

**Date:** September 18, 2024  
**To:** Board of Retirement  
**From:** F. Robert Reveles, Retirement Financial Investment Officer  
**Subject:** Manager Monitoring Summary and Criteria

**Recommended Action:**

Receive and File.

**Fiscal and Financial Impacts:**

There is no fiscal impact to receiving this report.

**Strategic Plan Importance and Risk Assessment:**

This report pertains to Goal 1 – Protect the Plan’s long-term financial health and Goal 2 – Strengthen Risk Oversight.

**Background and Discussion:**

At the May 15, 2024, Board of Retirement meeting trustees had questions regarding investment manager monitoring and criteria. Essentially two questions were asked:

1. How would we know an investment is at risk of changing status?
2. What criteria does Callan use to determine that change of status?

Attached you’ll find two-pages taken from the June 30, 2024, Callan Quarterly Investment summary report showing the monitoring status of our managers and some sample noteworthy event criteria. In previous monitoring summaries (prior to the June 2024 quarter), three colors were used to denote category status; green denoted performance within expectations, yellow denoted a notable change, and red denoted significant concerns. As of the June quarter report, and going forward, the monitoring summary will include the additional color of blue. Blue denotes a notable change of status but not necessarily a concern. For example, the retirement of an important decision maker could cause the Org/Team status to change from green to blue. This happened for the Fidelity Low Priced Stock fund at the end of 2023 when longtime portfolio manager Joel Tillinghast retired and new managers Sam Chamovitz and Morgen Peck took over management of the strategy.

The second page lists some example criteria for each category. The list is not exhaustive.

**Attachment(s):**

1. Manager Monitoring Summary and Criteria excerpt from Callan quarterly report

# Manager Monitoring Summary

June 30, 2024

	Philosophy/			Performance
	Overall	Process	Org/Team	
<b>Domestic Equity</b>				
Vanguard S&P 500 Index	Green	Green	Green	Green
Fidelity Low Priced Stock	Blue	Green	Blue	Green
Janus Enterprise	Green	Green	Green	Green
Prudential Small Cap Value	Blue	Green	Blue	Blue
AB US Small Growth	Green	Green	Blue	Green
<b>Non-US Equity</b>				
EuroPacific Growth	Green	Green	Green	Green
Harbor International	Green	Green	Green	Blue
Oakmark International	Green	Green	Green	Blue
Mondrian International	Green	Green	Green	Green
T. Rowe Price Intl Small Cap	Green	Green	Green	Green
NinetyOne	Green	Green	Green	Green
<b>Fixed Income</b>				
Dodge & Cox Income	Green	Green	Green	Green
PIMCO	Green	Green	Green	Green
<b>Infrastructure</b>				
IFM Global Infrastructure	Green	Green	Green	Green
JP Morgan Infrastructure	Green	Green	Green	Green
<b>Real Estate</b>				
RREEF America II	Green	Green	Green	Green
Barings Core Property Fund	Yellow	Green	Green	Yellow

- **Fidelity Low Priced Stock:** Notable transition in portfolio manager duties from Joel Tillinghast to new PM's Sam Chamovitz and Morgen Peck in 2023.
- **Prudential QMA Small Cap Value:** The deep value orientation of this strategy came back into favor in 2021, and it has outpaced the Russell 2000 Value Index in 2022 and 2023. Callan continues to monitor the organization and team following turnover in 2021.
- **AllianceBernstein Small Cap Growth:** Bruce Aronow, Co-Chief Investment Officer (CIO) for the US Small and SMID Cap Growth Equities strategies, retired at the end of 2023. Samantha Lau, previous co-CIO for the US Small and SMID Cap Growth Equities strategies, became the sole CIO.
- **Harbor International (Marathon):** The Fund's process and style are extremely flexible which can lead to significant deviations from the benchmark and result in extended periods of under and out performance.
- **Mondrian:** Strategy provides downside protection but has experienced longer term performance struggles during strong up market.
- **Dodge & Cox Income:** Tom Dugan, Director of Fixed Income, retired at the end 2023 and is succeeded by Lucy Johns, previously Associate Director of Fixed Income.
- **PIMCO:** Lead PM Scott Mather announced leave of absence in 2022, which culminated in his retirement. Qi Wang and Dan Ivascyn were subsequently added to the team.
- **Barings:** Underperformance driven largely by write downs on four office assets in the portfolio.

# Manager Monitoring Criteria

Noteworthy items may include but are not limited to:

## Org/Team:

- Change in key decision maker or portfolio manager team
- New decision makers added/taken off portfolio management team; change of responsibilities
- Announced future investment team transitions
- Parent/ownership change; M&A activity
- C-suite and personnel turnover
- Declining assets under management impacting financial stability
- Reduction of head count or other cost saving measures
- Legal, compliance, or SEC violations and examinations
- New teams/strategies/offices added to the overall organization
- Change/reduction in central/dedicated analyst staff
- Additional responsibilities given to team members that take time away from portfolio management

## Performance:

- Underperformance relative to the appropriate market index and/or peer group over a reasonable period
- Unexpected results given market conditions, and currently losing or at risk of losing clients/assets

## Product/Philosophy/Process:

- Change of underlying process and/or implementation
- Performance pattern does not match philosophy/process/portfolio holdings
- Concerns with portfolio construction guidelines
- Investment Team cannot express a concise philosophy of what they are trying to accomplish/competitive advantage
- Notable strategy asset increase or decrease movements
- Notable changes to portfolio characteristics (number of securities, portfolio turnover, weighting scheme, duration, relative index sector/industry/country guidelines, etc)
- Change in strategy/platform assets under management and client concentration
- Vehicle specific considerations (securities lending, liquidity, availability)
- Fees

## Overall:

- Any of the criteria listed or combination thereof

● *Positive status; no issues*   ● *Notable status; noteworthy item but no concerns*   ● *Cautionary status; noteworthy item and monitoring closely*  
● *Under Review status; noteworthy item with concerns*