

APPENDIX - C -

PRIVATE MARKETS INVESTMENT POLICY

Pursuant to Iowa Code §97B, the Iowa Public Employees' Retirement System (IPERS) Investment Board (Board) establishes this Private Markets Investment Policy (Policy) that sets forth the responsibilities, investments and long-term objectives for the program.

The Board shall annually review the Policy, the program's investment plan (Plan) and the performance of the private markets portfolios.

IPERS recognizes that private market investments are illiquid. Vehicles that maximize investor control are preferred. IPERS may utilize the following investment vehicles within the private markets program: individually managed account vehicle, private limited partnerships, limited liability companies and other types of commingled fund structures. The Board authorizes staff to establish and maintain investment vehicles to house private market investments.

As it pertains to this Policy, the responsibilities of staff shall include the following:

- Review and recommend any proposed policy revisions to the Board.
- Inform the Board of the private markets plan, including the commitment allocations and any subsequent adjustments that may be necessary.
- Maintain investment processes and procedures, including monitoring investment guidelines and concentration limits.
- Recommend the hiring of specific managers to the Board.
- Maintain and monitor a list of Board-approved bench managers for future investments.
- Make direct co-investments within the private markets program, as authorized.

IPERS' private markets program consists of three portfolios: private equity, private credit and private real assets. The portfolios serve complementary roles within the program and at the total fund level. The role of private equity is to provide excess returns over the public equity markets. Private credit provides excess returns over the public credit markets, diversification and income. Private real assets provide diversification, income and an inflation hedge.

I. PRIVATE MARKET PORTFOLIOS

A. Private Equity

Private equity is equity capital that is not quoted or traded on a public exchange. Private equity investments are generally investments in buyout, venture capital, or special situations funds, as well as co-investments alongside these types of funds. Private equity investments may also include secondary offerings or private equity interests from other investors purchased in the secondary market.

The long-term return objective is 300 basis points (3 percent) greater than the Russell 3000 Index, net of investment management fees, calculated on an internal rate of return (IRR) basis over rolling 10-year periods.

Performance on both the portfolio and the benchmark shall be calculated on an internal, or dollar-weighted, rate of return basis. In recognition of the fact that IRRs are not meaningful in the early years of a private equity investment's life, the IRR performance calculation for the benchmark may be adjusted so that contributions made in the most recent three years of the rolling ten-year period are assumed to earn 91-day U.S. Treasury Bill returns.

B. Private Credit

Private credit is generally the investment in loans to companies, individuals and organizations for a variety of transactions including asset-based and cash flow-based financings, recapitalizations and acquisition-related financings. Private credit shall also include direct co-investments made in companies alongside IPERS' current private credit managers. For the purposes of this Policy, a direct co-investment is defined as a debt financing sourced from an existing IPERS private credit manager deemed in good standing.

The long-term return objective for IPERS' private credit program is to exceed the Morningstar LSTA Leveraged Loan Index plus 1 percent, net of investment management fees, calculated on an internal rate of return basis over rolling five-year periods.

C. Private Real Assets

Private real assets are physical assets that have intrinsic value due to their substance or properties, and mainly includes investments in commercial real estate (real estate) and infrastructure (other real assets). Private real assets shall also include direct co-investments made in companies alongside IPERS' current private real assets equity managers. For purposes of this Policy, a direct co-investment is defined as an equity investment sourced from an existing IPERS' private real assets manager deemed in good standing.

The primary return objective for the real assets portion of the program is to exceed the National Council of Real Estate Investment Fiduciaries' Open-End Diversified Core Index (ODCE), net of investment management fees, calculated on a time-weighted basis over rolling 10-year periods.

The secondary return objective for the other real assets portion of the program is to exceed CPI + 5 percent, net of investment management fees, calculated on a time-weighted basis over rolling 10-year periods.