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Office of the Treasurer
December 9, 2008

Members, Investment Committee

AUTHORIZATION TO ENTER CONTRACT NEGOTIATIONS WITH
FOUR NEW MANAGERS FOR THE MANAGEMENT OF VALUE-ADDED
AND OPPORTUNISTIC REAL ESTATE ALLOCATIONS

Recommendation: that the Investment Committee authorize the University's Purchasing Division to enter into contract negotiations with four new managers for the management of value-added and opportunistic real estate allocations. One manager is subject to final approval by staff and RVK prior to the fund's final close in mid-2009.

Background: The Investment Committee approved a revised asset allocation and manager structure on June 16, 2008, which includes new value-added and opportunistic real estate allocations of 4% each. Investment staff and R. V. Kuhns & Associates ("RVK") issued a Request for Proposals for value-added and opportunistic real estate managers in September 2008 and received proposals from 25 firms on 27 different strategies. Staff and RVK performed the evaluation of proposals and selected two value-added managers for a 2.5% total allocation, one manager for a 1.5% allocation and one manager for a 1.0% allocation. Staff and RVK also selected two opportunistic managers, one manager for a 1.0% allocation and one manager whose allocation has yet to be determined pending final approval by staff and RVK prior to the fund's final close in mid-2009. Staff and RVK plan to issue another RFP in the next two years to search for additional value-added and opportunistic real estate managers/strategies. The objective is to build the value-added and opportunistic allocations over a period of years to ensure appropriate vintage year diversification.

The recommendation of the four managers, along with a description of the RFP process, is included in a confidential memo from RVK dated November 21, 2008, which was distributed to the Investment Committee. Disclosure of the names of the managers could jeopardize the contract negotiations with these firms.

Action Taken: Approved Disapproved Other _____