Date: August 19, 2026
To: Board of Retirement
From: F. Robert Reveles, Retirement Financial Investment Officer
Subject: Written Consent for Kayne Anderson Real Estate merger

Recommended Action:

Approve staff recommendation to consent to the merger of Kayne Anderson Real Estate and Bridgepoint, thereby retaining Kayne Anderson as an investment manager. MCERA has been requested to provide written consent by August 13, 2026.

Fiscal and Financial Impacts:

Approval of this consent has no immediate impact on fund fees or asset allocations. MCERA currently holds over $21 million in invested capital and an additional $4 million in committed capital within KACORE strategy, representing approximately 2.8% of the total investment portfolio.

Strategic Plan Importance and Risk Assessment:

Being aware of changes in ownership of our selected managers promotes Goal 2 – Strengthen risk oversight by acknowledging possible changes in the corporate structure of portfolio managers.

Background and Discussion:

In late June, MCERA was notified that publicly traded global investment firm Bridgepoint is acquiring Kayne Anderson Real Estate (KARE) for approximately $1.39 billion. The transaction creates a large alternatives platform, expanding Bridgepoint's offerings to include private equity, private credit, infrastructure, secondaries, and real estate. KARE's current management team, led by CEO Al Rabil, will continue to operate the business under the new Kayne Bridgepoint brand to maintain leadership stability. The cash-and-equity deal includes performance hurdles and is expected to close by the end of 2026. Under the new branding, all existing leadership, investment teams, and advisory boards will remain unchanged. While a new general partner will be appointed, Kayne Anderson will provide transition services to guarantee seamless fund operations.

In a letter to investors, Kayne explained that the merger with Bridgepoint provides the global scale and resources required for an upcoming alternative real estate "super-cycle." Kayne also reiterated that leadership teams remain deeply committed to the platform, and that the transaction will strengthen their ability to attract and retain top talent.

The transaction drives scale by granting KARE, whose AUM has grown to $22 billion, immediate access to Bridgepoint's 50-person global fundraising platform. Additionally, the deal restructures compensation by increasing the KARE investment team's share of performance profits from 51.5% to 65%. To ensure long-term retention, approximately 40 key employees are subject to multi-year vesting schedules, alongside strict employment and stock lock-up agreements for the co-founders. The transaction also includes a 102.5 million share earn-out tied directly to fee and fundraising targets, which management views as a baseline expectation rather than a stretch goal.

In discussion with staff, Callan highlighted that while the retention of Al Rabil and David Selznick should support continuity, it will take time to determine whether the platform maintains the autonomy, culture, and investment discipline that have contributed to Kayne's success in the past. Overall, Callan and staff are cautiously optimistic.

Staff recommend monitoring three key operational and strategic items over the next few years. First, tracking the retention of Senior Managing Director Kyle Mayes is critical, as his day-to-day management of the KACORE fund is vital to operational continuity. Second, staff will monitor for potential asset bloat or return compression if Bridgepoint's expanded fundraising capacity drives a sharp spike in KACORE's AUM. Finally, the Board should observe CEO Al Rabil's ability to maintain his historically nimble, private-market investment style. He must now balance that approach with the quarterly scrutiny, regulatory demands, and growth pressures of a publicly traded parent company.

Recommendation:

Staff recommend providing written consent for the merger to retain Kayne Anderson as an investment manager.