

# Callan



November 16, 2021

## City of Los Angeles Deferred Compensation Plan

Callan LLC  
Consultant Services Presentation

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**Ben Taylor**  
Senior Vice President

**Ryan Cunningham**  
Senior Vice President

# Presentation Agenda

- Introductions
- Organizational Background
- Investment Experience
- Fees

## Presenters and Primary Consulting Team



### Ben Taylor

- 14<sup>th</sup> year in the industry
- Senior Vice President, Head of Tax-Exempt Defined Contribution Research
- Vice-Chair, SPARK Data Security Oversight Board
- Vice-Chair, Public Retirement Research Council
- Past Industry President, NAGDCA
- Callan Shareholder



### Ryan Cunningham

- 14<sup>th</sup> year in the industry
- Senior Vice President, Fund Sponsor Consultant
- Member of Manager Search Committee
- Callan Shareholder

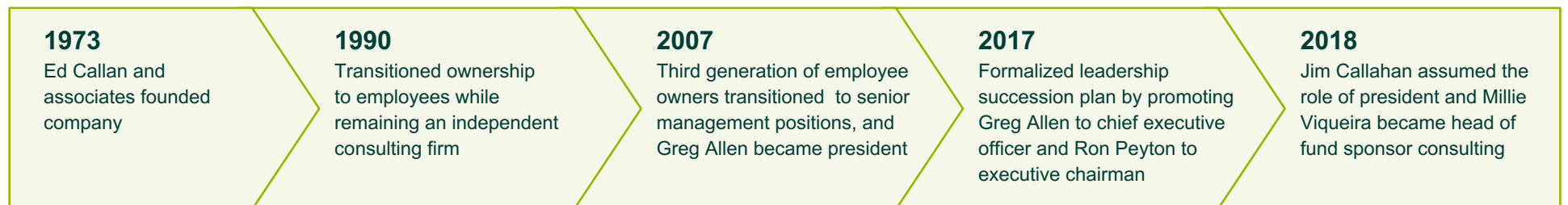
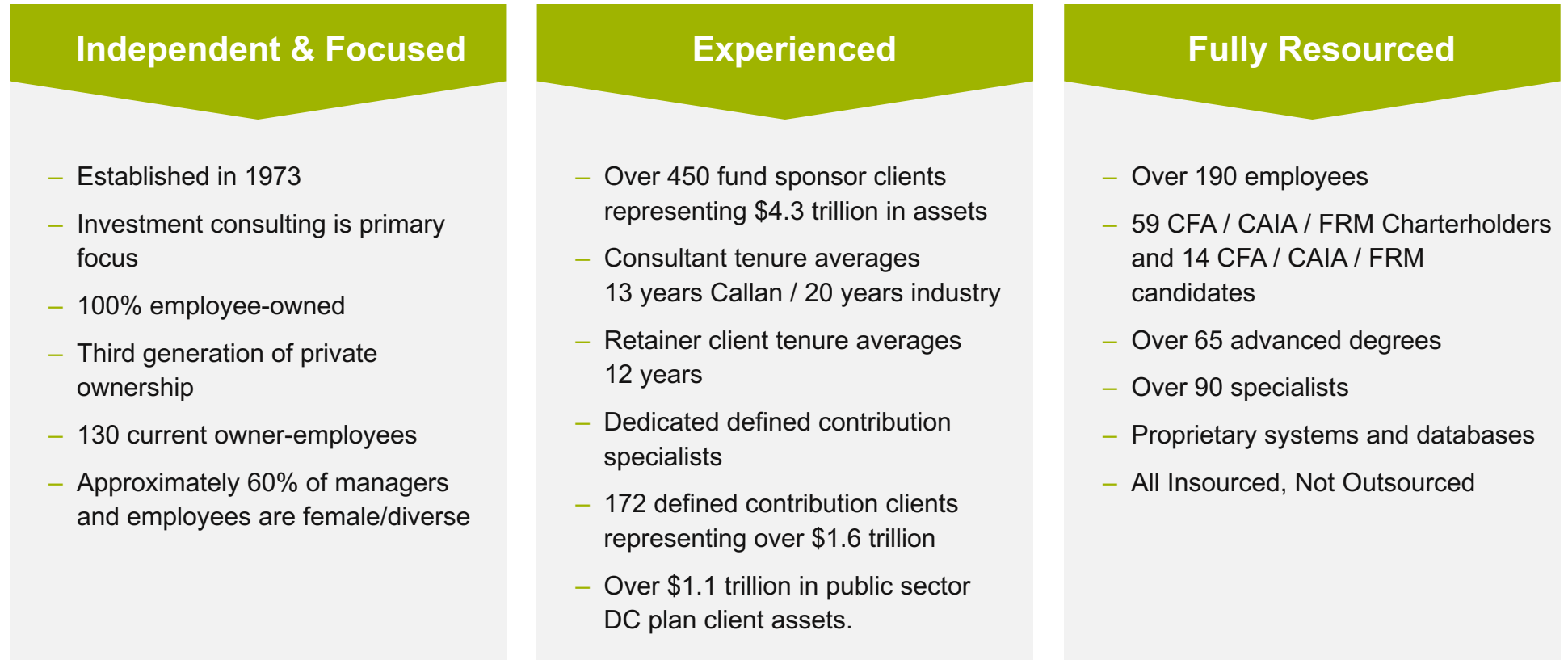
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**Organizational Background**

