)
	Facilities	812 (31%)
	California Facilities	171 (37%)
	Employees	25,678 (36%)
	California Employees	8,434 (41%)

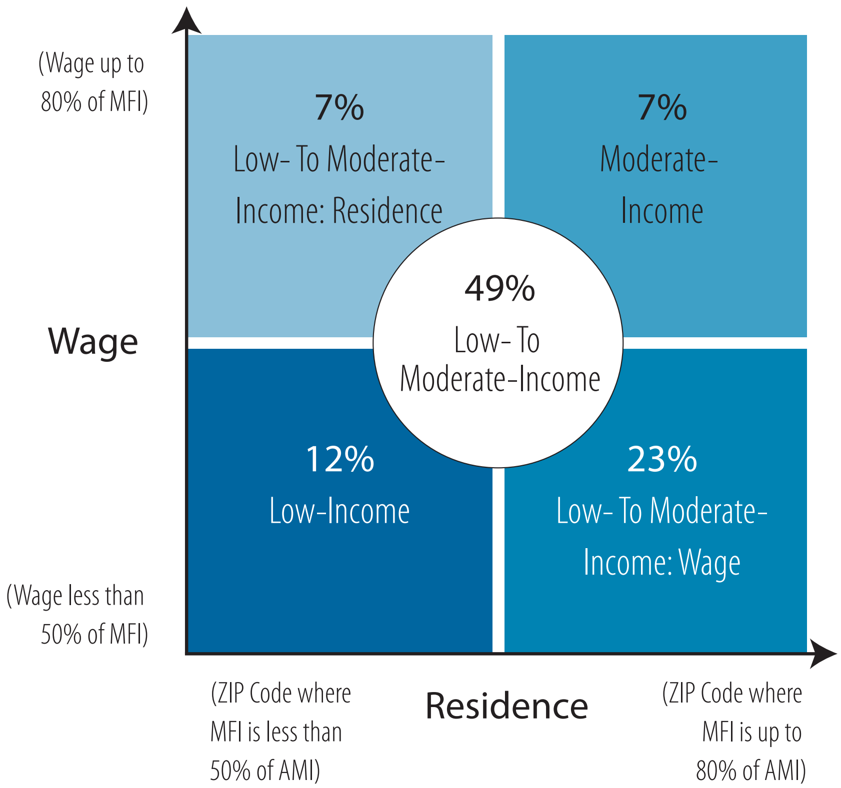
Not all low-income workers live in low-income areas and not all individuals living in low-income areas earn a low-income wage. In order to precisely measure the economic status of employees at GSIF portfolio companies, wage and ZIP code information was collected from every employee.[28] A worker's ZIP code of residence and wage combine to form a more complete picture of an individual's economic status. To assess the number of LMI workers at GSIF portfolio companies, a system has been created to classify individual workers:

- Middle/Upper-Income Workers: GSIF portfolio company employees who earn a middle-income or upper-income wage are considered middle/upper-income employees. Similarly, employees who earn less than a middle-income wage, but live in middle-income or upper-income communities are also considered middle/upper-income workers.[29] These workers likely are part of households with other sources of income. Based on the associated ZIP code and wage data collected for each employee, as of June 30, 2015, 51 percent of all GSIF portfolio company employees are classified middle/upper-income.
- Low- to Moderate-Income Workers: Forty-nine percent of GSIF portfolio company employees are low- to moderate-income workers for whom the California Initiative is providing economic opportunities. These employees both earn an LMI wage and live in an LMI area.[30] As a frame of reference, 39 percent of all employed individuals in the United States, and 47 percent of working Californians, live in LMI census tracts.[31] For more in-depth analysis, LMI employees were further divided into three categories: low-income, low- to moderate-income, and moderate-income.

Economic Status of GSIF Portfolio Employees



Economic Status of Low- to Moderate-Income
GSIF Portfolio Company Employees



Low-Income

- Employee wage is less than 50 percent of the Median Family Income (MFI) in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is less than 50 percent of the Area Median Income (AMI)

Low- To Moderate-Income: Wage

- Employee wage is less than 50 percent of the MFI in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is between 50 percent and 80 percent of the AMI

Low- To Moderate-Income: Residence

- Employee wage is between 50 and 80 percent of the MFI in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is less than 50 percent of the AMI

Moderate-Income

- Employee wage is between 50 percent and 80 percent of the MFI in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is between 50 percent and 80 percent of the AMI

Portfolio Companies That Provide Employment Opportunities to Women and Minority Entrepreneurs and Managers

The third ancillary benefit assessed for the California Initiative is the extent to which portfolio companies provide employment opportunities to women and minority entrepreneurs and managers. As the nation's largest public pension fund, within the nation's most ethnically and culturally diverse state, CalPERS recognizes diversity is a competitive advantage.

