

To: Honorable Nathan Deal, Governor
Honorable Fran Millar, Chair, Senate Retirement Committee
Honorable Paul Battles, Chair, House Retirement Committee

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

Subject: 2014 Alternative Investments Annual Update

Date: March 10, 2014

During the first half of 2013 the alternative investment staff finalized investment policies, strategies and procedures. In addition, new software was installed to provide private equity accounting and research capabilities.

The staff met with over 200 alternative investment managers during the year and identified potentially attractive investments. They conducted due diligence on several investments and their efforts resulted in the Fund being presented with the opportunity to bid on several secondary investments. Secondaries are seasoned funds offered for resale and they can help to mitigate the "J curve". The "J curve" is the name given to the negative returns typically experienced during the early years of a private equity investment. The Fund also made its first primary fund investment during the fourth quarter.

The aggregate gain from alternative investments during the calendar year 2013 was \$290,612. It is expected that the Fund will make additional commitments to new private equity funds and will opportunistically bid on secondary transactions during 2014. The Fund will continue to try to mitigate the "J curve" effect as the alternative investment portfolio continues to be built out.

c: Steve McCoy, ERS Board Chair
Harold Reheis, ERS Investment Committee Chair
Bill Cary, Chief Investment Officer
Nancie Boedy, Co-Chief Investment Officer
Teresa McCartney, OPB Director