

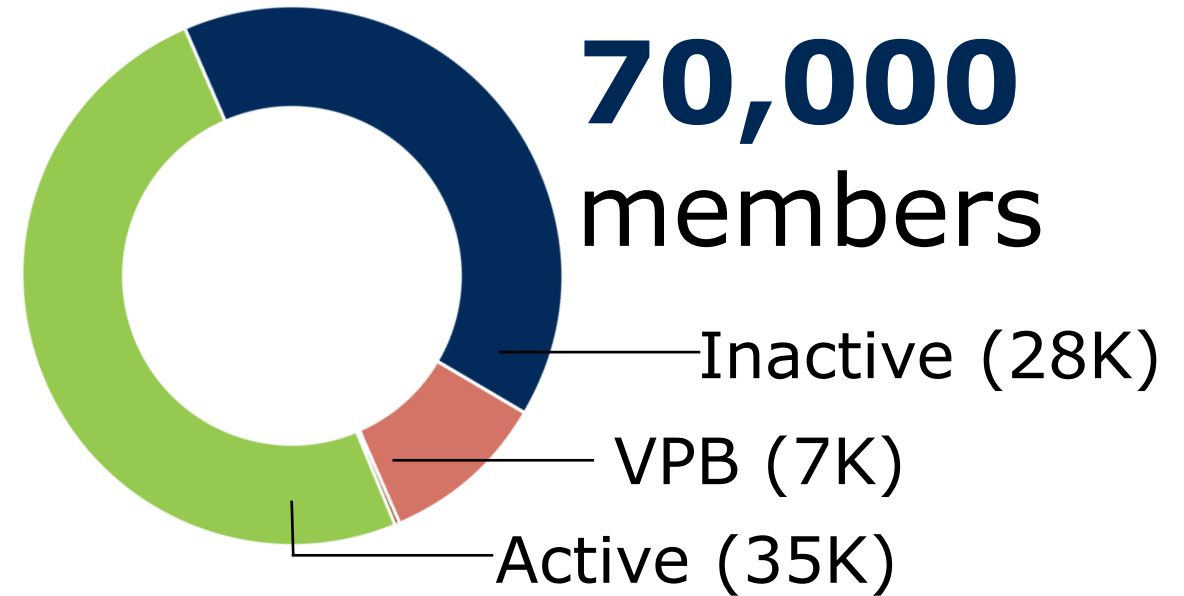
The Public Employees Pension Plan — Taking a DB Approach to a DC Investment Structure

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Snapshot of PEPP



\$11
Billion in
assets



70,000
members

Inactive (28K)

VPB (7K)

Active (35K)

Investment Option Structure

Choices



INVESTMENT OPTIONS

PEPP Steps Fund
Accelerated Growth Fund
Growth Fund
Balanced Fund
Moderate Fund
Conservative Fund
Money Market Fund
Bond Fund