CalPERS broadly interprets diversity to mean differences such as age, ethnicity, culture, or gender that result in diversity of thinking. By tracking the number of women and minority entrepreneurs, CalPERS is better able to understand to what degree diversity is represented amongst the leadership and management of California Initiative portfolio companies.

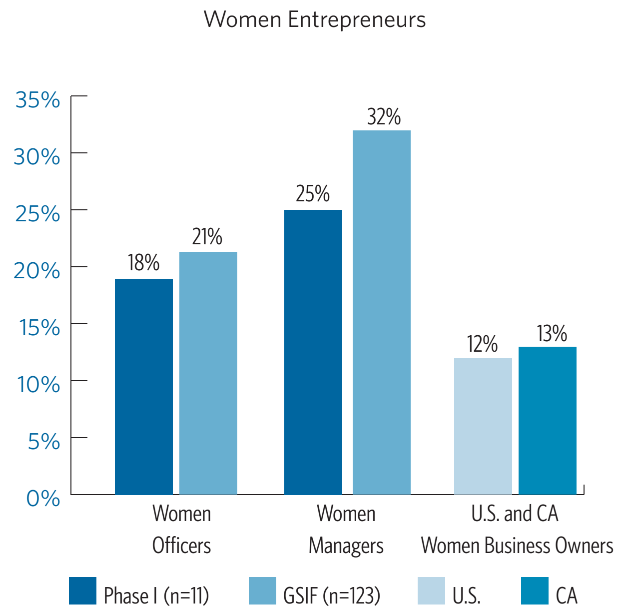
When private equity dollars are invested in a company, ownership often shifts from individuals to a fund, or group of funds. Prior to investment, company owners are commonly C-level officers. Accordingly, to better understand the proportion of women and minority entrepreneurs at portfolio companies, PCV uses officers (e.g., Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer) and key managers as a proxy.

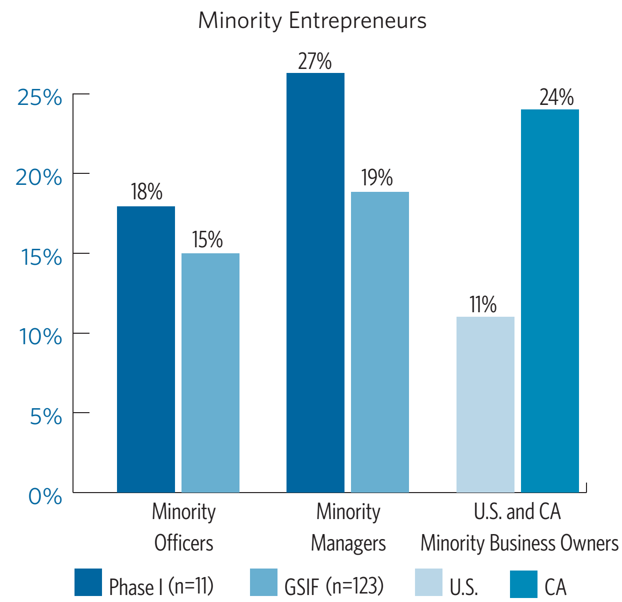
The 134 active California Initiative portfolio companies employ a total of 775 officers (an average of six officers per company), 15 percent of whom are minorities and another 21 percent of whom are women. Thirty-six percent of California Initiative investment dollars are invested in 56 companies with at least one woman officer, suggesting that women have substantial input into the management and growth of these companies. Similarly, 30 percent of California Initiative investment dollars are committed to 46 companies that have at least one minority officer.

The following table and graphs show a breakdown of California Initiative portfolio company officers by gender and ethnicity. Provided as a frame of reference are ownership diversity statistics for businesses with paid employees and $1 million in revenue in California and the United States. Most portfolio companies receiving investment from the California Initiative met these criteria.

California Initiative Portfolio Companies, Minority and Women Officers and Key Managers

	Phase I Officers	Phase I Key Managers	GSIF Officers	GSIF Key Managers	CA business owners[32]	U.S. business owners[33]
Men	49 (82%)	94 (75%)	564 (79%)	1,377 (68%)	66%	72%
Women	11 (18%)	32 (25%)	151 (21%)	649 (32%)	13%	12%
Minority	11 (18%)	34 (27%)	105 (15%)	375 (19%)	24%	11%
Hispanic/Latino	5 (8%)	7 (6%)	37 (5%)	126 (6%)	7%	4%
African American	1 (2%)	15 (12%)	9 (1%)	36 (2%)	1%	1%
Asian/Pacific Islander	4 (7%)	8 (6%)	48 (7%)	140 (7%)	16%	6%
Other Minorities	1 (2%)	4 (3%)	11 (2%)	73 (4%)	1%	1%
White	49 (82%)	92 (73%)	610 (85%)	1,651 (81%)	82%	92%


Women Entrepreneurs
35%
30%
25%
20%
15%
10%
5%
0%
18%
21%
25%
32%
12%
13%
Women Officers
Women Managers
U.S. and CA Women Business Owners
Phase I (n=11)
GSIF (n=123)
U.S.
CA


Minority Entrepreneurs
25%
20%
15%
10%
5%
0%
18%
15%
27%
19%
11%
24%
Minority Officers
Minority Managers
U.S. and CA Minority Business Owners
Phase I (n=11)
GSIF (n=123)
U.S.
CA

CalPERS California Initiative – Summary Findings

- The California Initiative represents a significant capital investment in California's economy with 68 percent of capital allocated to "California Companies", defined as those headquartered in California, or with a plurality of employees or facilities in the state.
- The California Initiative has created and sustained jobs within California and the nation through continued economic uncertainty, supporting 164,753 workers at all companies since inception.
- Companies receiving investment through the California Initiative have provided quality jobs to employees, with benefit levels for health and retirement outpacing statewide and national levels.
- The California Initiative has invested in areas of the state that have historically not received institutional equity capital, with 36 percent of all dollars deployed in California allocated to companies located in these underserved markets.
- Economically disadvantaged communities benefit from the California Initiative and its portfolio companies. The California Initiative employs a significant number of economically disadvantaged persons, with 49 percent of GSIF employees classified as low- to moderate-income.
- California Initiative portfolio companies have leadership that includes women and minorities at levels that outpace national and state and local levels.

Appendix:

California Initiative Summary Data

	Phase I	GSIF	Total California Initiative	CA	U.S.
Active Reporting Companies in 2015	11	123	134	n/a	n/a
Employment Opportunities					
Percentage Employee Growth Since Investment	79%	44%	48%	n/a	4%[34]
Percentage California Employee Growth Since Investment	121%	69%	72%	6%[35]	n/a
Economically Disadvantaged Areas					
Percentage of California Headquarters in Predominately LMI Areas	43%	29%	30%	n/a	n/a
Percentage of California Facilities in Predominately LMI Areas	71%	37%	38%	n/a	n/a
Percentage of California Employees Living in Predominately LMI Areas	64%	41%	42%	n/a	n/a
Underserved Markets					
Percentage of Dollars Invested in Companies Located in Areas Underserved by Institutional Equity Capital	11%	40%	35%	6%	13%
Opportunities for Women and Minority Entrepreneurs and Managers					
Percentage of Dollars Invested in Companies with at least One Woman Officer	56%	31%	36%	n/a	n/a
Percentage of Dollars Invested in Companies with at least One Minority Officer	35%	29%	30%	n/a	n/a

Banc of America California Community Venture Fund

In addition to investing in nine private equity funds, the California Initiative invested in a fund-of-funds, Banc of America California Community Venture Fund (BACCVF).

