

LIVE VIRTUAL BOARD MEETING

JULY 8, 2020 AT 8:00 AM
Real Assets Committee



TO VIEW VIA WEB

<https://attendee.gotowebinar.com/register/4144644673065281039>



TO LISTEN BY TELEPHONE

(877) 309-2071 Access Code: **999-998-330**

Enter the access code when prompted.



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

AGENDA

A REGULAR MEETING OF THE REAL ASSETS COMMITTEE
OF THE BOARD OF INVESTMENTS AND BOARD OF INVESTMENTS*
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CA

8:00 A.M., WEDNESDAY, JULY 8, 2020**

This meeting will be conducted by teleconference pursuant to the Governor's Executive Order N-29-20. The public may attend the meeting at LACERA's offices.

Any person may listen by telephone to the meeting by dialing 877-309-2071, Access Code 999-998-330 or view the meeting online at <https://attendee.gotowebinar.com/register/4144644673065281039>

The Committee may take action on any item on the agenda, and agenda items may be taken out of order.

I. CALL TO ORDER

II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Real Assets Committee Meeting of June 10, 2020.

III. PUBLIC COMMENT

(***You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

July 8, 2020

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IV. NON-CONSENT ITEM

- A. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Committee advance the proposed Minimum Qualifications, Evaluation Criteria and Scope of Work to the Board of Investments for approval. (Memo dated June 23, 2020)

V. ITEMS FOR STAFF REVIEW

- VI. GOOD OF THE ORDER
(For information purposes only)

VII. ADJOURNMENT

****The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.***

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

*****Although the meeting is scheduled for 8:00 a.m., it can start anytime thereafter, depending on the length of the Equity: Public/Private Committee meeting. Please be on call.***

******Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.***

MINUTES OF THE REGULAR MEETING OF THE REAL ASSETS COMMITTEE
AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., WEDNESDAY, JUNE 10, 2020

*This meeting was conducted by teleconference pursuant to the Governor's
Executive Order N-29-20*

PRESENT: David Muir, Chair
Alan Bernstein, Vice Chair
Wayne Moore
Gina V. Sanchez
David Green, Alternate

MEMBERS AT LARGE:

Herman Santos
Keith Knox
Shawn Kehoe
Elizabeth Greenwood

STAFF, ADVISORS, PARTICIPANTS

Jonathan Gabel, Chief Investment Officer
John McClelland, Principal Investment Officer
Steven Rice, Chief Counsel

STAFF, ADVISORS, PARTICIPANTS

The Townsend Group
Felix Fels, Principal

I. CALL TO ORDER

The meeting was called to order by Mr. Muir at 8:00 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the Regular Real Assets Committee Meeting of September 11, 2019.

Mr. Bernstein made a motion, Mr. Moore seconded, to approve the minutes of the regular meeting of September 11, 2019. The motion passed (roll call) with Messrs. Bernstein, Green, Moore, Muir and Ms. Sanchez voting yes.

III. PUBLIC COMMENT

There were no requests from the public.

IV. REPORT

- A. Real Estate 2020 Structure
Jonathan Grabel, Chief Investment Officer
(Memo dated May 28, 2020)

Messrs. Grabel and McClelland and Mr. Fels of Townsend Group were present and answered questions from the Committee.

V. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

June 10, 2020

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VI. GOOD OF THE ORDER
(For information purposes only)

VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 8:48 a.m.

June 23, 2020

TO: Trustees – Real Assets Committee

FROM: John D. McClelland 
Principal Investment Officer

FOR: July 8, 2020 Real Assets Committee Meeting

SUBJECT: **REAL ESTATE CONSULTANT – REQUEST FOR PROPOSAL,
MINIMUM QUALIFICATIONS, AND SCOPE OF WORK**

RECOMMENDATION

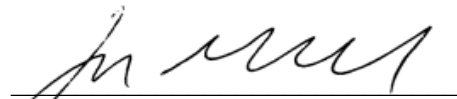
Advance the proposed Minimum Qualifications (“MQs”), Evaluation Criteria, and Scope of Work (“SOW”) to the Board of Investments (the “Board”) for approval.

BACKGROUND

One of the initiatives included in the Real Estate 2020 Structure Review presented to the Real Assets Committee in June 2020 was conducting a search for a real estate consultant. **ATTACHMENT I** describes the recommended search criteria in compliance with the Procurement Policy for Investment-Related Services. This includes: (i) scope of services; (ii) minimum qualifications; (iii) search timing; (iv) structure of the evaluation team(v.) evaluation criteria and (vi) the selection authority. **ATTACHMENT II** outlines the detailed SOW.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

**Real Estate Consultant Search
Request for Proposal
Minimum Qualifications**

Real Assets Committee Meeting

July 8, 2020

John D. McClelland, Principal Investment Officer

Recommendation and Background

Recommendation

- Advance the proposed Minimum Qualifications (“MQs”), Evaluation Criteria, and Scope of Work (“SOW”) to the Board of Investments (the “Board”) for approval

