



# San Bernardino County Employees' Retirement Assoc.

## Staff Report Details (With Text)

**File #:** 21-175 **Name:**

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**Title:** Chief Investment Officer.

**Sponsors:**

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Date	Ver.	Action By	Action	Result
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**FROM:** Don Pierce, Chief Investment Officer

**SUBJECT:** Informational: CIO Report - November 4, 2021

**RECOMMENDATION:**  
Chief Investment Officer.

**BACKGROUND:**

As part of a new report for the Board, we plan to provide this Private Asset Review on a quarterly basis to highlight activity within SBCERA's private equity and private real estate allocations. As a reminder, the private equity program has a target allocation of 18% while real estate has a target allocation of 5%. Each year, the Board reviews the private equity and real estate pacing plans designed to allocate capital over time to meet the target allocation goals set by the Board. In January 2021, the Board approved a budget of \$550 million for the private equity pacing plan and \$110 million for real estate.

SBCERA's private asset program is designed to improve the results of the overall portfolio with investments in real estate, private credit and private equity. Across a wide range of industries, SBCERA's investment managers source transactions via a global network of LPs, GPs and intermediaries to invest capital on behalf of SBCERA. This deal flow for SBCERA's consideration is governed by SBCERA's investment management agreements or many times called a Master Custody Agreement (MCA). In a number of MCA accounts related to private markets, Staff reviews opportunities that the manager has sourced for consideration under the MCA.

To highlight the deal flow activity and pacing, we have included in this report the number of deals reviewed, declined, and approved by the investment team (see Figure 1 below). This report covers the Q3 2021, where SBCERA investment staff approved 16 private asset investment proposals out of 55 proposed investments that met the needs of SBCERA's portfolio. Most of the rejections fall into one or more of the following categories: high valuations, premium economics for the manager,

stapled transactions (where in order to buy something you want, we have to buy something we don't want), and governance issues (such as no board seats or observer rights).

Figure 1: Private Assets Deal Activity Update for quarter end September 30, 2021. Data includes private equity and real estate (as a composite within private equity) proposed investments from private asset managers.



<sup>1</sup>Only includes transactions directly associated to private equity ("PE") and real estate ("RE"). Of the 55 private assets proposed deals, 49 are PE (includes 1 infrastructure), 6 are RE proposed deals. Real estate proposed deals driven by Private Assets managers fall under a composite within PE.

\*Of the 23 rejected based on preliminary review, 3 were canceled by the GP as the proposed deals traded away and 1 the GP decided not to move forward with the proposed investment.

Note: This data was prepared using the date of when the proposed investment was approved. There may be timing difference between this data collection and when the investment is committed.

**BUDGET IMPACT:**

None.

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Prudent Fiscal Management

**STAFF CONTACT:**

Don Pierce

**ATTACHMENTS:**

None.