

Questions and Answers for Real Estate Consultant Search

1. There are several areas of the Questionnaire (e.g. Questions 6, 7, 13, etc.) that suggest attachments beyond what is permitted per the instructions in Section III, Part B, Subpart 5 of the RFP. Please explain how you would like to receive this information while still complying with the instructions and page limitations.

Please include responses as an APPENDIX. The APPENDIX will not be included in the page count.

2. Table 3 asks for client data as of Q2 2018. Should this be Q2 2020 as is the case in Table 1?

This was a typo. Please note that the information should be as of Q2 2020.

3. What time period should be covered by Table 5 (Employee Turnover)?

For a 5-year time period ending 2Q 2020

4. F-Supplemental Questionnaire, Table 7 asks for a list of our real estate investments/funds recommended to our clients for 2010 to 2019, including the corresponding number of client accounts and allocations to each. Can we redact/alter the fund names (i.e., Excel-column c) so that the information does not become public?

As per the request, please include fund names and also provide a redacted version. The redacted version will be used for any public requests.

5. E-Questionnaire, Question III.4 of the RFP requires that we submit audited financial statements. Being a closely held Limited Liability Company (LLC), it has been our policy since the inception of the firm not to disclose our financial data unless and until **CONSULTANT A's** confidentiality agreement has been signed. We have provided a copy of the agreement and will supply our financial data upon receipt of a signed document.

Given your explanation, we are amendable to entering into a confidentiality agreement subject to the parties agreeing on the terms and bearing in mind that this financial information is important to LACERA's evaluation of the bids.

6. B-Real Estate Holdings, could you please additionally provide the vintage year, commitment amount, and capital called to date?

Please find attached file ("Commingled fund holdings 06-20-20") for vintage year, commitment amount and capital called to date (as of 6-20-20) for commingled fund commitments.

7. Does LACERA have target geographic and/or property type allocations in real estate? If so, could you please provide the target allocations?

Please find attached file ("Target Allocation") which includes program limitations for real estate.

8. Could you please provide LACERA's current real estate total exposure (current NAV plus unfunded commitments) as a % of total plan assets?

As of December 31, 2019, LACERA's total plan assets were at approximately \$60.67 billion, the real estate NAV was \$6.02 billion (9.9% of total fund) and the unfunded commitment \$1.01 billion (1.7% of total fund).

9. Can you provide any background information on what prompted LACERA to conduct a real estate consultant search at this time?

One of the initiatives included in the Real Estate 2020 Structure Review presented to the Real Assets Committee of the Board of Investments in June 2020 was to conduct a search for a real estate consultant. It has been almost five years since a search for a real estate consultant was performed. The Board of Investments recommends conducting a consultant search once every five years.

10. What are the annual fees for the existing contract that the Board is paying to its current real estate consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?

The annual retainer fees paid to the current real estate consultant is \$300,000 per annum with a possibility of a 3% escalation every year. The current real estate consultant performs special projects based on hourly rates pre-negotiated at the time of their hire or on a fixed fee basis as agreed upon at the time of the special project.

11. How many in person Board meetings per year are anticipated for real estate?

Anticipate 12 Board meetings per year.

12. What are the most important characteristic of a real estate investment consulting firm to LACERA?

Please refer to the Scope of Work on page 4 of the Consultant Search for Real Estate Consultant.

13. Are there any specific qualifications we should be sure to highlight as part of our RFP response?

Please refer to the Scope of Work on Page 4 of the Consultant Search for Real Estate Consultant.

14. [Attachment D: Minimum Qualifications; Criteria #3]: states that the respondent “must have five (5) years of experience in providing direct investment and due diligence in real estate consulting services to U.S. tax-exempt clients with total plan assets of at least \$5 billion as of March 31, 2020.”

Our firm is established less than five years ago as a spinout of another consulting organization in which the proposed consultants for this RFP have had continuous years of experience providing real estate investment consulting services to institutional and public funds with total plan assets of

greater than \$5 billion (such experience and tenure with a predecessor organization, but not yet with the current organization).

