



# Capital Budget Process

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Utilized new target allocations of 11.25% for private equity, 1.5% for private credit, and 2.25% opportunistic real estate

After discussion with staff, moved four partnership, totaling approximately \$105 million of commitments, from the private equity allocation to the private credit allocation

Summit Partners Credit Fund, LP	20,000,000
Garrison Opportunity Fund IV, LLC	30,000,000
Summit Partners Credit Fund II, L.P.	25,000,000
CapitalSpring Investment Partners V	30,000,000

The eleven non-core real estate funds were transferred from the real estate allocation to the opportunistic real estate allocation

Capital budgeting or pacing planning quantifies the amount and timing of capital commitments

- The capital budget model projects cash flows and market values based on ERSRI's legacy portfolio, and new commitments both overall and by asset category (buyout, venture, non US, energy, debt, etc.).
- The objective is to determine the amount of commitments required each year to reach and maintain the target allocation and to maintain vintage year diversification
- The model projects capital calls, distributions and market value for each fund commitment based on historical averages for the strategy

# Pro Forma Capital Budget Model : Private Equity

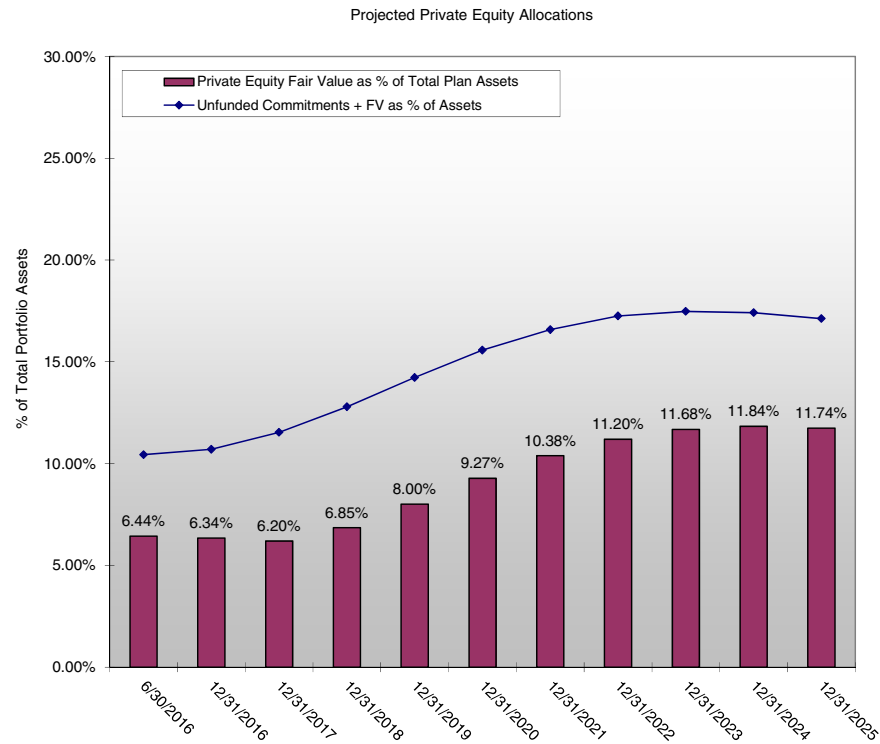
Allocation starts at 6.4% (current allocation), increasing to 11.25% by 2022

Unfunded commitments = 4-7% of total fund

Total fund growth = 3% per year

Be opportunistic, employ ranges  
Incorporates diversification

- Vintage year
  - Maintain level vintage year commitments averaging \$240-245mm per year
  - Last 5 years, commitments have averaged \$116 million per year
- Funds
  - ~5-10 funds per year/\$20-60mm per fund



↑  
Private Equity allocation initially declines due to the transfer of 4 funds to the private credit portfolio