3 Investment Portfolios

Asset Class

Canadian Equities

Foreign Equities

Private Equities

Equities

Real Estate

Infrastructure

Liquid Alternatives

Alternatives

Bonds

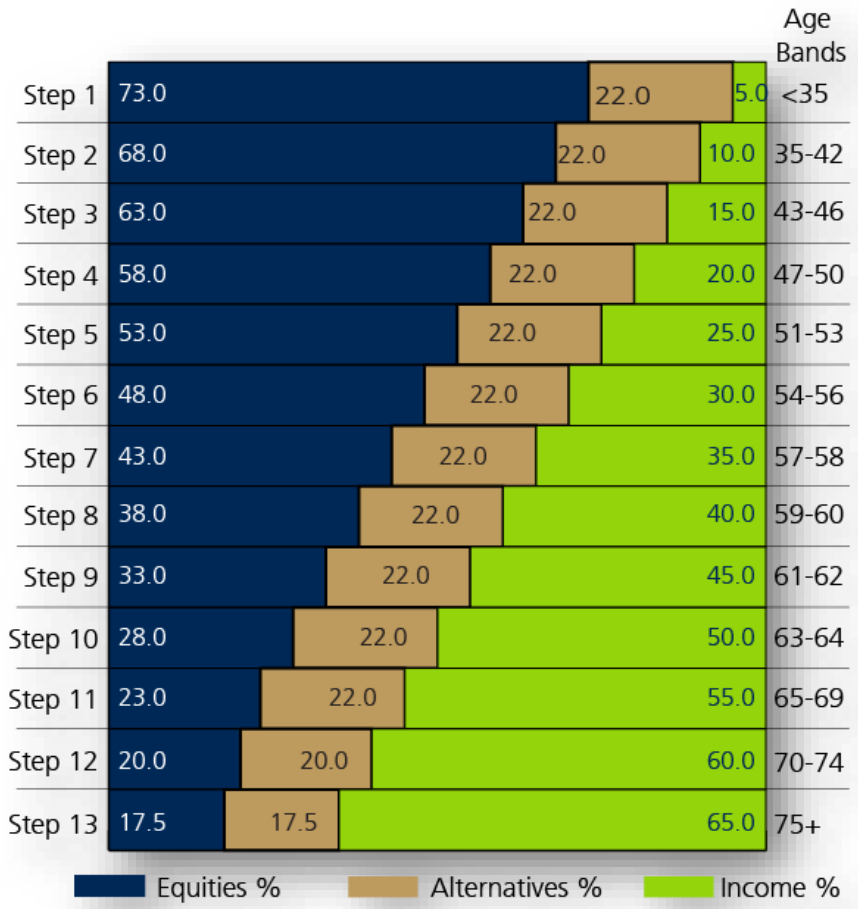
Cash & Equivalents

Currency Management

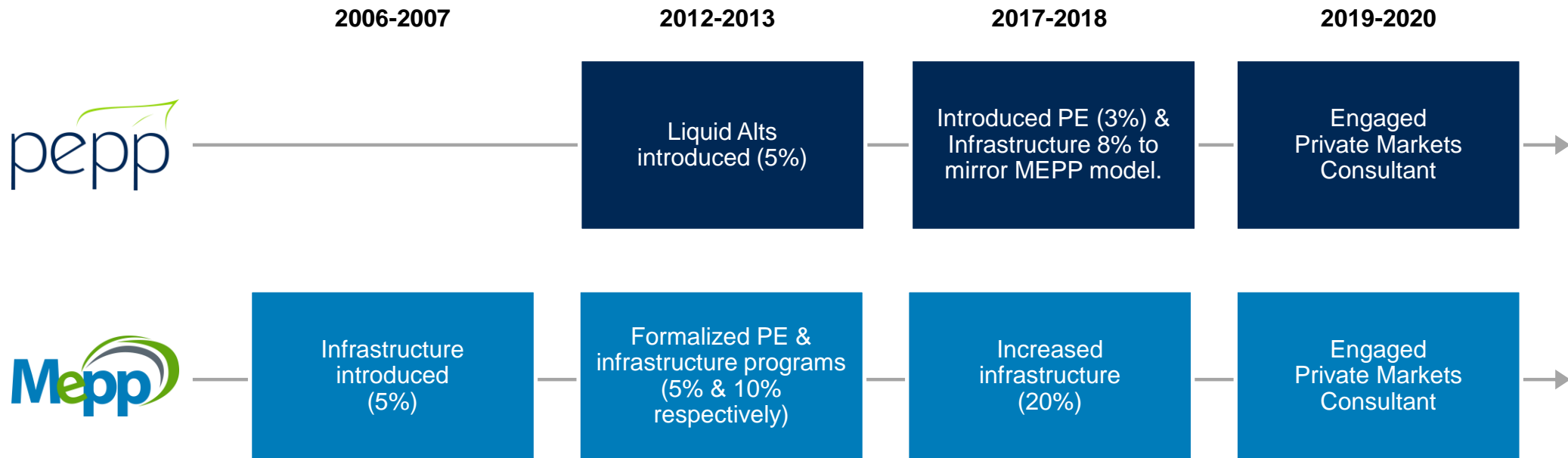
Income

PEPP Steps & Other Investment Options

- Default option: PEPP Steps
- PEPP Steps overlaps with other investment options
- Similar underlying portfolio 'recipes'



The Private Markets Journey



Private Market Implementation Considerations

In-sourcing vs. Outsourcing

- Delegate to partner/Execute internally/Shared execution
- Deal sourcing, research, legal, execution, reporting, etc.
- **PEBA uses shared model**

Pacing & Diversification

- Diversify by time/vintage (unlike other asset classes)
- Diversify by region, section, specialist/generalist, risk profile, size
- **PEBA paces over about 4 to 6 years**

Investment Structure

- Stand-alone investment option vs. integrated into investment options
- **PEBA uses integrated options** (stand-alone requires gates or restrictions)

Progress to Date

PEPP's Program

- Still early with PE & Infra assets each <1%, but pacing & commitments on track
- Negligible performance

MEPP's program

- In flight & continues to perform well with PE o/w, infra still building to higher allocation

Commitments

- Half of MEPP's & PEPP's commitments are shared & other half independent

\$2B Shared Target Portfolio

- Annual costs are about \$2M (0.1%), mostly legal & consulting
- Manager costs are & will be much higher with performance incentives – typically about 1.5% of committed before incentives

Key Success Factors & Considerations

Scale

Experience

Flexibility

Patience

Structure/Selection/Pacing

Questions?

pepp.peba.ca

PEPP is administered by The Public Employees Benefits Agency