



## Consent

### Agenda Item 3c

April 15, 2013

**ITEM NAME:** Revision of the Real Assets Program Policy

**PROGRAM:** Real Assets

**ITEM TYPE:** Policy & Delegation – Action

#### **RECOMMENDATION**

Approve the revised Real Assets Program Policy as shown in Attachment 2. Pension Consulting Alliance's Opinion Letter is provided as Attachment 3.

#### **EXECUTIVE SUMMARY**

The revised Real Assets Program Policy (Policy) was presented to the Investment Committee for initial review on March 18, 2013. The Investment Committee did not request any changes to the proposed Policy at the time of the initial review.

Staff seeks approval of the revised Policy to extend the interim Real Estate portfolio limits from June 30, 2013 to June 30, 2015 and extend the portfolio limits from June 30, 2015 to June 30, 2017. The final portfolio limits, if approved, will begin July 1, 2017.

#### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Maintaining current and accurate investment policy documentation is an important mitigation effort against potential operational and investment risks.

#### **BACKGROUND**

The Real Estate interim portfolio limits mitigate investment risk by placing upper limits on the various sub-portfolio geographic areas and risk profiles. In addition, there are limitations on the use of leverage. The interim portfolio limits permit staff to implement the Real Estate Strategic Plan and optimize the Legacy Portfolio during an anticipated five to seven year transition period.

### **ANALYSIS**

Extension of the Real Estate interim portfolio limits by a two year period will allow more time for Real Assets staff to bring the portfolio into compliance with the Real Estate Strategic Plan in four areas:

- Strategic - Base,
- Risk Classification - Core,
- Property Types - For Sale Residential/ Land Development
- Other Property Types

These interim Real Estate portfolio limits are illustrated in Attachment 1, Current Policy Exposures and Compliance.

### **BENEFITS/RISKS**

Adopting the revised interim Real Estate portfolio limits will allow staff adequate time to bring the portfolio into compliance and continue implementation of the Real Estate Strategic Plan. At this time, staff have not identified any risks with adopting the proposed revisions.

### **ATTACHMENTS**

Attachment 1 – Current Policy Exposures and Compliance  
Attachment 2 – Real Assets Policy with Proposed Revisions  
Attachment 3 – Consultant Opinion Letter

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