



# San Bernardino County Employees' Retirement Assoc.

## Staff Report Details (With Text)

**File #:** 21-129.1 **Name:**

**Type:** Information Item

**File created:** 10/14/2021 **In control:** BOARD OF RETIREMENT

**On agenda:** 11/4/2021 **Final action:**

**Title:** 2021 Real Estate Pacing Plan Update.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Exhibit A: SBCERA Real Estate Manager Roster Slide

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

**SUBJECT:** Informational: 2021 Real Estate Pacing Plan Update

**RECOMMENDATION:**  
2021 Real Estate Pacing Plan Update.

### BACKGROUND:

In January 2021, the Board approved a budget of \$110 million for Real Estate investments. The objective of the budgeting process is to set a pace for deployment to implement the Board approved asset allocation targets. The budget is adjusted each year based on actual commitments, performance, and contributions/distributions of the existing investments. The 2021 recommendation reserved half of the budget for each Core and Non-Core Real Estate investments. At the time of the recommendation, there were no pre-identified Real Estate investments for 2021. As a result, the budget reserved equal amounts, \$55 million, for each Core and Non-Core. We are bringing this update to notify the Board that commitments have exceeded the amount reserved for Non-Core Real Estate but remain within the overall budgeted amount.

Core Real Estate is defined in Investment Policy No. 020 Real Estate Investment Objectives, Policies and Procedures as assets that include equity or debt in existing, substantially leased income-producing properties located principally in metropolitan areas that exhibit reasonable economic diversification. There is a portfolio leverage limit of 50% for Core strategies. It also includes public real estate securities. Non-Core Real Estate includes equity or debt in those properties and/or investment strategies that require specialized acquisition and management expertise or skill to mitigate the business and leasing risk associated with an individual investment. Pursuant to this policy, staff reviews Real Estate opportunities and monitors market conditions to inform recommendations and implementation above or below the target asset allocation.

Year to date, SBCERA has made commitments to three Real Estate opportunities. The first two

commitments were made during August, after the last Investment Committee meeting. Under the existing MCA, a \$6.4 million allocation was made to a direct, Non-Core investment with Partners Group. A \$50mm commitment was made to Apollo US Real Estate Fund III under SBCERA's MCA. At its September meeting, the Board approved a \$30 million commitment to the Invesco Real Estate US Fund VI. The commitments are all classified as Non-Core and total \$87 million.

The amounts committed are within the Board approved Real Estate budget for 2021 and maintain Real Estate policy ranges of at least 50% to Core and 30% to Non-Core. In June 2021, the Board approved a new asset allocation target for Real Estate of 5% with a range of 0% - 10%. Real Estate currently makes up about 3.7% of plan assets. Assuming a full draw down of all Real Estate commitments to date, the total direct exposure to Real Estate would be about 5.7% with about 50% in Core and 50% in Non-Core strategies. These commitments and the new Real Estate target will be incorporated into the Real Estate budget recommendation for 2022.

Exhibit 1: 2021 Real Estate Budget Update.

Manager Allocations (\$ Million)	2020 Total	2021 Total
PGIM Real Estate	65	
Partners Group		6.4
Apollo		50
Kayne Anderson	50	
Invesco Real Estate		30
<b>Allocated RE Budget</b>	<b>\$115</b>	<b>\$87</b>
<b>Unallocated RE Budget</b>	<b>\$25</b>	<b>\$23</b>
<b>Total RE Budget</b>	<b>\$140</b>	<b>\$110</b>

**COMMITTEE REVIEW:**

This item was reviewed by the Investment Committee at its October 12, 2021 meeting.

**BUDGET IMPACT:**

None.

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Prudent Fiscal Management

**STAFF CONTACT:**

Jacob Abbott

**ATTACHMENTS:**

Exhibit A: SBCERA Real Estate Manager Roster Slide