Would LACERA consider such experience at a predecessor organization as satisfying this criteria, noting that our firm's professionals and proposed lead and backup consultant that would be dedicated to LACERA will individually and collectively have met the minimum qualification of advising major institutional fund clients with greater than \$5 billion of plan assets for greater than five years?

The minimum qualifications are strictly enforced, and unfortunately experience at a predecessor organization does not satisfy these criteria.

15. Please confirm the planned target commitments for the real estate program over the next 1-3 years.

Please refer to ("Target Allocation") attachment for further information. The real estate program planned target commitments are to get close to or within the target ranges.

16. With regards to scope of services, is LACERA willing to engage discretionary asset management services in place of a consultant for some of the strategies described in the RFP?

No, we are looking for consultant only services.

17. How does LACERA intend to achieve its Emerging Manager exposure? Does the policy allow for direct exposure to Emerging Managers or the retention of an Emerging Manager FoF? Please provide clarity on whether the real estate consultant would be engaged in the search for an Emerging Manager / Emerging Manager FoF.

Yes, the LACERA policy allows for both direct exposure as well as fund of fund commitments to the Emerging Manager program. The consultant's role will be to participate in the search process.

18. Where do commercial real estate debt investments fit in the portfolio construction, and to which Asset Class sub-category/allocation % do they belong?

Commercial real estate debt has been moved into the CREDIT functional asset class. The asset class has a soft target of 1% for illiquid credit. Going forward real estate debt investments will no longer be under the advisement of the real estate consultant.

19. What are the strengths and weaknesses of LACERA's current real estate advisor?

This question is not relevant to any responses to the RFP.

20. Given the real estate allocation is at the upper limit of the allowable range, how much capital does LACERA seek to deploy to real estate annually? Will the target allocation and ranges be revisited? What is the typical bite size for a fund?

The amount of capital deployed depends upon the opportunity as well as the available capital. Currently, real estate is at the upper end of its allowable range for Real Assets and Inflation Hedges thus limited new capital is anticipated for the short term. Typical bite sizes for a fund investment are between \$50 to \$100 million.

21. What is LACERA's appetite for secondaries, co-investments, and joint ventures?

LACERA is open to all of the above.

22. How many LACERA investment professionals specialize in real estate?

There are currently seven professionals in the real estate group.

23. What specific areas is LACERA seeking to capture within the risk reporting requirements?

Some of the areas LACERA is trying to capture are: leverage, geography, property type, property sub-type, risk category and any other categories that the consultant may feel are necessary to capture.

24. Given the focus on staying safe and the associated challenges of operating in this current environment, would LACERA accept electronic-only submissions for this RFP?

Please review the instructions. We would like both electronic as well as hard bound copies.

- 25.E - Questionnaire: Q27, Exhibit H & Table 5 (p 6) - Employee turnover. Please advise if this should include all employees or only those relevant to the Real Estate team. How far back should this information go?

The information pertains to the Real Estate team and should go back 5 years from 2 Q 2020.

- 26.RFP: Consultant Search for Real Estate Consultant: Section III.B.5 (p 9) - Attachments: Respondents seeking consideration as a consultant must provide all information requested to be included as Exhibits to the completed Questionnaire. Please submit Tables 1, 2, 3, 4, 5, 6, 7, 8, and 9 in Microsoft Excel file (Attachment F) format by completing the templates provided in Microsoft Excel and attaching as the requested Exhibits. Please clarify that LACERA would like the Excel (not PDF) versions submitted with the email submission. Does LACERA require physical printed versions of the tables with the hard copies?

LACERA would like Excel versions of the Exhibits as well as printed hard copies of the tables.

- 27.RFP: Consultant Search for Real Estate Consultant: Section VIII (p 12) of the RFP provides that, "The information you submit in response to this RFP will become the exclusive property of LACERA." Does LACERA expect respondents to transfer intellectual property rights of documents submitted to LACERA such that LACERA can use, copy or redistribute any information submitted through the RFP or is LACERA simply informing respondents that they do not intend to return any documents submitted as part of the RFP response?

The intent is two-fold: (1) keep responses per LACERA's record retention policy and (2) potentially use non-confidential information from the responses by commenting or incorporating them into a memo presented to the Board of Investments in connection with the selection of a candidate.