

**REAL ASSETS FAIR MARKET VALUE PROCEDURES**  
**(Replacement for the “Statement of Investment Policy for Appraisal of CalPERS**  
**Real Estate Interests” or the “Appraisal Policy”)**  
**Effective May 1, 2019**

If the governing documents of an investment vehicle between CalPERS and one or more other parties provide that the fair Market Value of a project or investment shall be determined by an appraisal in accordance with CalPERS “Appraisal Policy,” then the following shall apply, except as may otherwise be specified in such governing documents:

1. Independent third-party appraisals shall serve as the basis for determining the fair market value of the real estate assets and CalPERS’ ownership interests.
2. Asset-level appraisals must be prepared by a Member of the Appraisal Institute with the MAI designation selected by CalPERS from CalPERS’ pool of approved qualified appraisal firms. Appraisals of Operating Companies or Portfolio Companies must be prepared by an appraisal firm selected by CalPERS from CalPERS’ pool of approved qualified appraisal firms but shall not require the MAI designation.
3. Appraisals of real estate assets shall conform to Appraisal Foundation’s Uniform Standards of Professional Appraisal Practice (“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 Royal Institute of Chartered Surveyors’ (“RICS”) Valuation Standards together with the incorporated Practice Statements and Guidance Notes.

**Appraisal Dispute Resolution Procedure**

Whenever the governing documents of an investment vehicle permit a partner or member (including CalPERS) of the investment vehicle to dispute the fair market value of an asset as determined by an independent third party appraisal obtained pursuant to this procedure by reference to the appraisal dispute resolution procedure adopted by CalPERS from time to time, such dispute shall be resolved pursuant to the procedure set forth in Exhibit A hereto.

## EXHIBIT A

### **California Public Employees' Retirement System Real Assets Appraisal Dispute Resolution Procedure Effective May 1, 2019**

*This Dispute Resolution Procedure shall be effective upon adoption of the Real Assets Fair Market Value Procedures (the "Valuation Procedures") and supersedes all previous appraisal dispute resolution procedures contained within any former Real Assets or Real Estate Appraisal Policy.*

Whenever the governing documents of an investment vehicle permit a partner or member (including CalPERS) of the investment vehicle to dispute the fair market value of an asset as determined by an independent third party appraisal obtained pursuant to CalPERS' standard procedures, and such governing documents do not provide a specific mechanism to resolve such dispute, but instead reference the appraisal dispute resolution procedure adopted by CalPERS from time to time, such dispute shall be resolved as follows:

- A. The partner or member (including CalPERS) which disagrees with the fair market value of an asset as determined by an appraisal (the "First Appraisal") obtained pursuant to the Valuation Procedures (the "Initiating Member") shall provide written notice of such dispute to the other partners or members within 30 days of the completion of the First Appraisal.
- B. Within 30 day after receipt of such notice (or as soon thereafter as practicable), CalPERS shall engage a second qualified appraiser to obtain a second appraisal (the "Second Appraisal") pursuant to the Valuation Procedures and deliver the Second Appraisal to the partners or members. The cost of the Second Appraisal shall be paid by the Initiating Member.
- C. If the higher market value in the First Appraisal and the Second Appraisal is less than one hundred ten percent (110%) of the lower market value, then the fair market value of the asset shall be that determined by the Second Appraisal.
- D. If such higher market value is equal to or greater than one hundred ten percent (110%) of the lower market value, then CalPERS shall, within thirty (30) days after the Second Appraisal has been delivered to the partners or members (or as soon thereafter as practicable), engage a third qualified appraiser to obtain a third appraisal (the "Third Appraisal") pursuant to the Valuation Procedures, and deliver the Third Appraisal to the partners or members. If CalPERS is not the Initiating Member, the Initiating Member shall pay one-half of the cost of the Third Appraisal and CalPERS shall pay one-half of the cost of the Third Appraisal. If CalPERS is the Initiating Member, CalPERS shall pay one-half of the cost of the Third Appraisal and the other one-half of the cost of the Third Appraisal shall be split between the other partners or members in proportion to their percentage interests. The fair market value of the asset shall then be the average of the two (2) market values in the First Appraisal, the Second Appraisal and the Third Appraisal that are closest to each other, or, if the difference between the First Appraisal and the Third Appraisal and the difference between the Second Appraisal and the Third Appraisal are in each case less than or equal to one hundred ten percent (110%) of the lower market value, then the fair market value of the asset shall be the average of the First Appraisal, the Second Appraisal and the Third Appraisal.