Background

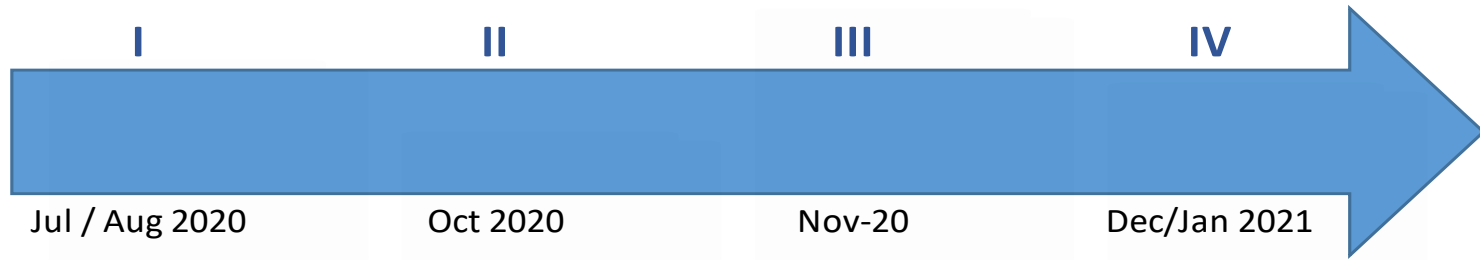
- Last real estate consultant search was conducted more than 5 years ago
- The Townsend Group (“TTG”) was originally retained in 1992, reselected in 2004 and again in 2015
- Both the reselections were through a competitive search process
- The current agreement has a five-year term until June 2021, then renews automatically every year, subject to a one-day termination for LACERA’s convenience



Evaluation Process

- Proposed Evaluation Team would consist of two Principal Investment Officers and two Investment Officers
- Evaluation Team will conduct the Request for Proposal process in two phases
 - Phase One: Evaluation of written RFP responses
 - Phase Two: Candidate interviews (virtual and possibly on-site)
- Final scores, evaluation review and recommendation will be advanced to the Board
- Selection Authority for this RFP will be the Board

Proposed Search Timeline



Phase	Steps	Actions	Firms in Process (Est.)	Timing	Status
I	RFP Design and Launch	-Committee and Board approval of search recommendation including composition of Evaluation -Publish the RFP document	N/A	July/August 2020	In process
II	RFP Evaluation	-Evaluation Team to review and rank RFP responses, select semi-finalists	8 - 10	October 2020	Not started
III	Semi-Finalist Evaluation	-Evaluation Team conducts interviews, completes reference checks	5 - 6	November 2020	Not started
IV	Finalist Recommendations	-Evaluation Team presents review of RFP and finalist recommendation to the Board -Finalist present to BOI -BOI selects Consultant	2 - 3	December/January 2021	Not started

Minimum Qualifications

1. Must be a SEC-registered investment advisor or exempt from registration. If exempt, must explain the nature of this exemption.
2. Must have at least three (3) public defined benefit pension plan clients, each with total plan assets of at least \$5 billion as of March 31, 2020.
3. 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.
4. The firm must be currently providing real estate consulting services with at least one client having real estate investments totaling \$500 million or greater.
5. Assign a primary consultant to LACERA's account that has at least ten (10) years of real estate experience. In addition, the lead consultant must also have at least five (5) years of experience as a lead consultant to tax-exempt institutional clients that include separate accounts, commingled funds, and have international exposure.
6. Must agree to be a fiduciary to LACERA under California and other applicable law.



Evaluation Criteria

All responses received shall be subject to evaluations on the following seven categories:

1. Organization
2. Professional Staff
3. Technology
4. Research Capabilities
5. Conflicts of Interest
6. Real Estate Consulting Experience
7. Fees

Strategic Consulting:

- Provide recurring recommendations for policy, objectives and strategy that are consistent with the Investment Policy Statement
- Assist Board and/or staff in conducting searches for real estate investment managers and/or co-investments
- Provide attribution analysis and quarterly reports on the real estate portfolio
- Conduct comprehensive written research, analysis, and advice on specific investment issues

Sourcing and Due Diligence:

- Conduct independent evaluations and provide recommendations on commingled fund opportunities

Physical Presence at Meetings:

- Attend Board of Investments meetings, annual off-site meetings and Real Assets and Inflation Hedges – Real Estate subcommittee meetings

Collaboration with Board, Staff and General Consultant:

- Provide educational workshops to the Board
- Collaborate with LACERA's general consultant providing ongoing advice and technical support in the establishment and refinement of portfolio asset allocation, investment goals and objectives, and Investment office policies and procedures.

