

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY**

**FOR  
APPRAISAL OF CALPERS REAL ESTATE INTERESTS**

**July 22, 2014**

*This Policy is effective immediately upon adoption and supersedes all previous real estate appraisal policies.*

**I. PURPOSE**

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the Appraisal of CalPERS Real Estate Interests ("Program"). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing or acting in compliance with the Program. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

**II. STRATEGIC OBJECTIVE**

To measure and monitor market value through independent appraisals of real estate interests and CalPERS ownership interests held in separate accounts or identified to be appraised. The Program shall be managed to accomplish the following:

- A. To provide an opinion of market value for the real estate assets and CalPERS ownership interests on an annual basis or in conjunction with the consolidation, termination or transfer of real estate interests.
- B. Monitor the appraisal industry and any other related professions for implementing best practices and compliance standards.

**III. RESPONSIBILITIES**

A. CalPERS Real Estate Unit (REU) is responsible for the following:

1. Monitor the real estate portfolio database for accuracy.
2. Provide accurate real estate portfolio information to the Performance Monitoring Unit's appraisal management section.
3. Identify real estate assets or ownership interests requiring a secondary appraisal.
4. Report to the Committee explanations or reasoning for exempting real estate assets from the appraisal process.

B. CalPERS Performance Monitoring Unit (PMU) is responsible for the following:

1. Collect and obtain all pertinent information required to complete the real estate appraisal process.
2. Maintain the real estate portfolio database.
3. Establish a pool of qualified real estate appraisal firms through a competitive solicitation process, who meet CalPERS service standards.
4. Manage the competitive bidding process to engage appraisal firms from CalPERS pool of approved qualified appraisal firms for assignments.
5. Establish internal processes to measure the quality and performance of the appraisal firms performing work for CalPERS.
6. Establish the appraisal schedule so real estate interests are appraised no less than annually.
7. Establish an auxiliary appraisal process for real estate assets and ownership interests where economic value or payment of fees are based on unrealized gain/loss. In addition to all steps in the appraisal process, the auxiliary process will include an independent review by a qualified third party.
8. Establish and implement market value dispute resolution procedures to resolve disputes with investment managers or others relating to the market value of real estate assets.

9. ~~Monitor the implementation of, and compliance with, the Policy. PMU shall report concerns, problems, material changes, and all violations of the Policy at the next Committee meeting, or sooner if deemed necessary. These reports shall include explanations of any violations and the corrective actions taken.~~
10. ~~Maintain an internal procedure manual ("Manual"). The Manual will provide guidance and mandatory steps for key procedures and processes in the Performance Monitoring Unit. The Chief Operating Investment Officer and the Board's Real Estate Consultant shall approve the initial manual. Annually, Staff and the Board's Real Estate Consultant shall review the Manual to ensure the Manual is consistent with best practices. Changes to the Manual require the Chief Operating Investment Officer and the Board's Real Estate Consultant's approval.~~

#### **IV. ~~PERFORMANCE OBJECTIVE AND BENCHMARK~~**

~~Appraisals must be prepared in compliance with:~~

- A. ~~The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice ("USPAP").~~
- B. ~~The Appraisal Institute's Code of Professional Ethics and Standards of Professional Practice.~~
- C. ~~Royal Institute of Chartered Surveyors' ("RICS") standards for real estate assets located outside of North America.~~

#### **V. ~~INVESTMENT APPROACHES AND PARAMETERS~~**

##### ~~A. Appraisal Policy~~

1. ~~Appraisals shall serve as the basis for determining market value of the real estate assets and CalPERS ownership interests.~~
2. ~~Appraisals must be prepared by a Member of the Appraisal Institute with the MAI designation from CalPERS pool of approved qualified appraisal firms.~~
3. ~~Appraisals of real estate assets shall conform to USPAP and the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.~~
4. ~~Appraisals of real estate assets located outside North America shall conform to USPAP or International Valuation Standards ("IVS") as reported in the RICS Valuation Standards together with the incorporated Practice Statements and Guidance Notes.~~

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5. ~~The Senior Investment Officer of Real Estate, with the approval from the Chief Operating Investment Officer, Chief Investment Officer and the Board's Real Estate Consultant, may exempt any real estate asset or ownership interest of CalPERS from the appraisal process if deemed to be in CalPERS best interest. All exemptions shall be reported at the next Committee meeting, or sooner if deemed necessary and shall include explanations or reasoning for the exemptions.~~
6. ~~Except for real estate assets identified as exempt from this Policy, real estate assets and CalPERS ownership interests will be appraised annually, or more frequently if deemed by Staff to be in CalPERS best interest.~~
7. ~~The Senior Investment Officer of Real Estate, with the approval from the Chief Operating Investment Officer, Chief Investment Officer and the Board's Real Estate Consultant may cause an appraisal to be performed on any real estate asset or ownership interest of CalPERS for any reason, at any time.~~

**VI. CALCULATIONS AND COMPUTATIONS**

Not Applicable

**VII. GLOSSARY OF CALPERS SPECIFIC TERMS**

*Italicized* terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Equity Real Estate Appraisal and Valuation

Approved by the Policy Subcommittee	June 12, 1998
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