# Private Equity Capital Budget

<b>ERSRI - Capital Budget Model</b>	6/30/2016	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Forecast Plan Total Assets	7,674,319	7,788,583	8,022,241	8,262,908	8,510,795	8,766,119	9,029,103	9,299,976	9,578,975	9,866,344
New Commitments		155,000	240,000	240,000	245,000	245,000	240,000	240,000	230,000	230,000
<i>Private Equity Fair Value by Sector:</i>										
<b>Private Equity Total</b>	<b>493,920</b>	<b>493,796</b>	<b>497,107</b>	<b>565,796</b>	<b>680,981</b>	<b>813,030</b>	<b>937,636</b>	<b>1,041,389</b>	<b>1,118,521</b>	<b>1,167,768</b>
Private Equity Fair Value as % of Total Plan Assets	6.44%	6.34%	6.20%	6.85%	8.00%	9.27%	10.38%	11.20%	11.68%	11.84%
Private Equity Target Asset Allocation	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%
Unfunded Commitments and Fair Value	6/30/2016	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Private Equity Unfunded Commitments	307,112	339,759	428,627	490,924	529,896	552,051	559,618	563,089	555,749	550,324
Unfunded Commitments + FV	801,032	833,555	925,735	1,056,719	1,210,877	1,365,081	1,497,254	1,604,478	1,674,270	1,718,093
Unfunded Commitments + FV as % of Assets	10.4%	10.7%	11.5%	12.8%	14.2%	15.6%	16.6%	17.3%	17.5%	17.4%
Ratio of Unf Com + FV to Target Allocation	0.93x	0.95x	1.03x	1.14x	1.26x	1.38x	1.47x	1.53x	1.55x	1.55x
Total Net Cash Flow to Private Equity		24,566	45,328	(19,723)	(59,454)	(64,973)	(44,522)	(11,396)	25,445	60,927

Total Plan Assets assumed to grow at 3.0%

# Pro Forma Capital Budget Model: Private Credit

Allocation starts at 0.5%, increasing to 1.5% by 2021

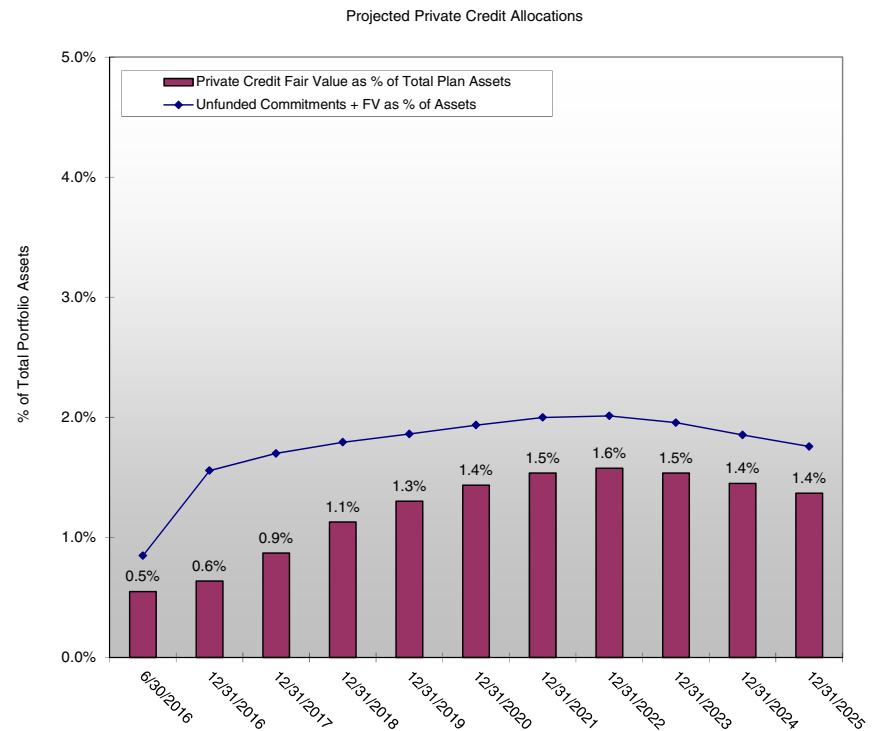
Unfunded commitments = 0.4-1.0% of total fund

