

Alternatives Consultant Request for Proposal Recommendation

December 5-6, 2019



Presenters: TJ Carlson, Tom Masthay

Agenda

- I. Request for Proposal (“RFP”) Process
- II. Request for Board Action

Section I

REQUEST FOR PROPOSAL ("RFP") PROCESS

RFP Process Approval & Evaluation Team

		DRAFT 2019 System-wide Investment Pacing Plan - 11/16/2018											
Asset Class	Activity	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
19	Expected # of Recommendations for 2019		1	2		5	2		0	2	5		2
Public Equities	Annual Asset Class Review												
Fixed Income	Annual Asset Class & Sec Lending Review												
Real Estate*	Annual Asset Class Review												
	Manager Search: Core/Value/Opportunistic (\$200M)					2							
	Manager Search: Core/Value/Opportunistic (\$200M)										2		
Real Return*	Annual Asset Class Review												
	Manager Search (\$400M)					3							
	Manager Search (\$400M)										3		
Absolute Return	Annual Asset Class Review												
Private Equity*	Annual Asset Class Review												
	Manager Search (\$50M)		1										
	Manager Search (\$150M)			2									
	Manager Search (\$150M)					2							
	Manager Search (\$150M)								2				
	Manager Search (\$150M)												2
Risk Management	Portfolio Risk Review												
General Investments	General Inv. Consultant Search (12/2018, Ext. 2021)												
	Real Estate Consultant Search (4/2020)												
	Real Return Consultant Search (1/2020)												
	Private Equity Consultant Search (6/2020)												
	ARS Consultant Search (1/2020)												
	Securities Lending Search (??)												
	Custody Search (2021)												
	General Inv. Consultant Quarterly Report												
	Investment Staff Quarterly Report												
	Annual IPS Review												
	Budget Requests												
	Annual Pacing Plan/Resource Review/ Approval												
	Asset Allocation Annual Review												
	Asset Allocation Study (2015, 2018)												
	Asset Liability Study (2016, 2019)												

Consultant Search Years will be reviewed and may be modified in connection with the upcoming strategic planning objective.
 ** While every effort will be made to allocate these opportunities as presented, some investment options are very sensitive to timing and may need to be moved.
 Dollar amounts are estimates and may change.

The Alternative Investment Consultant RFP Processes were approved by the Board of Trustees in conjunction with the 2019 Investment Pacing Plan.

The timing of the RFPs was aligned with the 1Q-2Q 2020 expiry of incumbent consultants' contracts.

Evaluation Team:

Absolute Return

Marc Leavitt, Director, Absolute Return

Real Return:

Eddie Schultz, Portfolio Manager, Real Assets

Real Estate:

Tom Masthay, Director, Real Assets

Private Equity:

Chris Schelling, Director, Private Equity

Private Credit:

Jason Weiner, Director, Fixed Income

RFP Questionnaire Design & Scoring Methodology

Organizational Categories

- Organization & Background (20%)
- Investment Due Diligence/Process (27%)
- Operational Due Diligence (33%)
- Accounting, Performance, Fee Monitoring (10%)
- Clients (10%)

Organizational scoring averaged across all Evaluation Team members.

Asset Class Categories

- Philosophy (19%)
- Research (27%)
- Performance (17%)
- Manager, Fund, GP Recommendation (25%)
- Private Credit Related Strategies (7%)
- Co-Invest (5%)

Asset Class scoring left to specific Evaluation Team member.

The Evaluation Team used a pre-set and standardized scoring methodology designed to seek input from all team members in its calibration.

Key Process Dates

Summary of Key Dates:

<i>Board Approval of RFP:</i>	December 7-8, 2018
<i>RFP Issued:</i>	August 19, 2019
<i>RFP Responses Due:</i>	September 13, 2019
<i>Internal RFP Scoring Due</i>	October 2, 2019
<i>Evaluation Team Meeting #1</i>	October 4, 2019
<i>Preliminary Due Diligence Period</i>	October 5 – November 1, 2019
<i>Evaluation Team Meeting #2</i>	November 1, 2019
<i>Finalist Diligence Period</i>	November 2 – December 4, 2019
<i>Investment Committee Decision/Approval</i>	November 8, 2019
<i>Board Recommendation</i>	December 5-6, 2019
<i>Incumbent ARS & RR Contracts Expire:</i>	January 31, 2020
<i>Incumbent RE Contract Expires:</i>	April 30, 2020
<i>Incumbent PE Contract Expires:</i>	June 30, 2020

The Process utilized a structured & transparent schedule with regular team check-ins and decision deadlines.

Investment Staff not explicitly on the Evaluation Team were invited to provide input throughout the process.

Respondent Summary

<u>Asset Classes/Services Responded to</u>	#1	#2	#3	#4	#5	#6
Absolute Return	x	x		x	x	
Real Return		x		x	x	
Real Estate		x		x		x
Private Equity		x		x		x
Private Credit	x	x	x	x	x	x

TMRS sent the RFP out to six qualified respondents, receiving responses to the RFP from each*.

*The RFP was additionally posted to the TMRS website. One additional response inquiry was received, however, the firm did not ultimately respond.

Finalists Summary

<u>ARS</u>	<u>RR</u>	<u>RE</u>	<u>PE</u>	<u>PC</u>	<u>Firm Assessment</u>
Selected as Finalists		A	A		A
A	A	B	B	A	B
B	B	C	C	B	C
C	C			C	D
D				D	E
Not Selected as Finalists				E	F
				F	

After progressing through the preliminary due diligence period, finalists were formally selected during Evaluation Team Meeting #2.

Top Candidate Characteristics - Albourne

Albourne is a global, multi-asset class non-discretionary consultant serving a diverse client base. Albourne has set their business apart from peers by staying true to a non-discretionary fixed fee business model, choosing to deploy its marginal resources into developing its business around operational due diligence and back and middle office services rather than discretionary, AUM-fee based services (assets under management). Client service, like most consultants, flows through Investment Due Diligence personnel. Albourne boasts a deep bench of individuals focusing on Investment & Operational Due Diligence, employing over 140 individuals in these specialties globally throughout its offices located in Singapore, Hong Kong, Tokyo, Munich, London, Connecticut, Toronto, and San Francisco.

Albourne America LLC

Dates / Services of Incumbency

Albourne has served as TMRS' Absolute Return and Real Return Consultant since contract inception date of March 1, 2015.

Key Diligence Dates

10/29/19 (RE)

10/31/19* (PE)

10/31/19* (RE)

11/4/19 (RR)

11/5/19 (All/RE)

11/5/19 (PC)

11/6/19* (RE)

11/12/19 (ARS)

11/20/19 (PE)

11/20/19 (PC)

*Meeting w/ non-Albourne Finalist

Qualified Respondents Reviewed

Absolute Return - 4

Real Return - 3

Real Estate - 3

Private Equity - 3

Private Credit - 6

Section II

REQUESTED BOARD ACTION

Approval of Recommendation

Recommendation:

- Approve Albourne America LLC be contracted with as TMRS' primary investment consultant for Absolute Return, Real Return, Real Estate, Private Equity, and Private Credit.

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