

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

Item Number: **16**

SUBJECT: Real Estate Consultant RFP

CONSENT: ___

ATTACHMENT(S): 2

ACTION: X

DATE OF MEETING: June 7, 2017 / 15mins.

INFORMATION: _____

PRESENTER(S): Mike DiRè

POLICY

The current Board policy is to retain a specialty consultant to assist the Investment Committee in the oversight of the Real Estate (RE) asset class. The current contract for these services with Townsend Holdings LLC expires on February 28, 2018.

PURPOSE

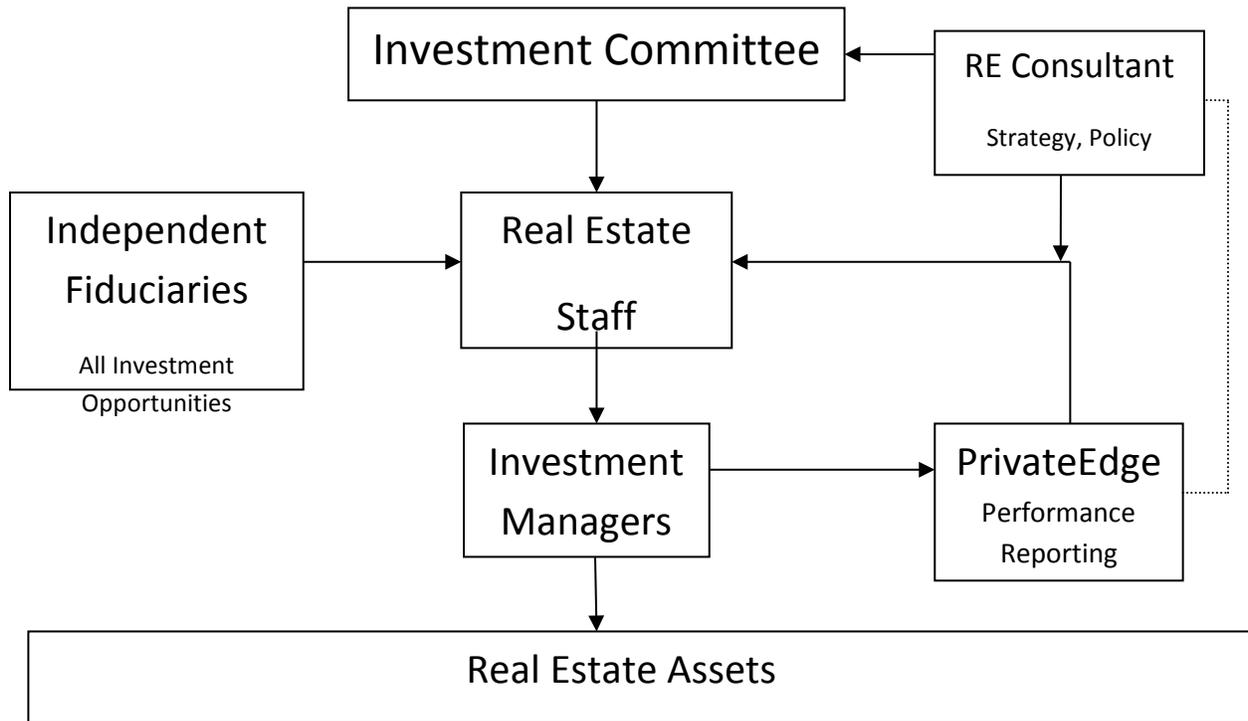
Staff is seeking approval of the attached scope of services and timeline, authorizing the issuance of a request for proposal (RFP). The RFP will seek to establish a contract with the consultant commencing some time during the first quarter of 2018.

DISCUSSION/SUMMARY

The role of the RE Consultant is to work *for* the Investment Committee and *with* the staff in providing expertise and advice on investment policies, practices and strategies related to the RE program, as well as keep the Investment Committee apprised of trends and conditions in the real estate industry. The key role of the RE Consultant is to monitor and evaluate the performance of the RE program.

The following diagram depicts the role of the consultant, working with CalSTRS staff and for the Board, in the areas of strategy, policy, and monitoring of portfolio returns. The chart also indicates that selection of investment opportunities falls to staff, with assistance from independent fiduciaries.

We are initiating this process now to ensure that a new contract is in place prior to the expiration of the current agreement.



RECOMMENDATION

Staff recommends that the Investment Committee approve the attached Real Estate Board Consultant RFP and Resolution authorizing the issuance of a Request for Proposal (RFP). Once approved, Investment staff and the Procurement staff will commence publishing the RFP and post it on the internet for wide visibility. Depending upon the volume of responses, staff will screen the applications down to three finalists for the Investment Committee to interview. Please see below for an estimated timeline.

- June/ beginning of July – Administer RFP
- November – Board Interviews and selects finalist

The renewed contract is set to be completed during the first quarter of 2018, pending adherence to this schedule.

ATTACHMENTS

- Attachment 1 – Real Estate Board Consultant RFP
- Attachment 2 – Resolution

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
Real Estate Board Consultant Request for Proposal (RFP)**

I. SCOPE OF WORK

Contractor shall provide the following services in accordance with the Investment Resolution adopted by the board.

