

Memorandum

TO: Federated City Employees' Retirement System
Board of Administration

FROM: Prabhu Palani

SUBJECT: Consultant RFP Recommendation

DATE: June 8, 2020

Recommendation

a) Staff recommends awarding Meketa Investment Group a two-year contract with an additional one-year option for general investment consulting services and authorizing the Secretary to negotiate and execute a contract not-to-exceed \$680,000/year (split 50/50 with Police and Fire Plan).

b) Staff recommends awarding Verus Advisory, Inc. a two-year contract with additional one-year option for risk consulting services and authorizing the Secretary to negotiate and execute a contract not-to-exceed \$250,000/year (split 50/50 with Police and Fire 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 expired in February 2020 and have now been extended on a month-to-month basis till September 2020. Staff issued an RFP for combined general and risk consulting services in January 2020. It was felt that combining both services may result in potential cost savings to the Plans'. Three firms responded to our RFP requests – both incumbents as well as RV Kuhns.

Analysis

Investment staff scored the consultants based on criteria identified in the RFP. Both incumbent firms ranked highly for both general investment consulting and risk consulting services, and staff was particularly impressed with the lead consultant for both firms. RV Kuhns, while impressive, finished third in our ranking process. In particular, staff felt that a combination of the experience and skill set of both incumbent consulting firms was complementary and added

value beyond what either of the firms could bring to the assignment if they served in dual capacities. The results of staff's analysis was shared with IC Chairs of both Plans' who were generally in agreement with staff recommendations.

However, it needs to be pointed out that the combined consulting services cost of engaging both firms in separate roles at their current fees is \$975,000. Hiring either Meketa or Verus, on a standalone basis to serve as both the general consultant as well as risk consultant could yield savings of about \$175,000.

The Joint IC at its meeting on May 26th, 2020 gave staff the latitude to negotiate with both firms to potentially realize cost savings while also giving staff the option of utilizing one or both consultants going forward. Trustees also pointed out the fact that staff had achieved considerable cost savings in their custodian recommendation as well as the revised contract with Albourne.

Since the IC meeting, staff has had the chance to negotiate with both consulting firms. Following those negotiations staff recommends to the full board that we hire Meketa Investment Group as a general investment consultant at the current rate of \$680,000/year (for both plans) and Verus as the risk consultant at a fee of \$250,000/year (for both plans), with additional services negotiated by staff from both consulting firms.

Prabhu Palani
Chief Investment Officer