



Agenda Item 11d(1)

December 10, 2012

ITEM NAME: Real Estate Program Update

PROGRAM: Real Assets – Real Estate

ITEM TYPE: Program Review – Consent Information

EXECUTIVE SUMMARY

The Real Estate Program Update is the quarterly report on the Real Estate Portfolio for the quarter ending September 30, 2012. This report includes an update on portfolio characteristics and performance, market conditions, portfolio risk, and investment activity. Additional information is provided in Attachment 1.

The Consultant Report on Real Estate Portfolio provides an overview of the CalPERS Real Estate Portfolio for the quarter ending June 30, 2012. The Consultant Report on the Real Estate Portfolio is provided as Attachment 2.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. This report provides detailed information for performance, characteristics, risk and investment activity across the Real Estate program to support the CalPERS Investment Committee in its oversight capacity.

BACKGROUND

In early 2012 the Investment Office made recommendations to revise the structure of the Investment Committee agendas. Part of these revisions was either quarterly or semi-annual program updates for each CalPERS asset class. The revised program update format for Real Estate replaced the Quarterly Strategic Plan Update.

ANALYSIS

Overall the performance of the Real Estate Program continues to improve as market conditions for housing and commercial real estate continue to recover. Real Estate investment parameters including allocations are in alignment with policy targets and total portfolio risk is trending downward.

Real Estate staff plans to request a change in the Real Assets Estate Investment Policy at the February 2013 Investment Committee meeting. As shown on page 4 of Attachment 1, the Real Estate Portfolio has two interim compliance periods. Real Estate staff will propose to extend the Real Estate Interim Portfolio Limits currently listed in the Policy by one year. This extension will give staff more time to bring the portfolio into compliance in three categories.

ATTACHMENTS

Attachment 1 – Real Estate Program Update

Attachment 2 – Consultant Report on Real Estate Portfolio

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