Total fund growth = 3% per year

More flexibility allowed by GPs

Incorporates diversification

- Vintage year
  - new commitments average \$30m per year
- Manager
  - ~1-2 funds
- Stage/Strategy
  - Illiquid Direct Lending (US & EU)
  - Illiquid Stressed
  - Illiquid Other (Specialty, Royalties)
- Geography
  - Non-US = 5-20%



# Private Credit Capital Budget

<b>ERSRI - Capital Budget Model</b>	6/30/2016	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Forecast Plan Total Assets	7,674,316	7,788,580	8,022,237	8,262,905	8,510,792	8,766,116	9,029,099	9,299,972	9,578,971	9,866,340
New Commitments		61,154	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
<b>Private Credit at Fair Value</b>	<b>42,075</b>	<b>49,502</b>	<b>69,697</b>	<b>93,221</b>	<b>110,669</b>	<b>125,765</b>	<b>138,671</b>	<b>146,466</b>	<b>147,160</b>	<b>143,008</b>
Private Credit Fair Value as % of Total Plan Assets	0.5%	0.6%	0.9%	1.1%	1.3%	1.4%	1.5%	1.6%	1.5%	1.4%
Private Credit Target Asset Allocation	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Unfunded Commitments and Fair Value	6/30/2016	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Private Credit Unfunded Commitments	22,921	71,699	66,588	54,861	47,729	43,803	41,723	40,636	40,068	39,769
Unfunded Commitments + FV	64,997	121,201	136,285	148,082	158,398	169,568	180,394	187,101	187,228	182,777
Unfunded Commitments + FV as % of Assets	0.8%	1.6%	1.7%	1.8%	1.9%	1.9%	2.0%	2.0%	2.0%	1.9%
Ratio of Unf Com + FV to Target Allocation	0.56x	1.04x	1.13x	1.19x	1.24x	1.29x	1.33x	1.34x	1.30x	1.24x
Net Cash Flow Requirements		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Total Net Cash Flow to Private Credit		(5,946)	(16,664)	(18,156)	(9,607)	(5,108)	(1,010)	5,656	13,666	18,632
Annual Commitments by Strategy		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Total Annual Commitments to Private Credit		61,154	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000

Total Plan Assets assumed to grow at 3.0%

# Pro Forma Capital Budget Model: Opportunistic Real Estate

Allocation starts at 1.4%, increasing to 2.25% by 2018

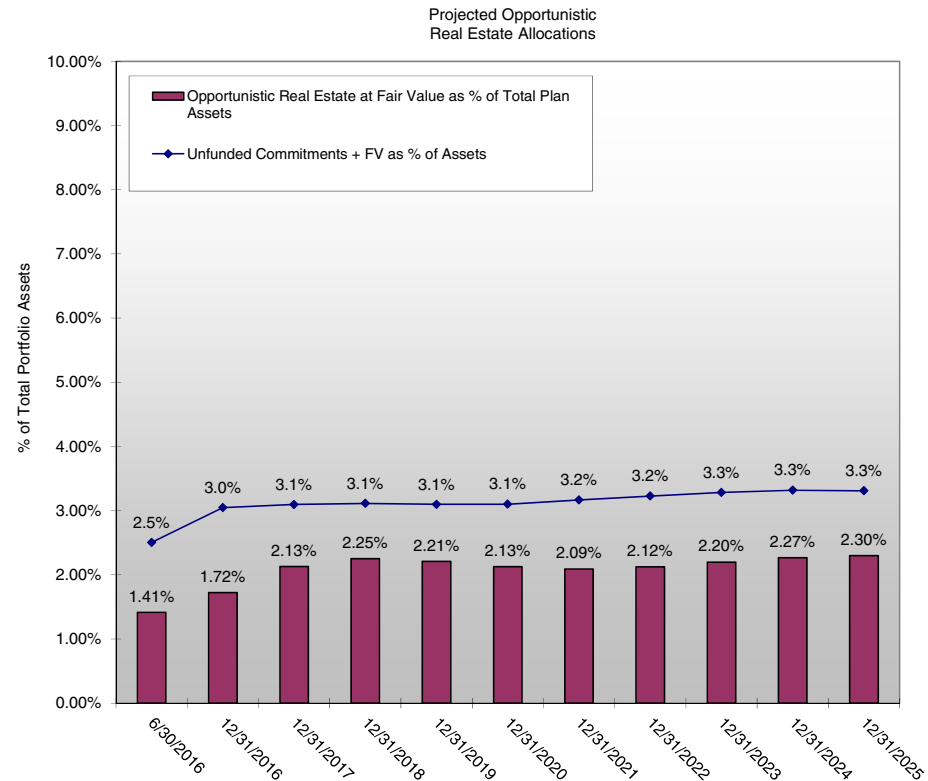
Unfunded commitments = 1.3-1.0% of total fund