BACCVF Quick Facts[1]

Year of Inception	2002
Investment Amount	$100 million
Funds Receiving Capital	15
California-based Funds Receiving Capital	9 / 60% of funds
Companies Receiving Investment[2]	207
California Headquartered Companies Receiving Investment	86 / 42% of companies

Since 2002, 15 funds have received capital from BACCVF. Horizon invests in venture capital and private equity funds that invest in companies that are:

- Located in or employ residents of low- to moderate-income geographies
- Owned or managed by ethnic minorities[3]
- Owned or managed by women[3]
- Focused on delivering products or services to an ethnically diverse customer base
- Located in urban or rural areas with limited access to investment capital

The following table summarizes BACCVF investments in companies that fit within the above categories:

BACCVF Investments Summary Table[4]

Low- to Moderate-Income Areas	
Funds with a Low- to Moderate-Income Focus	73%
Companies within Low- to Moderate-Income Areas	29%
Owned or Managed by Ethnic Minorities	
Funds with a Focus on Opportunities for Ethnic Minorities	60%
Companies Majority Owned or Managed by Ethnic Minorities	33%
Owned or Managed by Women	
Funds Managed by at Least One Woman Partner	40%
Companies Majority Owned or Managed by Women	24%
Deliver Products or Services to an Ethnically Diverse Customer Base	
Companies Located in Areas where Greater than Half the Population is Composed of Ethnic Minorities	29%
Located in Urban or Rural Areas with Limited Access to Capital	
Companies Located in Inner City Areas of the U.S.	17%
Companies Located in Rural Areas of the U.S.	3%

[1] The number of funds receiving CAF capital, the number of California based funds receiving CAF capital, the number of companies receiving investment, the number of California companies receiving investment reflect September 30, 2015 data.
[2] Includes companies held by CAF portfolio funds that were subsequently exited; one company held by two funds.
[3] Owned refers to a 50% or higher ownership stake; managed refers to the CEO.
[4] Data on low- to moderate-income areas, ethnic minority ownership or management, woman ownership or management, companies serving an ethnically diverse customer base, and company location in an urban or rural areas with limited access to capital is as of December 31, 2014.

Providing capital to areas of California and the United States that have historically had limited access to institutional equity capital

Of the 15 funds that have received investment from BACCVF, eleven focus on low- to moderate-income areas or individuals. One of the funds is helping to capitalize financial institutions that provide banking services to low-income and/or ethnic minority consumers, and nine of the 15 funds focus on ethnic minority opportunities. Many of the funds also focus on one or more of the other components of Horizon's definition of underserved company.

Of the companies in BACCVF funds' portfolios, 17 percent are located in areas of the United States classified by the Initiative for a Competitive Inner City (ICIC) as Inner City, where venture capital has not traditionally been invested.[5] Three percent of companies are located in rural areas of the United States as defined by the U.S. Department of Agriculture.

Employing workers living in economically disadvantaged areas

Of the companies in BACCVF funds' portfolios, 29 percent of the companies are located in a low- to moderate-income areas. Twenty-one percent are located in census tracts where 20 percent or more of the population lives in households with income below the federal poverty level, and 37 percent of the companies are located in census tracts where the median income is at or below 80 percent of median income for the surrounding area.

Supporting women and minority entrepreneurs and managers

Nine of the 15 funds receiving investment through BACCVF focus on ethnic minority opportunities. Eleven of the funds have at least one ethnic minority partner; ten of the funds have two or more ethnic minority partners. Six of the funds have at least one woman partner.

Of the companies in BACCVF funds' portfolios, 33 percent are majority owned or managed by minorities and 28 percent are located in census tracts where more than half the population is an ethnic minority. Further, nearly 34 percent of the companies had some minority ownership and 31 percent had some women ownership.

Specific gender and ethnic information on the chief executive officer at BACCVF funds' portfolio companies is available for the companies that BACCVF funds had invested in. At 29 percent of these companies, the CEO is diverse, including 33 percent where the CEO is African American, 14 percent where the CEO is Hispanic, and 37 percent where the CEO is Asian. Sixteen percent of companies had women as CEOs. CCVF portfolio companies employed a total of 155,093 employees; 34 percent of these employees were ethnic minorities and 52 percent were women.

[5] Inner Cities are defined as core urban areas that currently have higher unemployment and poverty rates and lower median income levels than surrounding Metropolitan Statistical Areas (MSA). Inner Cities have a 20% poverty rate or higher, or meet two of the following three criteria: poverty rate 1.5x or more than that of the MSA; median household income of ½ or less that of the MSA; unemployment rate of 1.5x times or more than that of the MSA.

Endnotes

1. CalPERS press release; February 19, 2008. "CalPERS California Initiative Program Deploys Private Equity Capital to Overlooked Markets."

2. The Banc of America Fund is the Banc of America California Community Venture Fund.

3. The 17 total exits consist of 4 companies that received investment from Phase I partners and 13 companies that received investment from GSIF partners.

