

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 

Subject: 2016 Alternative Investments Annual Update

Date: February 17, 2016

During 2015, the alternative investment staff met with over 200 general partners across different investment strategies, geographies, fund sizes, and industry sectors. Their due diligence efforts led to the successful closing on three primary fund commitments. Further, the staff continues to focus on building out the alternative investments portfolio in a methodical and disciplined manner.

As we start 2016, they are actively conducting due diligence reviews on several prospective alternative investments. For this year, the total committed capital to alternative investments is capped at \$149 million. We continue to opportunistically look for secondary transactions to mitigate the effects of the "J curve". Due to challenging market conditions however, the staff has been more cautious and highly selective in reviewing prospective alternative investment opportunities.

The Employees' Retirement System of Georgia alternative investments portfolio had a net internal rate of return (IRR) of 9.49% for the year ended December 31, 2015. The aggregate profit from alternative investments during the year was \$5,163,676. This disclosure is made pursuant to Sections 47-20-87 of the Official Code of Georgia Annotated (O.C.G.A.).

c: Lonice Barrett, ERS Board Chair
Frank F. Thach, Jr., 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