Components of Evaluation

Appropriateness of Investment Fees and Commissions

Employees' Retirement Fund of the City of DALLAS

- The ERF has a disciplined and detailed evaluation procedure to **measure, reconcile, and benchmark fees.**
- The ERF's custodian provides reporting on securities trading, brokerage fees, and other risk measures, such as sector weights, country weights, cash levels, etc.
- All fees are transparent and reconciled with service agreements. The ERF does not use commission recapture or directed trades.
- Manager fees as well as trading and commissions are reported monthly and evaluated formally each quarter.
- Staff monitors the utilization of brokers by the managers, noting both new brokers and long-tenured providers.
- Fees deemed to be outside of acceptable variances are flagged, questioned, and reconciled.
- The ERF's discipline around fees is very thorough and we consider these Fund procedures to be beyond what we see with best practices.

Components of Evaluation

Employees' Retirement Fund of the City of DALLAS

Appropriateness of Investment Fees and Commissions (continued)

- Universes used for fee comparisons provided by Evestment Alliance, a database integrated with our reporting system.
- Fees in the universe include manager fee schedules for investment manager products for public and private tax exempt plans throughout the U.S.
- Fee universes vary by asset class and manager assignment size. We did not examine Alternative fee universes since they are vintage and time-cycle specific.
- Universe sizes ranged from 1,526 managers (Global Equity) to 28 managers (US Mid-cap Value).
- ERF manager assignments were compared to fee distribution sets of either $50 million or $100 million and larger.
- 70% of ERF managers had fees that we identified as average or below average.
- 32% of ERF manager fees were in the lowest quartile of their universe. This includes 18% of ERF managers in the lowest 5% of the their fee universe.
- Total plan fees will vary by asset allocation. The ERF alternative asset fees represent only 34% of all ERF management fees. EFR fees on traditional asset classes averages 39bps.

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