



*Welcome to this very special edition DCREC Podcast Series, sponsored by the Defined Contribution Real Estate Council. An organization passionate about providing American workers a financially secure retirement by investing in commercial real estate. And now, here's today's host, Todd Schnick.*

T: Good morning, and welcome back to this special edition DCREC Briefing. I am your host, Todd Schnick, joined this morning by Laurie Tillinghast. She's a co-president with DCREC. Also with John Ehli, also a co-president with DCREC. Laurie, John - good morning.

L: Morning Todd.

J: Morning.

T: Laurie, let's kick this thing off. We had an interesting couple of conversations with Mr Skinner, but I want to go a little deeper on the organization itself. Walk me through how the idea of DCREC actually came about?

L: Oh well, the idea to gather a number of prominent asset managers in both the public and private real estate space started I think back in the fall of 2011. Ben Adams, a former senior consultant at a prominent real estate consulting firm had just left there to join an entrepreneurial firm. And he had the idea. Ben is currently on DCREC's advisory board. And brought together about 21 of us from 13 separate firms.

We got together in New York City, and we kind of discussed the concept. There was a broad cross section of firms present. Some firms had been in this defined contribution marketplace with existing products for over a decade. And others didn't really know the first thing about the defined contribution plan market. But they were well established and long standing institutional real estate managers in the defined benefit foundation endowment (1:53?). Or high net worth space.

So we got together, and during this meeting there was sort of a general agreement that DC plan sponsors have a substantial problem, compared to their defined benefit counterparts. DB plan sponsors have the ability to invest in a broad array of commercial real estate - both public and private. While DC sponsors really have, only had limited exposure to public real estate - no private real estate at all. So we agreed that what-- With the transition, clearly in the marketplace from DB to DC dominated system - plan sponsors and their participants should access the same investment tools and assets of DB plan sponsors. And that would include the use of both public and private commercial real estate. And then how this asset class could really enhance the end outcome of the DC plans for their participants. And at the same time, the group recognized that by



working together with plan sponsors and consultants, we could create some best practices - that would then allow these plan sponsors to more easily adopt commercial real estate investment solutions in their plan. So we all believe that by pursuing this kind of goal, we can help sort of close the gap in performance between DB and DC plan.

And we also, Todd, we had a number of existing DC and real estate trade associations in the marketplace that we could look at. Not only as a model, but more importantly to kind of differentiate our mission and goal. And some of those were PREA, (3:29 NACRE, DCIIA. And we kind of looked to them as we kind of thought through what we were trying to do. But our focus definitely was going to be on real estate in the defined contribution market. The ultimate outcome of that meeting was the naming of the organization and the legal formation of the Defined Contribution Real Estate Council or DCREC, early 2013. And that came about with 9 founding members, who signed on. With the establishment of officers, committees, articles of incorporation etc.

T: Interesting, fascinating to know the genesis of the organization. Thanks for sharing that. John, help us understand what the mission of DCREC is?

J: Todd, it's pretty straight forward actually. DCREC mission, which is stated on our website - is to, "Promote the inclusion of investments in direct commercial real estate, and real estate and securities - including reads (4:26?) within the defined contribution plans. And order to improve outcomes by furthering education, advocacy and best practices around the use of such investments." Today we have 25 leading investment managers and related industry organizations that are currently members. And there's a lot of great information on our website. So we're committed to an open dialogue of sharing best practices and market education.

T: Alright, got it. Laurie, are you guys aligned with any other industry associations?

L: Yeah, that's a good question. We actually have a very dedicated alignment committee as part of DCREC, and their task is to reach out to a targeted number of other industry organizations who we believe have common goals as it relates to either real estate as an investment in DC plans. Or the goal of improving participant outcomes in DC plans. The key organizations in this group, like alluded to before are PREA, and NACRE (5:25?) on the real estate side. And DCIIA, Defined Contribution Institutional Investment Association. And NAGDCA, National Association of Government Defined Contribution Administrators, on the DC side. So more specifically, I think several of our members lead a Defined Contribution Affinity Group at PREA. That meets at all the PREA meetings. And a Daily Evaluation Committee at NACRE (5:52?). As well, we participate in multiple DCIIA committees, addressing issues around alternative asset classes, white label, custom funds, valuation, etc.



