



Hurley/Burke

RESOLUTION NO. 6187

WHEREAS, in October 2016, the Board of Directors approved an updated Statement of Investment Policy for the OPPD Retirement Plan that included the addition of four new asset classes, and

WHEREAS, in April 2017, the Trust Selection Committee, assisted by Segal Marco Advisors, the District's investment advisor, initiated searches for Private Real Estate investment managers for the Retirement Plan using criteria set by the Board of Directors, and

WHEREAS, the Trust Selection Committee reviewed the four leading candidates in this asset class resulting in interviews with three investment managers, and

WHEREAS, Harrison Street Real Estate Capital and PGIM Real Estate met all of the Statement of Investment Policy consideration criteria for an investment manager, and

WHEREAS, the Trust Selection Committee recommends the appointment of Harrison Street Real Estate Capital and PGIM Real Estate as Private Real Estate investment managers for the OPPD Retirement Plan.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Omaha Public Power District as follows:

1. That Harrison Street Real Estate Capital is hereby appointed as an investment manager for the OPPD Retirement Plan, subject to the execution of an acceptable contract.
2. That PGIM Real Estate is hereby appointed as an investment manager for the OPPD Retirement Plan, subject to the execution of an acceptable contract.
3. That District officers are hereby authorized and directed to execute and attest all documents that are necessary and proper to complete the appointment of these new investment managers.



Board Action

June 15, 2017

ITEM

Retirement Plan – Appointment of Investment Managers

PURPOSE

Approve the Appointment of Investment Managers for the OPPD Retirement Plan

FACTS

- a. In October 2016, the Board approved an updated Statement of Investment Policy (“Policy”) for the OPPD Retirement Plan that included the addition of four new asset classes. In November 2016, the Trust Selection Committee, assisted by Segal Marco Advisors, the District’s investment advisor, established an implementation plan for hiring investment managers in the new asset classes. In April 2017, searches were conducted for Retirement Plan investment managers in the Private Real Estate asset class using criteria established by the Board of Directors.
- b. The Trust Selection Committee (“Committee”) reviewed the four leading candidates in this asset class, and interviews were held with three investment managers including Harrison Street Real Estate Capital located in Chicago, Illinois and PGIM Real Estate located in Madison, New Jersey.
- c. Harrison Street Real Estate Capital and PGIM Real Estate meet all of the Policy consideration criteria for an investment manager, and their performance has been competitive over the last five years (see attachment).
- d. The Committee recommends that the Board of Directors appoint Harrison Street Real Estate Capital and PGIM Real Estate as Private Real Estate investment managers for OPPD’s Retirement Plan.
- e. Attached is a letter from Segal Marco Advisors outlining the manager search process and concurring with the Trust Selection Committee’s recommendations to appoint Harrison Street Real Estate Capital and PGIM Real Estate as OPPD Retirement Plan investment managers.

ACTION

Board of Directors’ consideration of a resolution appointing Harrison Street Real Estate Capital and PGIM Real Estate as investment managers for OPPD’s Retirement Plan.

APPROVED FOR BOARD CONSIDERATION:


Timothy J. Burke

TJB:lml

Attachments: Segal Marco Advisors Letter
New Manager Criteria
Resolution

May 30, 2017

Omaha Public Power District Board of Directors
Omaha Public Power District
444 South 16th Street
Omaha, Nebraska 68102

Dear Board of Directors:

Subject: Research Process for OPPD's Core Private Real Estate Search.

We have detailed a description of the research process utilized by Segal Marco Advisors in the recommendation of PGIM Real Estate and Harrison Street Real Estate Capital.

The process used was as follows:

1. Our research specialists employed a highly formalized process – Manager Research and Ranking Process (MR²) – to evaluate and select managers that were the “best in class”. Our process, consisting of three primary steps:
 - Identify managers from referrals, database screens, and publications
 - Meet with current and prospective managers
 - Perform in-depth due diligence on firms and their products
2. We reviewed the investment process of various managers' products as well as the organization of the firms to determine the long-term viability of their products and to detect the possibility of underperformance. MR² defines 34 success and risk factors within 7 categories.

Each manager was evaluated and scored based on these broad categories:



3. During each step we applied a ranking system to measure and monitor a manager's history of adding value and the potential to add value in the future. We also looked at performance over

time to determine whether objectives of risk and return had been met relative to peers/investment managers.

4. Using MR², we focused on the qualitative and quantitative evaluation of managers. Critical components of our qualitative assessment were: the quality of the investment professionals, the potential of the philosophy to deliver value-added results, the integrity and rigor of the investment management process, long-term performance record, and the potential fit of the products being recommended for OPPD's Retirement fund.
5. In the ranking process, we assessed the firms and products' long-term viability, to determine the sources of value-added and to detect factors that could result in consistent future out-performance or under-performance. Each manager was evaluated and scored based on these categories to ensure consistency across firms and products.

The following ratings were officially assigned to each manager:

- Recommended,
- Under Consideration,
- Not Recommended and
- Sell.

Segal Marco Advisors considers the manager rankings to be an evolving and dynamic process. Additionally, we are constantly evaluating new managers and reevaluating established ones with changes in rankings by our research staff made when appropriate.

6. Before selecting the four candidates for the OPPD manager search, Segal Marco Advisors proposed the following criteria for the manager search. All candidates needed to exhibit the following characteristics:

Organization

- Firms that have been managing private real estate assets for at least five years.
- Firms with a minimum of \$500 million under management.
- Firms with a relatively low level of personnel turnover.
- Firms with a relatively low level of client turnover and evidence of controlled business growth.
- Firms with competitive fees.

Management Styles

- An investment process that derives the majority of its value-added from property selection and portfolio construction.
- An investment style that exhibits a high correlation with the appropriate index and an investment focus consistent with a core private real estate mandate.

Performance Verifiable track record that demonstrates adherence to the stated investment approach.

- Historical risk and return data consistent with the investment mandate.
- Firms with a performance history that is competitive over time when compared to appropriate peer groups and asset class benchmarks.

7. Based on the criteria, Segal Marco Advisors proposed four candidates for the mandate, all of which were rated "Recommended". Segal Marco Advisors reviewed the candidates with the Trust Selection Committee and the following firms were selected to provide in-person presentations on May 16th.

American Realty Advisors
Harrison Street Real Estate Capital
PGIM Real Estate

8. Following the interviews, the Trust Selection Committee selected two candidates that uniquely complemented each other for the new mandate of Core Private Real Estate for the OPPD Retirement Plan.
9. Based on the research process, Segal Marco Advisors supports the decision of the Trust Selection Committee in their recommendation of the following hires:
 1. Harrison Street Real Estate Capital
 2. PGIM Real Estate

If you have any questions about the research process for the selection of these managers, please feel free to call me at 770-541-4825.

Sincerely,



Jeffrey C. Boucek, CFA

cc: John Thurber

OPPD Retirement Plan New Manager Criteria

	Minimum of Five Years in Discipline	Minimum of \$500 Million Under Management in Discipline	Competitive Performance Over Last 5 Years
Harrison Street Real Estate Capital	2011	\$4.1 billion	10.63%
PGIM Real Estate	1970	\$22.8 billion	12.34%