



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 18

MEETING DATE: June 18, 2025

SUBJECT: Real Estate Investment Consultant Services

SUBMITTED FOR: X Action Information

RECOMMENDATION

Authorize the Chief Executive Officer to extend the consulting services agreement with The Townsend Group for an additional two years, through June 30, 2027, with expenditures not to exceed \$275,000 each fiscal year.

PURPOSE

This agenda item supports the 2025 Annual Investment Plan and contributes to the effective management and oversight of investment activities. The Board is responsible for approving contracts with its consultants.

BACKGROUND

In August 2012, SCERS hired The Townsend Group as its first dedicated real estate consultant. The contract with Townsend was amended in 2015 to reflect a merger with NorthStar Asset Management. Townsend was subsequently acquired by Aon in 2017 and was recently acquired by private equity firm, The Riverside Company in 2024. SCERS' contract with Townsend was also amended and extended in 2017, 2019, and 2022. The current contract expires June 30, 2025.

Specific duties of the real estate investment consultant include:

- Development of goals, strategy, objectives, and policy for SCERS' real estate program
- Planning and design of optimal and prudent real estate allocations
- Collaboration with SCERS' Staff, SCERS' Board, general investment consultant and alternative assets consultants, and advisors, in incorporating the strategic plan for real estate across asset classes
- Development of operating policies and procedures for the real estate program
- Due diligence on funds and other investment structures for the real estate program
- Review, analysis, evaluation, and recommendation of potential sale candidates from within the real estate program holdings

- Monitoring of SCERS' real estate investments, and analysis and reporting of performance
- Research and analytics on current market events
- Board education

DISCUSSION

Townsend has been a good partner for SCERS and has assisted SCERS in developing a well-diversified and strong-performing real estate program.

There also has been meaningful changes within the real estate consulting industry over the years, and SCERS has not issued an RFP for real estate consulting services since Townsend was hired. Therefore, Staff recommends extending Townsends' contract, but for two years rather than the typical three years. During the two-year contract extension period, Staff recommends conducting an RFP for real estate investment consulting services after completing the general investment consultant RFP, to survey the marketplace against SCERS' needs.

Townsend charges a flat annual fee with a 3% annual escalator. The current fee is currently approximately \$248,000. The current contract contains language that gives either party the ability to terminate the engagement upon notice, and prior to the end of the contract period.

The chart below shows prior year and estimated costs, which account for the annual escalator; providing expenditure authority up to \$275,000 per fiscal year allows flexibility for any other potential expenses.

Townsend Costs				
Actual Expenditures			Estimated Expenditures	
2022-23	2023-24	2024-25	2025-26	2026-27
\$234,090	\$241,113	\$248,346	\$255,796	\$263,470

The current Townsend consulting team for SCERS of Chris Cunningham (lead consultant) and Richard Brown (co-lead consultant) remains in place.

ATTACHMENT

- Board Order

Prepared by:

/S/

Steve Davis
Chief Investment Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
June 18, 2025**

AGENDA ITEM:

Real Estate Investment Consultant Services

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to authorize the Chief Executive Officer to extend the consulting services agreement with The Townsend Group for an additional two years, through June 30, 2027, with expenditures not to exceed \$275,000 each fiscal year.

I HEREBY CERTIFY that the above order was passed and adopted on June 18, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary