

FUND MANAGER ISSUE

Action Requested: Recommend the Board approve FTSE EPRA/NAREIT Developed Index as the new investment pool benchmark for Global REITs.

Executive Summary: The Board delegates to its Investment Committee the responsibility to adopt benchmarks for each investment pool in consultation with the investment advisor and the vice presidents for finance/treasurers. Wilshire recommends that FTSE EPRA/NAREIT Developed Index be utilized as the new benchmark because it is a broader representation of the eligible real estate securities worldwide.

Background and Analysis: At its September 10, 2013, meeting, the Committee approved a new asset mix and ranges recommended by Wilshire Consulting which included removal of home country bias within REITs for both the Diversified Operating portfolios and the Diversified Intermediate portfolios.

At its December 4, 2013, meeting, the Committee approved the Vanguard Group – Vanguard Global ex-U.S. Real Estate Index Fund as a new fund manager to execute the new global investment strategy for REITs. The Vanguard Global ex-U.S. Real Estate Index Fund is utilized in conjunction with both the Board approved Vanguard & State Street U.S. REITs Index funds to implement the Global REITs (U.S. and non-U.S.) asset allocation.

As part of this change in asset allocations, Wilshire Consulting updated the diversified portfolio benchmarks to include the “Wilshire Global REIT Index”, a Global REITs benchmark. However, recent evaluation of the composition of the Wilshire Global REIT Index led the vice presidents for finance/treasurers and Wilshire to examine alternative benchmarks and led to the current recommendation for a change in the benchmark.