4. Percentage of reporting Phase I portfolio companies is unusually low since the portfolio investments of one fund were sold and purchased by a "New Fund" which has very limited information rights with CalPERS.

5. Bureau of Labor Statistics. www.bls.gov/ces/. Total private sector employees, seasonally adjusted. Employment in the United States private sector increased eight percent between 2001 and 2015. In California, employment in the private sector increased ten percent over the same period.

6. The first GSIF investments were made in 2007.

7. Bureau of Labor Statistics. www.bls.gov/ces/. Total private sector employees, seasonally adjusted.

8. For fully-realized investments, the data used for this analysis is the most recent data available, typically as of June 30 prior to exit. The data for this analysis does not include all fully realized investments as some companies entered and exited without ever submitting survey data.

9. Ibid.

10. Ibid.

11. Bureau of Labor Statistics. www.bls.gov/ces/. Total private sector employees, seasonally adjusted.

12. Ibid.

13. Ninety-one companies participated in four consecutive years of data collection from 2012-2015, including 6 Phase I and 85 GSIF companies. By focusing only on these companies in our counterfactual comparison, we are able to directly compare the California Initiative's history of job creation and preservation to companies that have not been recipients of CalPERS capital over the same period. The smaller sample size can be attributed to considerable activity in the California Initiative portfolio, with companies entering and exiting on an annual basis. The 91 companies are relatively representative of the entire portfolio, with job growth characteristics that are similar to those of the entire portfolio–suggesting that survivorship bias is unlikely to have inflated the data. In the table below, we compare annual job growth at the 91 companies to all companies within the portfolio that reported data in consecutive years.

		2012-2013	2013-2014	2014-2015
91 Company Sample	Annual Employee Growth	7%	10%	8%
	Annual California Employee Growth	9%	16%	12%
CA Initiative Portfolio	CA Initiative Portfolio Company Count	n = 151	n = 134	n = 122
	Annual Employee Growth	5%	4%	4%
	Annual California Employee Growth	11%	11%	12%

14. Industry data is available for all 138 active GSIF companies, regardless of whether they reported data or not.

15. Bureau of Labor Statistics National Compensation Survey, March 2015; Private Industry (excludes agriculture establishments, private households, and the self-employed). http://www.bls.gov/ncs/ebs/benefits/2015/

16. 2015 Employer Health Benefits Survey, http://kff.org/private-insurance/report/2015-employer-health-benefits/

17. Bureau of Labor Statistics National Compensation Survey, March 2015. http://www.bls.gov/ncs/ebs/benefits/2015/

18. California Health Care Foundation California Employer Health Benefits Survey Data Files, 2014. http://www.chcf.org/publications/2015/04/employer-health-benefits

19. Bureau of Labor Statistics National Compensation Survey, March 2015. http://www.bls.gov/ncs/ebs/benefits/2015/This data is for all private industry employees excluding agricultural establishments, private households and self-employed. It does not separate out salaried vs. non-salaried employees

20. California Health Care Foundation California Employer Health Benefits Survey Data Files, 2015. http://www.chcf.org/publications/2015/04/employer-health-benefits

21. An "active supplier relationship" is defined as one where the company has made a purchase in the past year.

22. The majority (76 percent) of companies reported on this metric. While 28 (24 percent) companies did not report approximate revenue data, three of these companies provided

the percentage breakdown of revenue generated in California, the United States outside California, and outside the United States.

[23] The GSIF definition for a "California Company" differs from the definition used for Phase I portfolio companies. As Phase I portfolio companies do not report data on employees and facilities located outside of California there is not sufficient data to determine if more facilities or employees are located in California than in any other state. The criteria for a Phase I portfolio company to be considered a "California Company" relies on comparing data captured on California employees and California facilities against the total number of employees and facilities at the company. The Phase I definition for a "California Company" requires that a company meet at least one of the following:

1. Company headquarters located in California
2. At least 33 percent of facilities located in California
3. At least 33 percent of employees located in California

[24] Thomson Reuters, thomsonreuters.com/products_services/financial/

[25] Portfolio companies provide the ZIP code for each headquarters location and facility, as well as for each employee. (For Phase I, portfolio companies reported ZIP codes for California employees and facilities only). While employee and facility locations are defined by ZIP codes, LMI areas are identified by census tracts. ZIP codes can consist of parts of many census tracts and census tracts can contain parts of several ZIP codes. To evaluate the extent to which California Initiative companies are supporting employment for residents of economically underserved areas, PCV made two distinctions:

- ZIP codes that **overlap** with LMI census tracts. These workers and facilities may or may not be located in a lower-income census tract, but they are likely located near, and in a position to contribute to, the LMI area (21 percent of U.S. ZIP codes fall into this category).
- ZIP codes that are **predominantly** (50 percent or more) comprised of LMI census tracts. These workers and facilities are likely located in LMI areas (35 percent of U.S. ZIP codes fall into this category).

