

To: Honorable Nathan Deal, Governor
Honorable Chuck Hufstetler, Chair, Senate Retirement Committee
Honorable Paul Battles, Chair, House Retirement Committee

From: James A. Potvin, Executive Director *JAP*

Subject: 2015 Alternative Investments Annual Update

Date: March 2, 2015

During 2014 the alternative investment staff met with over 200 general partners. Their due diligence efforts led to the closing on three primary fund commitments. The staff continues to focus on building out the alternative investment portfolio in a methodical and disciplined manner.

As we start 2015, they are actively conducting due diligence reviews on several prospective investments. The maximum allowable amount for commitments to alternative investments this year is \$157 million. Although we remain motivated to mitigate the effects of the "J curve" through secondary investments, the recent pricing for secondary transactions has reduced the attractiveness of those investments in most cases.

The Employees' Retirement System of Georgia's alternative investments portfolio had a net internal rate of return (IRR) of 16.47% for the year ended December 31, 2014. The aggregate profit from alternative investments during the year was \$4,791,332. This disclosure is made pursuant to Sections 47-20-87 of the Official Code of Georgia Annotated (O.C.G.A.).

c: Steve McCoy, ERS Board Chair
Harold Reheis, ERS Investment Committee Chair
Bill Cary, Chief Investment Officer
Tom Horkan, Co-Chief Investment Officer
Mike Majure, Co-Chief Investment Officer
Teresa McCartney, OPB Director