T: Interesting, alright. Also John, I'm thinking about what you're all doing in your mission. And it's obvious to me that your members do compete in the marketplace. How does DCREC address this?

J: Well they do, and the premise behind the association is that there really is a lot of work to do in a marketplace. To grow the usage of real estate products in defined contribution plans. Real Estate, particularly direct real estate investment - it's relatively new to the DC landscape. So focusing on growth is a common goal that helps all of our members. More importantly, however, is the education and exchange of ideas that take place between the DC community and the real estate community. The investment managers that are part of DCREC. And working together rather than individually, we can grow the opportunity for all the managers to manage more assets and extend our business. And pursuing our mission together, we can accomplish our mutual goals in a more efficient way, promoting objectivity with better results for all. And working together, we agree to maintain integrity and respect for confidentiality. We may not always agree, but we encourage debate, and aim to create an environment that promotes an open and candid exchange of ideas.

T: Alright, Laurie, share with us some of the goals for the next year or so.

L: Oh well, we have our work cut out for us. I think broadly I would characterize our goals as kind of improving retirement outcomes over DC participants. That's really the essence of our mission for 2015 for sure. To that end, the council supported by 3 key standing committees that are dedicated to that mission - research, alignment, and best practices. And the work that those 3 groups are doing is really critical to the execution of our goals over the next year or so. First, DCREC commissioned third party academic research, to help identify and prove out the case for the use of real estate as an investment component in multi asset or these popular target the (7:59?) portfolios that are commonly used in DC plan. This work serves to underscore, for those doing the asset class research, particularly at consulting firms - that better wealth accumulation outcomes can be achieved with real estate, rather than without it - over a participant's investment lifetime. So that, that's kind of the research goal.

Secondly, we're looking to heighten the awareness of the council across the broader retirement plan community, and create joint opportunities for research and education. That's really, the alignment point that we made earlier. And we're doing that through our affiliations, as I said with DCIIA, NARIE (8:38?) PREA, NACRE (8:40?) just to name a few.

And lastly, and perhaps most importantly, we're collaborating on a set of industry best practices. Specifically suited to the defined contribution plan sponsor and their



consultant. And this is very important. And again, we're trying to come together and create these components that can be shared broadly. Particularly in areas like daily valuation, reporting and benchmarking. And I think that in these 3 primary ways, John and I believe that we can act as a strong advocate and resource, as the defined contribution investment landscape grows in size and reshapes itself - predominantly as the predominant retirement program for future American workers.

T: It's going to be a very exciting couple of years no doubt. And I love what DCREC's doing. John, we're running low on time. Before we close though, I have to ask this question. How do DC plan sponsors and consultants, how do they best use - how do they best leverage DCREC resources?

J: Sure, members of DCREC in many instances really pioneered today's real estate investment options - and represent a significant slice of the existing real estate assets under management. Collectively, they hold a great deal of investment and defined contribution knowledge. And we want to share that on our website with affiliated groups, and at our own DCREC quarterly meetings. So plan sponsors with experience, or just curiosity around how real estate might work in their plans - are quite open to join our meetings, join in specific committees working on projects. The council meets 4 times annually, with at least 2 of these meetings carrying strong informational content that plan sponsors and consultants are encouraged to attend. In some instances, we'll see out their participation for a focus group, a round table. And they're encouraged to share their ideas and insights, as the industry continues to evolve. We are currently looking for consultant insights as we introduce best practice concepts. Anyone interested can contact us through our website at [www.DCREC.org](http://www.DCREC.org).

T: Alright, well that's all the time we have for today. This has been the DCREC Briefing. And on behalf of my guests, Laurie Tillinghast and John Ehli - both co-presidents of DCREC. I am Todd Schnick, we'll see you next time on the DCREC Briefing.