

RVK's Role as General Investment Consultant

Texas Municipal Retirement System

October 28, 2021



What Does an Investment Consultant Do?

As stated in the Board's Investment Policy Statement, the General Investment Consultant...

- Hired by, and reports to, the Board. The Consultant provides advice to the Board on all investment-related matters.
- Must act as a fiduciary in their role as an investment consultant assisting and advising the TMRS Board and investment staff on investment matters.
- Expected to work closely with investment staff “in all aspects of the investment program and to ensure that issues remain focused and addressed specifically to TMRS’ investment objectives, and in accordance with applicable state and federal laws.”

RVK's Role as TMRS' General Investment Consultant

Our scope of work includes the following:

1. **General Investment Policy & Procedures** – Support in the annual review of TMRS' goals, policies, and resources
2. **Asset Allocation and Portfolio Structure** – Collaborate with staff to prepare and present an annual evaluation of the System's asset allocation
3. **Investment Manager Search, Selection, and Oversight** – Assist in selection and monitoring of external investment advisors
4. **Specific Investment Policy Analysis** – Review investment initiatives proposed by TMRS' Board, Investment Committee, and/or staff to ensure consistency with TMRS' policies, goals, and objectives
5. **Investment Performance Evaluation** – Prepare and present customized reports to review and evaluate TMRS' portfolio and manager performance
6. **TMRS Board Agendas** – Assist in development of agendas for TMRS Board and/or Investment Committee Meetings
7. **Attendance at Board Meetings** – Attend all TMRS Board and Investment Committee meetings
8. **Trustee Education** – Provide relevant research-based education to the Board and staff
9. **General Research & Analysis** – At the request of the Board and/or TMRS staff provide research, analysis, and advice on specific investment issues
10. **Custodian Bank and Security Lending Agent** – Assist TMRS staff in ongoing evaluation of custodian bank and security lending agent as well as the structure of the securities lending program
11. **Attend Due Diligence Reviews of Investment Providers** – Accompany staff on due diligence trips to review investment managers(s) and/or custodian and securities lending agent as requested.
12. **Assist TMRS staff in Strategy Implementation** – Assist in implementation of new asset classes and portfolio strategies, including operational, accounting, administrative and legal issues

RVK Services

Recurring Work Completed by RVK

Task/Deliverable	Periodicity
Asset Allocation Study <ul style="list-style-type: none"> Development of Custom Asset Class Assumptions 	Informal Review Annually / Formal Review Every 3 Years
Investment Policy Statement Review	Annually
Public Equity Due Diligence <ul style="list-style-type: none"> Annual Equity Review Asset Class Structure Reviews Ongoing Manager Monitoring (e.g. strategy, personnel, or firm developments) 	Annually / Periodically / Continuous
Core/Core+ Fixed Income Due Diligence <ul style="list-style-type: none"> Annual Core/Core+ Fixed Income Review Asset Class Structure Reviews Ongoing Manager Monitoring (e.g. strategy, personnel, or firm developments) 	Annually / Periodically / Continuous
Annual Review Letter	Annually
Conduct Additional Research at the Request of the Board	As Needed
Update Calls w/ Staff	Monthly / As Needed
Performance Reconciliation with Staff and State Street	Monthly
Customized Performance Reporting	Quarterly
Proprietary Public Fund Reporting	Bi-Annually

Additional RVK Services

- 1. Asset/Liability Study** – An Asset/Liability Study is the standard analysis that fully links all three aspects of a Plan’s key financial drivers—Benefit Policy, Contribution Policy, and Investment Policy. It is designed to create an important “guidepost” for the actual asset allocation for a Plan; the asset allocation chosen will likely reflect the nature of the liabilities but also numerous other factors including risk preferences, liquidity, implementation constraints, etc. RVK conducted an Asset/Liability Study for TMRS in 2016, however, the most recent study was completed by GRS in 2019.
- 2. Custody Search** – A custodial relationship is intended to provide secure safekeeping and recordkeeping of TMRS’ financial assets, consistent and independent security valuation and reporting, consolidated access to financial data, a centralized point of contact for reporting and transaction processing, and access to additional resources, operational teams, and related products and services. To ensure services rendered and pricing remain appropriate it is prudent to periodically solicit competitive bids for custodial services. RVK, in collaboration with TMRS staff, recently completed a custody search at the end of Q3 2021. As a result of the recent search process, TMRS retained State Street Bank as TMRS’ custodian bank at a reduced cost.

Additional RVK Services

Non-Recurring Tasks Completed by RVK

Task/Deliverable	Approximate Date
PIMCO Corporate Opportunities Fund III, LP Diligence	Jan-20
TMRS 2019 Q3 Private Credit Performance Report	Feb-20
Equity Liquidation Transition Manager Bid	May-20
SB 322 Report	May-20
TCW Rescue Financing Fund Diligence	May-20
Adams Street Private Credit Fund Diligence	May-20
Värde Dislocation Fund Diligence	May-20
2019 Q4 Private Credit Performance Report	Jun-20
Global Active Extension Asset Class Review	Jun-20
International Equity Manager Termination Memo	Jul-20
Hedge Fund Peer Groups/Indices Dispersion Study	Aug-20
Global Dev Eq Transition Manager Bid	Oct-20
Passive Equity Restructure/Search	Nov-20
Assistance with Development of Investment Beliefs	Dec-20
Delegation of Authority Review Alongside Governance Consultant	Dec-20
Global Equity Restructure Transition Manager Bid	Mar-21
Investment Risk and Risk Tolerance	Apr-21
Performance Reporting/Benchmarking Education	Apr-21
PIMCO DISCO III Fund Due Diligence	May-21
Värde Dislocation Fund Due Diligence	May-21
Non-Core Fixed Income Rebalancing Support/Memo	Jun-21
Total Fund and Asset Class Benchmarking Analysis	Jun-21
PIMCO Core Plus Manager Termination Memo	Jun-21
GoldenTree Distressed Fund IV	Jun-21
Other Public & Private Markets Memo	Jul-21
Custody RFP	Sep-21
Global Equity Search	Ongoing
Asset Class Analysis - Public Equity Structure	Ongoing
OPPM Transition Manager Bid	Ongoing

The above is a representative, not comprehensive, list of projects the RVK team has completed both independently and in collaboration with TMRS staff since the beginning of 2020.

PORTLAND

BOISE

CHICAGO

NEW YORK