ATTACHMENT II:

SCOPE OF WORK

Strategic Consulting

- Provide recurring recommendations concerning long-term investment policy, objectives, and strategy for real estate that is consistent with LACERA's Investment Policy Statement. The Consultant will provide an opinion to the Board on the Investment Policy Statement outlining any concerns or concurrence.
- Prepare special analyses and/or research, as requested, to optimize portfolio structure and monitor portfolio risk, and model program cash flow/commitment pacing/liquidity scheduling.
- Collect, aggregate and maintain historical information, including but not limited to, all cash flow, net asset values, commitments (total, funded, and unfunded), fee payments, cost basis, and leverage by separate account and fund. Reconcile portfolio data periodically or as necessary with LACERA's 3rd party real estate fund administrator.
- Coordinate with LACERA's real estate valuation provider as necessary.
- Assist the Board and/or staff in conducting searches for real estate investment managers and/or co-investments.
- Provide list of high conviction core, value-add and opportunistic real estate commingled funds in both open-ended and closed-ended commingled fund structures by sub-strategy and geography.
- Provide comprehensive analysis for real estate, including risk analysis, manager evaluations (including organizational and structural changes, key personnel changes, and client turnover), and an action plan if necessary.
- Provide performance attribution analysis including reasons for over/under performance compared to the benchmark on an as needed basis.
- Provide quarterly performance reports on the total portfolio as well as each manager's sub-portfolio. Each manager's performance is to be compared to the returns of the other managers and the total portfolio. The portfolio returns are to be compared to the real estate benchmark. Calculate performance metrics including internal rate of return, time weighted returns, and multiple calculations. The quarterly report should include an outline of significant events and market overview. On an annual basis, the Consultant will present and provide a full review of the real estate portfolio to the Board.

- Conduct and prepare comprehensive written research, analysis, and advice on specific investment issues, special projects or other activities, as requested, including but not limited to environmental, social, and governance matters relevant to real estate.
- The Consultant will respond to inquiries between meetings in an appropriate and timely manner, and is expected to communicate with and be available to LACERA Board as needed.
- Attend meetings with staff, in order to provide advice and counsel on matters related to real estate, as needed.
- Provide information and research regarding significant changes in the real estate investment management industry, including trends and major events.

Sourcing and Due Diligence

- Conduct independent evaluations and provide recommendations on real estate investment opportunities as requested by the Board or staff. Recommendations will include a detailed memorandum outlining the results of the due diligence, strategic considerations, and fit within the LACERA portfolio, as well as merits and concerns of the investment.
- Develop a proactive, structured process to: (i) analyze the full universe of available investments; and (ii) efficiently identify investments most advantageous to LACERA. This process will include detailed analysis of prospective investments identified by staff.
- Due diligence must also include operational evaluation of a prospective fund or manager's governance, organization, back office, accounting, external relationships, risk systems, cash controls, and valuation methodologies. Due diligence should incorporate environmental, social, governance, diversity and inclusion factors that may impact the value of the investment strategy during its investment time horizon.

Physical Presence at Meetings

- Attend Board of Investments meetings, annual off-site meeting and Real Assets- Real Estate Sub-committee meetings as required. The Board of Investments generally meets the second Wednesday of each month at LACERA's offices or virtually beginning at 9AM. Committees of the Board generally meet the same day, with one Committee meeting beginning at 8 AM, the second immediately following the Board meeting. In addition, consultants should attend meetings related to investment manager searches and site visits (as needed).

Collaboration with Board and Staff

Consultant must:

- Provide educational workshops to the Board on specific issues designated by LACERA and/or recommended by the consultant.

- Provide comments and analysis on proposed federal and state legislation affecting real estate.
- Meet with staff quarterly, or as may be necessary from time to time, to review the relevant portfolio(s), update staff regarding the current market/new issues, and advise regarding improvements to the relevant portfolio(s).

Collaboration with General Consultant Regarding Formulation and Review of Investment Goals, Objectives, Policies, and Procedures

- The consultant(s) shall collaborate with LACERA's general consultant in regards to providing ongoing advice and technical support in the establishment and refinement of portfolio strategic asset allocation, investment goals and objectives, and Investment Office policies and procedures. The consultant(s) will use asset allocation models, as requested by staff, to determine the influence of differing asset mixes and investment style strategies on the projected return to LACERA and the projected risk resulting from differing asset mixes and strategies.
- LACERA periodically engages the services of the general consultant and actuary to conduct an asset/liability modeling study. While the general consultant will take the lead on asset liability studies, the real estate consultant shall assist in any matter necessary and applicable. A consultant selected for this assignment must have demonstrated capabilities in this area.

Other

- The Board will review and evaluate the Consultant annually to ensure that services and communications provided by the consultant are clear, effective, and meaningfully aligned with the Board's overall policy objectives, and that the Board is receiving the quality services envisioned at the time of the consultant's engagement. The Consultant will provide the Board with the necessary information to conduct an annual assessment, including but not limited to, a completed self assessment questionnaire, a list of projects and status of completion, and changes recommended by the Board at the prior evaluation, and the status of implementing those specific changes.