

TO: Police and Fire Department Retirement Plan
Board of Administration

FROM: Prabhu Palani

SUBJECT: Consultant RFP Recommendation Memo

DATE: 04/23/2024

RECOMMENDATION

D) Discussion and action to hire Meketa Investment Group for general investment consulting services and authorizing the Secretary to negotiate and execute a five-year contract not-to-exceed \$700,400/year (shared 50/50 with Federated Plan)

E) Discussion and action to hire Verus Advisory, Inc. for risk consulting services and authorizing the Secretary to negotiate and execute a five-year contract not-to-exceed \$200,000/year (shared 50/50 with Federated Plan)

F) Discussion and action to hire Albourne America, LLC for alternative investments consulting services and authorizing the Secretary to negotiate and execute a five-year contract not-to-exceed \$258,000/year (shared 50/50 with Federated Plan)

BACKGROUND

Both boards and staff have engaged with Meketa Investment Group as the Plans' general investment consultant and Verus as the Plans' risk consultant. Contracts for both firms are due to expire on June 30, 2024. In addition, the Boards have a contract with Albourne America to provide data and information for the absolute return asset class. Staff issued a request for proposals ("RFP") for combined general, risk, and alternative investments consulting services on January 8, 2024. Four firms responded to our RFP requests – the three incumbents, Meketa, Verus, and Albourne, as well as FactSet.

ANALYSIS

Investment staff scored the consultants based on criteria identified in the RFP. Meketa Investment Group ranked highest for general investment consulting services while Meketa and Verus Advisory tied for risk consulting services. Albourne America ranked highest for alternative investments consulting services. In particular, staff felt that a combination of the experience and skill set of the incumbent consulting firms was complementary and added value beyond what the firms could individually bring to the assignment. Albourne's extensive alternative investments consulting capabilities will immensely enhance the existing investment consulting services that the plans receive, particularly considering the sophistication and size of our private markets program.

The analysis was shared with both Investment Committee ("IC") Chairs and was also subsequently considered and approved by the Police and Fire IC on April 15th, 2024. IC members pointed out their appreciation of the costs savings achieved by staff during the negotiation process but were also open to the use of additional tools going forward should they be warranted.

After the initial discussion with the IC Chairs, staff negotiated amounts with all 3 consultants and were able to achieve cost savings of \$641,600 or 36% below their initial proposals. As a result of our recommendation, overall consulting costs will reduce by \$112,000 from our current costs, despite the additional consulting services proposed to be contracted with Albourne America for alternative investments. This is primarily because staff intends to discontinue its BARRA license. However, if staff feels that additional tools may be required to monitor our risk at any point in the future (either BARRA or some other equivalent system), it will seek the Board's approval at that time.

It is to be noted that, since we last did the RFP in January 2020, the assets of the combined plans have increased by approximately 37%.

Prabhu Palani
Chief Investment Officer