Employees' Retirement Fund of the City of DALLAS

Employees' Retirement Fund of the City of Dallas

Investment Management Consultant Search Update

November 12, 2019

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ERF Investment Management Consultant search

- ERF is required to conduct a search for an investment management consultant per board policy every five years
- In August 2019 the board gave approval for staff to issue an RFP for consulting services; the RFP was posted on the ERF website
- ERF received nine RFP responses by the October 11, 2019 deadline
- Staff recommends visiting four consultants for further due diligence, with Board approval

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A review of Investment Consultant search minimum qualifications and scoring criteria

Minimum ERF qualifications:

- Must be an operational investment consulting business for a minimum of five years
- A minimum of three public pension clients, one must have assets under management of $1 billion or more
- Consulting firm can dedicate a minimum of two consultants to ERF account
- Access to comprehensive investment manager database/ information systems
- Must have knowledge and expertise in alternative investments

Consultants are scored and ranked by:

- Consulting services offered – 25%
- Staffing – 20%
- Organization – 15%
- Investment manager monitoring – 10%
- Research & education – 10%
- Fees – 20%

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The following nine consultants sent RFP responses to ERF by the submission deadline; the four highlighted names are recommended for on-site due diligence

- Asset Consultant Group
- AON Hewett Investment Consulting
- Callan
- Marquette Associates
- Meketa Investment Group
- NEPC
- RVK
- Segal Macro
- Wilshire Consulting

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An overview of the four consultants recommended for due diligence

Marquette Associates

- Chicago based consulting firm founded in 1986 with 107 employees, and 35 consultants; 100% employee-owned by 19 full-time consultants.
- Proposed staffing ERF with one lead consultant and two co-consultants with additional support for actuarial and asset modeling issues, manager search recommendations, and performance analytics. All consulting work would be executed from Chicago headquarters.
- Consulting philosophy centered on delivering well-researched investment counsel to enable clients to be effective stewards of their assets with a focus on good communication, and execution.

Meketa Investment Group

- Founded in 1974 with headquarters in Boston; merged with Pension Consulting Alliance in March, 2019 with 57 employee/ shareholders, 61 client consultants, and 220 employees.
- Proposed team of three consultants based in San Diego, Portland, and Chicago; firm also has offices in New York and London.
- Consulting philosophy based on servicing clients with individualized teams set for certain client needs.

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An overview of the four consultants recommended for due diligence

RVK

- Founded and headquartered in Portland in 1985 as an independent consulting firm with sole operations in investment management consulting; 100% employee-owned firm with 27 active consultant equity holders; 45 consultants, and 139 employees.
- Proposed team is located in Portland and Spokane, WA; team includes two firm Principals as co-leads and one Principal consultant as team support.
- Firm focus is on assisting clients with asset allocation decisions, and manager research and selection.

Wilshire Consulting

- Current ERF consultant based in Los Angeles, founded in 1972 as a privately held organization, and 100% owned by key active employees. Currently comprised 79 professionals and 16 Senior Consultants.
- Current ERF consulting team would remain in place: two Managing Directors based in the Denver and Los Angeles offices.
- Consulting philosophy based on servicing clients needs with an individualized team that knows the client well with a concentrated team effort and approach.

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Recommendations & next steps

Timeline

- ✓ Per approval by the Board in April, issued Investment Management Consultant RFP on September 13th
- ✓ RFP responses sent to ERF by October 11th deadline
- November 12th – Staff reviewed all RFP responses; bring staff recommendations for due diligence to the Board for approval
- With board approval, begin conducting consultant due diligence visits in December and January, 2020
- February 11th – Bring recommended list of consultant(s) for final presentations to the Board in March
- April 14th – Finalist(s) present to the Board; Trustees make final decision on consultant selection

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Appendix – RFP Scorecard

RFP Respondant	ERF Staff A	B	C	Average
Asset Consulting Group	57	71	79	**69**
AON	68	75	73	**72**
Callan	65	76	77	**73**
Marquette	81	85	79	**82**
Meketa	80	81	81	**81**
NEPC	61	68	65	**65**
RVK	80	83	79	**81**
Segal Macro	64	69	75	**69**
Wilshire	83	85	84	**84**