Total fund growth = 3% per year

More flexibility allowed by GPs

Incorporates diversification

- Vintage year
  - new commitments average \$30m-\$70mm per year
- Manager
  - ~1-3 funds
- Stage/Strategy
  - Value Add
  - Opportunistic
  - Distressed



# Opportunistic Real Estate Capital Budget

<b>ERSRI - Capital Budget Model</b>	6/30/2016	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Forecast Plan Total Assets	7,674,319	7,863,837	8,257,029	8,669,880	9,103,374	9,558,543	10,036,470	10,538,294	11,065,208	11,618,469
New Commitments		50,000	30,000	40,000	50,000	60,000	70,000	70,000	70,000	70,000
<b>Opportunistic Real Estate at Fair Value</b>	<b>108,430</b>	<b>135,497</b>	<b>175,719</b>	<b>194,983</b>	<b>200,891</b>	<b>203,152</b>	<b>209,739</b>	<b>223,878</b>	<b>243,131</b>	<b>263,244</b>
Opportunistic Real Estate at Fair Value as % of Total Pla	1.41%	1.72%	2.13%	2.25%	2.21%	2.13%	2.09%	2.12%	2.20%	2.27%
Opportunistic Real Estate Target Asset Allocation	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
<b>Unfunded Commitments and Fair Value</b>	<b>6/30/2016</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2021</b>	<b>12/31/2022</b>	<b>12/31/2023</b>	<b>12/31/2024</b>
Private Equity Unfunded Commitments	83,708	104,031	79,859	74,786	81,118	93,153	108,039	116,101	120,132	122,147
Unfunded Commitments + FV	192,138	239,528	255,578	269,769	282,009	296,305	317,778	339,979	363,262	385,391
Unfunded Commitments + FV as % of Assets	2.5%	3.0%	3.1%	3.1%	3.1%	3.1%	3.2%	3.2%	3.3%	3.3%
Ratio of Unf Com + FV to Target Allocation	1.11x	1.35x	1.38x	1.38x	1.38x	1.38x	1.41x	1.43x	1.46x	1.47x
<b>Net Cash Flow Requirements</b>		<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2021</b>	<b>12/31/2022</b>	<b>12/31/2023</b>	<b>12/31/2024</b>
Total Net Cash Flow to Opportunistic Real Estate		(22,431)	(28,638)	(4,240)	10,763	14,915	10,782	3,793	(111)	674
<b>Annual Commitments by Strategy</b>		<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2021</b>	<b>12/31/2022</b>	<b>12/31/2023</b>	<b>12/31/2024</b>
Total Annual Commitments to Opportunistic Real Estate		50,000	30,000	40,000	50,000	60,000	70,000	70,000	70,000	70,000

Total Plan Assets assumed to grow at 5.0%



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