A census tract is designated LMI if at least one of the following conditions holds true:

- For census tracts within metropolitan areas, the median income of the tract is at or below 80 percent of the metropolitan statistical area median. For census tracts outside of metropolitan areas, the median income of the tract is at or below 80 percent of the statewide, non-metropolitan area median income.
- At least 20 percent of the population lives in poverty.
- The unemployment rate is at least 1.5 times the national average.

[26] Phase I companies report a total of 200 facilities but only California ZIP codes are reported by Phase I companies, of which there are 17. All data referring to the LMI status of Phase I facilities examines only these 17 locations.

[27] Phase I portfolio companies only report the ZIP codes of California employees, and thus the analysis of LMI workers is limited to California employees. Phase I companies report a total of 1,286 California employees but provided valid ZIP codes for 704 employees, a difference of 582 or 45 percent.

[28] To maintain employee confidentiality, PCV collected no identifying information for employees.

[29] These workers earn more than 80 percent of the median family income (MFI) for the metropolitan statistical area (MSA) they live in. Similarly, employees who earn 80 percent or less of the MFI for the MSA, but live in a ZIP code area that consists entirely of middle- and upper-income census tracts also are considered middle/upper-income employees.

[30] These workers earn less than 80 percent of the MFI for the MSA of residence AND live in a ZIP code that overlaps a census tract where the median income is less than 80 percent of the area median income.

[31] Employed individuals living in LMI census tracts is based on data from the US Census Bureau's American Community Survey. The table below compares the proportion of ZIP codes defined as LMI for California and the U.S. using 2000 census data and the US Census Bureau's 2006-2010 American Community Survey data.

Percentage of LMI ZIP Codes

	2000 U.S. Census Data	2006-2010 American Community Survey Data
U.S.	34%	38%
California	55%	49%

[32] 2007 Survey of Business Owners, http://www.census.gov/econ/sbo/index.html. Includes businesses with $1 million in revenue and paid employees that are at least 51 percent owned by the specified gender or race. The shares of businesses owned by men and women do not add to 100 percent since it does not include businesses equally owned 50/50 by men and women. The U.S. Census allows respondents to identify by ethnicity and multiple racial categories, thus minority categories are not additive and cannot be combined for an accurate estimate of total minority owned businesses. The most recent data from the 2012 survey will not be available until 2015.

[33] Ibid.

[34] Bureau of Labor Statistics. www.bls.gov/ces/. Job growth from 2007-2015. Total private employees, seasonally adjusted.

[35] Ibid.

CalPERS Profile

The California Public Employees' Retirement System (CalPERS) is the nation's largest public pension fund with assets of approximately $296 billion as of April 2016.

Headquartered in Sacramento, CalPERS provides retirement and health benefit services to more than 1.8 million members and more than 3,000 school and public employers. The System also operates 8 Regional Offices located in Fresno, Glendale, Orange, Sacramento, San Diego, San Bernardino, San Jose, and Walnut Creek. Led by a 13-member Board of Administration, consisting of member-elected, appointed, and ex officio members, CalPERS membership consists of approximately 1.2 million active and inactive members and more than 600,000 retirees, beneficiaries, and survivors from State, school and public agencies.

Established by legislation in 1931, the System became operational in 1932 for the purpose of providing a secure retirement to State employees who dedicate their careers to public service. In 1939, new legislation allowed public agency and classified school employees to join the System for retirement benefits. CalPERS began administering health benefits for State employees in 1962, and 5 years later, public agencies joined the Health Program on a contract basis.

A defined benefit retirement plan, CalPERS provides benefits based on a member's years of service, age, and highest compensation. In addition, benefits are provided for disability and death.

Today CalPERS offers additional programs, including a deferred compensation retirement savings plan, member education services, and an employer trust for post-retirement benefits. Learn more at our website at **www.calpers.ca.gov.**

CalPERS

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