

PUBLIC AGENDA ITEM - #19d

19d. Review, Discussion and Consideration of Proposed Real Estate Annual Tactical Plan  
for Fiscal Year 2010

August 25, 2009

BACKGROUND:

In accordance with the Real Estate Policies and Procedures presented under item number 19-c of the posted meeting agenda, staff is charged with preparing and presenting to the Employees Retirement System of Texas (ERS) Board of Trustees (Board) for its review and approval an Annual Tactical Plan (“Plan”). The Plan reviews the current status of the real estate portfolio, recent historical and prospective market conditions and proposes steps to be taken over the next 12 months to implement the real estate program. These steps include the types and number of investments to be sought as well as any other actions or considerations germane to the success of the program.

The Annual Tactical Plan is intended to be a planning document and is a guiding reference only. It is not intended to overrule prudent real estate investment decision-making.

Currently, the private portion of the Real Estate Portfolio stands at \$0.

Due to significant dislocation in the capital markets and current economic stress, ERS staff and the real estate consultant, RV Kuhns & Associates, believe that 2010, 2011, and 2012 will be attractive vintage years for real estate. Consequently, the proposed Plan calls for significant capital commitments to be made during the next few years to take advantage of this environment and bring the real estate portfolio closer to its full allocation.

STAFF RECOMMENDATION:

Staff recommends the adoption of the proposed Annual Tactical Plan, attached as Exhibit A, as an appendix to the ERS Real Estate Policies and Procedures. The staff recommended motion is attached to this agenda item.

ATTACHMENT – 1

Exhibit A – ERS Real Estate Annual Tactical Plan for Fiscal Year 2009

PROPOSED ACTION - #19d

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The ERS staff recommends the following motion to the Investment Advisory Committee:

I move that the Investment Advisory Committee recommend that the Board of Trustees of the Employees Retirement System of Texas approve the ERS Real Estate Annual Tactical Plan for Fiscal Year 2009 as presented in Exhibit A.

Contingent upon adoption of the above motion by the Investment Advisory Committee, staff recommends the following motion to the Board of Trustees:

I move that the Board of the Trustees of the Employees Retirement System of Texas approve the ERS Real Estate Annual Tactical Plan for Fiscal Year 2009 as presented in Exhibit A.