

## Investment Recommendation

SERS' Investment Office Staff and SERS' Real Estate Consultant, NEPC, recommend that the State Employees' Retirement System Investment Committee interview Blackstone Inc. ("Blackstone" the "GP" or the "Firm") at the June 3, 2022, Investment Committee Meeting to consider a potential commitment of up to \$75 million to Blackstone Real Estate Partners X L.P. ("BREP X" or the "Fund") subject to the satisfactory completion of legal due diligence and contract negotiation. This is an existing investment manager relationship for PA SERS. BREP X is targeting \$25 billion of capital commitments. The Fund will have a final close by middle of June 2022.

## Investment Rationale

Staff believes BREP X represents a strong candidate for SERS' capital commitment as it offers:

- Access to a preeminent Real Estate platform;
- A high conviction thematic investment approach;
- History of strong investment returns;
- Complimentary portfolio fit;
- A manager with a strong commitment to ESG and DEI initiatives.

## Investment Risks & Mitigants

Staff identified the following potential risks:

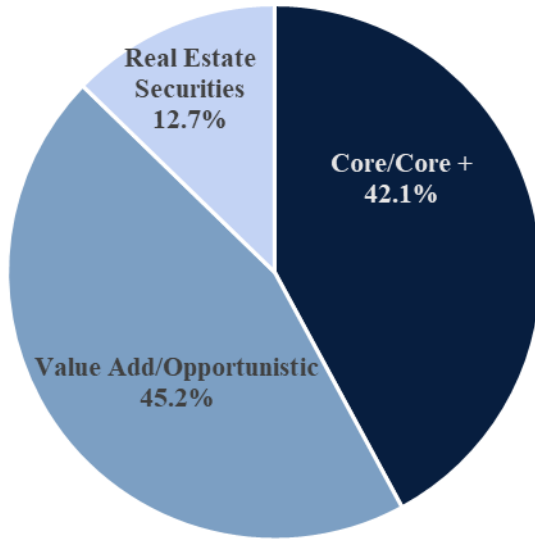
- Changing global macroeconomic environment.
- Rising interest rates and inflation.
- Increasing fund size.

## Portfolio Implications

A commitment to BREP X would be considered a 2022 vintage allocation to a fund which is categorized in the Real Estate asset class and Value-Add/Oppportunistic sub-asset class. As of December 31, 2021, SERS' total allocation to the Value-Add/Oppportunistic sub-strategy represented approximately 45.2% of the total Real Estate portfolio. This commitment aligns with SERS' Strategic Investment Plan initiatives of making fewer commitments to top-tier managers. Staff believes that a commitment to BREP X will provide an element of secular growth tailwinds through exposure to Industrial, Housing and Hospitality property types.

The following two charts show the Real Estate allocations by sub strategy as of December 31, 2021 on the left, and a prospective view of the allocation post a \$75 million commitment to BREP X on the right.

**SERS Real Estate Sub-Strategy Allocation  
as of 12/31/2021**



**SERS Projected RE Sub-Strategy  
Allocation**