1. Monitor the performance of the Real Estate portfolio including partnership investments, co-investments, secondary interests and other investments as applicable. Prepare and present, using CalSTRS directed graphic parameters, quarterly performance review reports to the Investment Committee. Monitor the aggregated portfolio to ensure that the program is managed according to policy, as well as monitor portfolio performance against the benchmark and provide context on market trends/opportunities. Portfolio data will be provided by a third party.
2. Provide analysis and advice to the Investment Committee on global real estate industry and market trends, investment strategies and conditions, including positive and/or negative trends with respect to the real estate asset class. Such analysis and advice is to be provided verbally on an ongoing basis and in the form of written reports on a quarterly basis.

In conjunction with the above, the Contractor shall periodically comment and provide advice regarding the pros and cons of expanding (or contracting, if applicable) the scope of real estate asset class in which CalSTRS invests.

3. Review, comment, and make recommended actions on the investment strategy, policies and practices of the Real Estate Program following discussion and analysis with the Teachers' Retirement Board Investment Committee and recommend changes as appropriate. Assist in the development of investment objectives, investment guidelines, investment procedures and portfolio strategy, and as requested provide written recommendation to the Investment Committee on such.
4. Maintain industry data, both domestic and international, sufficient in size and scope to allow an analysis of the risk and returns of the real estate portfolio diversified by risk category (core, value add, opportunistic, public), property type, and geography for use in strategic planning.
5. Review and comment on the annual business plan proposed by staff to the Investment Committee. Upon request, assist staff in the annual review of the overall real estate portfolio, investment strategy, risk levels, performance, and market trends.
6. Attend Investment Committee and/or board meetings and legislative hearings as requested by Investment staff.

7. The Contractor is not required to opine or provide a recommendation for specific investments unless directed by the Investment Committee or staff.
8. As requested by staff, provide periodic performance review of existing real estate advisors/managers, including:
 - Compliance with CalSTRS Real Estate Policy
 - Compliance with contract and investment guidelines and strategy
 - Organizational changes
 - Structure/Ownership changes
 - Financial/Legal issues
 - Fee analysis
9. Assist in the development of RFPs or RFIs for investment management service
10. Other services as may be required in connection with, and in the general nature of, the above duties, for example:
 - Market research on a specialized sector
 - Research on a new investment structure
 - Fee analysis on prospective transactions
 - Review of advisor/manager contracts
 - Validation of performance-related fees
 - Attendance at meetings with advisors/managers

II. MINIMUM QUALIFICATIONS AND REQUIREMENTS

The proposer must meet all of the following minimum qualifications to be given further consideration. Failure to satisfy any of the minimum qualifications will result in the immediate rejection of the proposal.

In addition to proposals from individual firms, CalSTRS will accept proposals from joint ventures. The joint venture parties together must satisfy all of the minimum qualifications and requirements to be considered for this assignment. If the proposer is a joint venture, the proposal must clearly define the responsibilities of each party in the joint venture and must provide evidence that each party understands and agrees to the provisions of the RFP and the proposed contract.

1. As of June 30, 2017, the firm must have been in business at least three years.
2. As of June 30, 2017, the primary consultant and principal assistant that will be assigned to the CalSTRS account must each have at least three (3) years of experience in developing Real Estate strategy services and providing Real Estate program monitoring and performance reporting services for institutional clients

III SCORING

1. PROPOSAL QUESTIONNAIRE*	
1. Organization	70 Points
2. Real Estate Consulting Experience	75 Points
3. Performance Reporting Services	<u>30 Points</u>
TOTAL**	175 Points
2. FEE PROPOSAL	75 Points
3. SEMI-FINALIST INTERVIEW***	100 Points
4. FINALIST INTERVIEW****	<u>250 Points</u>
GRAND TOTAL	600 Points

* Must receive a minimum of 105 points to be given consideration

** If the proposer is a joint venture, the proposal must clearly define the responsibilities of each party in the joint venture and must provide evidence that each party understands and agrees to the provisions of the RFP and the proposed contract.

*** Conducted by staff

**** Conducted by Investment Committee

IV. RFP TIMELINE

Staff will work with the Contracts and Legal divisions to administer the RFP with the rough timeline as shown below:

June:	Presentation of Scope of Services to Investment Committee and approval of RFP process.
July:	Release and advertise RFP
August:	RFP responses due to CalSTRS.
September/October:	Evaluation of RFP responses by staff.
November:	Interviews of finalists by Investment Committee and selection of consultant.

PROPOSED RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Real Estate – Consultant RFP Scope of Services

RESOLUTION No. _____

WHEREAS, under the Teachers' Retirement Law: Section 22203, the Board has exclusive control of the investment of the Teachers' Retirement Fund, and

WHEREAS, the Teachers' Retirement Board has charged the Investment Committee with the full authority and responsibility for the Systems investments, approval of all investment policies, and establishing the overall investment strategy for the management of the Teachers' Retirement Fund, a multi-billion dollar public pension plan; and

WHEREAS, the Investment Committee directs to contract with qualified firms to provide Alternative Investments consulting services to the Investment Committee and an Alternative Investments Advisor to provide Advisory services in support of Staff; and

WHEREAS, the Investment Committee has reviewed the written material and oral presentation from staff; therefore be it

RESOLVED, that the Investment Committee approves the release of the Request for Proposal, that is attached hereto and incorporated by reference, for the Real Estate Consultant.

Adopted by:

Investment Committee
On June 7, 2017

Jack Ehnes
Chief Executive Officer

Reviewed by:

Brian Bartow
Chief Counsel