



**Date:** November 24, 2015

**To:** Members of the Investment Committee  
California Public Employees' Retirement System

**From:** Pension Consulting Alliance, LLC (PCA)

**RE: DRAFT Proposed Revision of the Real Assets Policy – Attachment D**

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This new Attachment D was created as part of the Investment Policy Revisions Project, which was a key initiative identified in the Investment Office Roadmap for reducing compliance and operational risk levels. The purpose of Attachment D is to capture the limits and constraints portion of the current Real Assets Delegation Resolution in the Real Assets Policy, and in so doing, facilitate the broader changes to delegated authority and make the Real Assets Policy consistent with those of other asset classes.

While the efforts to reduce complexity and standardize investment policies are important and should be pursued in Real Assets as with the other asset classes, the proposed Attachment D is problematic for Real Assets. There are 14 pages of limits and constraints in the Delegation Resolution that govern Real Assets. As a result, there is interpretation risk associated with Attachment D. It attempts to distill into a single table the very complex sets of limits and constraints that guide CalPERS real estate investment program.

The potential interpretation risk will persist for the period between adoption of Attachment D and the more comprehensive revision of the Real Assets Policy that will follow next year. This risk is likely manageable over this short time period, and is offset over the longer term by continued progress toward simplified and better aligned delegated authority and policy documents that will be produced for Real Assets in 2016 following the Real Assets Strategic Plan update.

PCA will continue to work with Staff on the 2016 Real Assets Strategic Plan and ensuing Real Assets Policy revision.