

To: Honorable Brian Kemp, Governor
Honorable Rick Williams, Chair, Senate Retirement Committee
Honorable John Carson, Chair, House Retirement Committee

From: James A. Potvin, Executive Director 

Subject: 2023 Alternative Investments Annual Update

Date: March 8, 2023

During 2022, the alternative investment staff met, in-person and virtually, with over 150 general partners across different investment strategies, geographies, fund sizes, and industry sectors. Their due diligence efforts led to the successful closing on eight 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 2023, they are actively sourcing new investment opportunities and conducting due diligence reviews on several prospective alternative investments. For this year, the total committed capital to alternative investments is capped at \$172 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 inception-to-date internal rate of return (IRR) of 20.13% at December 31, 2022. The aggregate profit from alternative investments during the year was \$253,903,218. This disclosure is made pursuant to O.C.G.A. Section 47-20-87.

c: Eli Niepoky, 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
Kelly Farr, Chief Financial Officer, State of Georgia