

RFI Questions and Answers for LACERA.com

Note: LACERA responses in blue

General Info: LACERA is open to reviewing responses that may not cover the full scope of work. Please denote what services your firm is able to provide and those you do not offer. For each question that you cannot answer (because your firm does not offer the service), state “X Firm does not offer this service.”

The following are answers to your questions:

- Does LACERA intend to utilize different partners for RE consulting services and RE administrative services? Is LACERA open to the appointed service provider to sub-delegate of legal and/or audit services?
LACERA may elect to do so; that has not been decided.
- Are the SPEs open ended or closed ended structures?
SPEs hold separate accounts only, all open ended.
- Please elaborate what LACERA considers to be “legal services relating to real estate”. Would these services be limited to those listed in question 73?
Establishing a SPE, property management agreements, purchase and sales agreements, or any RE-related need.
- Please provide a comprehensive listing of the types of “fees” required to be validated by the Administrator.
See the questions on page 16 of the RFI.
- Please clarify the comment “Engaging external financial statement auditors” and the requested role of the Administrator for this process.
The Administrator will hire a third party auditor to provide audited financials; and may interact with LACERA internal and external auditors.
- Subscription & Redemption Documents/Capital Call & Distributions (Page ,15 17 – Q49) – Please describe what you consider to be an “investor” and how they fit in with the scope of services described in the RFP. Are these external members of the pension plan, or an internal LACERA entity?
LACERA is the investor.
- What if any performance return benchmarking will be required from the Administrator (please provide specific indexes)?
ODCE and absolute return benchmarks. Other benchmarks may be adopted at a later time.
- Will the Administrator need to review property level information in detail (e.g. review of actual to budget statement of operations, capital expenditure variances, etc.)?
To be determined.

- Are these mostly directly held real estate assets?
The real estate program is made up of 13% comingled funds and **87% separate accounts**. The separate accounts are held in Special Purpose Entities (“SPE”) that hold title to real estate investments. As of October 2018, LACERA’s real estate portfolio included 12 separate account managers (consisting of 180 SPEs and 102 separate account properties), and 20 comingled funds.
- Reference is made to custodians, can you provide more details regarding the assets held by custodians?
No assets are held by the custodian.
- Can you confirm if this is from the perspective that LACERA will engage an investment manager to manage investments through a separate account or co-investment vehicle?
Yes.
- Does this process relate to LACERA subscribing into an external Real Estate fund, or will they be setting up vehicles to admit 3rd party investors?
No.
- Are there outside investment managers or advisors managing the real estate program or it is managed in house?
All external.
- How many investments are in each SPE, what is the age of each SPE and separate account?
Normally, one investment per SPE. The age range is from months to 20+ years.
- Who is currently providing the scope of services for the existing SPEs/separate accounts, and comingled funds?
RE consultant and LACERA staff.
- Are there other investors beyond LACERA investing in the SPEs structures?
A few may have joint venture partners.
- Is reporting required for each SPE and are there various roll-ups?
Yes.
- Property Managers: How does LACERA staff currently receive property level data? If ETL Templates used, please confirm Vendor Platform.
LACERA does not receive information from the property manager; the property manager reports to the advisor.
- Comingled Funds: Does LACERA have side letters for Recent Vintages or pending future commitments to Comingled funds to include reporting via ILPA Standard/Template?
Yes.
- Comingled Funds: What % of comingled funds report per ILPA Standard Template/Format?
Apx. 50%.
- Does your real estate data require reconciliation (unfunded balances reconcile, etc.)?
Yes.

- What is the difference between the "SPE" and "SMA"?
SPE = Special Purpose Entity; SMA = Separately Managed Account. For LACERA, SPE is the entity that holds that holds a property.
- What States do you currently file in?
Mostly in Delaware and California.
- What States and Countries will the SPE's be established in?
U.S.A.

The following are similar to the questions LACERA has asked of the candidates. Respond the best of your ability:

- What, if any, non-financial metrics on the underlying properties/assets will be required to be tracked by the Administrator?
- What, if any, portfolio/asset diversification reports will be required to be provided by the Administrator?
- Please provide a comprehensive list of performance measurement calculations that will be required from the Administrator (e.g. IRR, Time Weighted, Equity Multiples, etc.). Please indicate at what levels each calculation provided shall be calculated (asset, investment, manager, total LACERA portfolio, etc.)
- Custodian Bank:
What is the frequency of reconciliation for accounting attributes, valuations, and performance returns?
Does LACERA have access to generate performance reports from Custodian platform?
- RE Consultant:
Does LACERA currently house, feed or consume data from internal platforms to RE Consultant platform?
Does LACERA have access to generate performance/holdings reports from RE Consultant platform?
What is the frequency, if any of reconciliations between LACERA and RE Consultant for: Accounting attributes, Valuations, Performance returns, Benchmark Comparison, and Holdings Data?
- What business day do you close the books at month-end? Quarter-End? Year-end?
- Can you share or speak to the breadth and types of required reporting from both an accounting and performance perspective?
- Separate Accounts: What is the frequency of reporting and via what format?
- How do you currently collect property level data and what data are you collecting and reporting on?
- How do you currently manage your documents and is document management in scope for proposed services?
- Which accounting/performance reporting services did you request in this RFI that LACERA doesn't currently receive?
- What are the reconciliation requirements with custodian/trustee and Investment Advisor?

This information may be provided to candidates that move on to the advanced stages of the search:

- Please provide a detailed listing of each investment, including the type of asset and location.
- Please provide a detailed list of all reporting requirements at the asset, separate account and fund investment levels for which the Administrator would be responsible.
- Please describe how information is received, the format of such information and nature of information that will be sent directly by the separate account managers and fund investment managers to the Administrator for (e.g. For separate accounts, a monthly property report is sent via email in a pdf format by the manager, as well as, excel files containing trial balances, financial statements, etc. or for separate accounts, only a pdf showing LACERA's net asset value roll forward). Or instead, will information come directly from the custodian for all investments (whether separate managed account or commingled fund)?
- Please provide further details on the expected entity structure and LPA referenced.
- Who would be expected to act as directors of these vehicles?
- Please provide the structure chart of the existing 180 SPEs and the 102 separate account properties.
- Provide a description of investments in each SPE and separate account, what is the structure of the investments (i.e. direct investments, JV partnerships) add i.e., strategy, property type etc.
- Please provide a list of the 20 comingled funds.
- Current Special Projects: Can LACERA comment if there are any ongoing historical reconciliations projects for transaction, valuation or performance returns?
- Please provide format/example of AB 2833 Format of fee reporting as of most recent date?
- FX considerations: For NON-USD investments what is the current LACERA policy or FX: USD Cash equivalent, Platform/System Rate, Vendor Rate?
- By jurisdiction, please provide a breakout of the legal entities/SPV's that are scoped in for the services to be provided by the Administrator (e.g. 20 Luxembourg entities, 70 United States, 10 Cayman, etc.)
- Please provide an estimate of the total number of wires to be processed by the administrator each month, by both investor payments (distributions, redemptions, etc.) and operational payments (funding of investment capital calls, payment of invoices and fees, etc.).
- Please explain the expected entity structure requiring Rebalancing & Partner Transfers.
- Please provide a breakdown of the current accounting and investment level data being captured. Provide a breakdown transaction level accounting. Provide a list of the investment level data elements currently being captured.