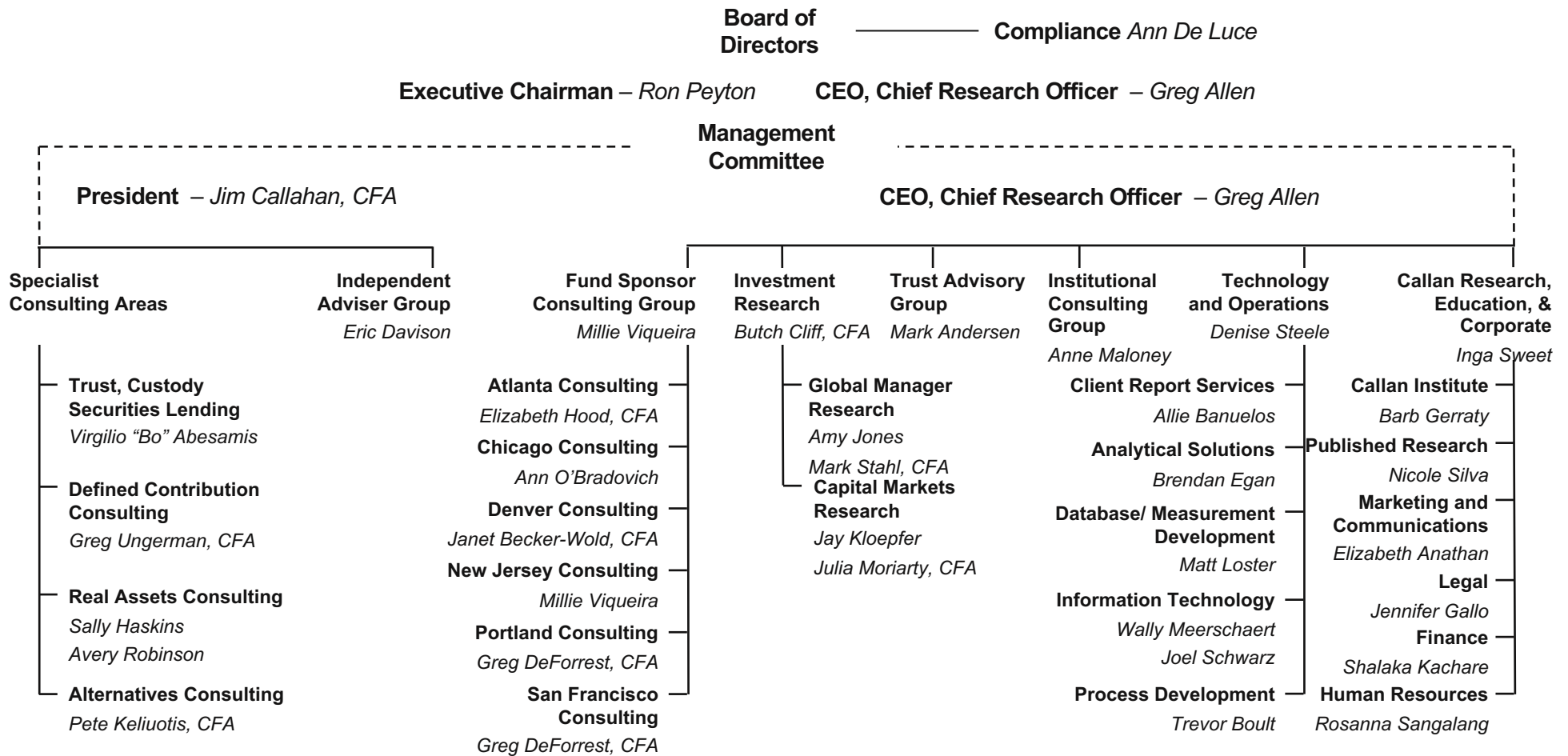
# An Overview of Callan

Focus, experience, resources



As of September 30, 2021

# Organization Leadership



As of March 1, 2021

# Client Focused Consulting Model

Proactively provide our collective expertise and experience to LADCP

**City of Los Angeles Deferred Compensation**

**Callan Consulting Team**

Ben Taylor    Ryan Cunningham

**Callan’s Defined Contribution Specialist Group**

Client Policy Review Committee 11 Senior Professionals	Manager Search Committee 10 Senior Professionals	Defined Contribution Committee 13 Senior Professionals	Alternatives Review Committee 12 Senior Professionals
Strategic Planning	Plan Implementation	Monitoring & Evaluation	Education & Research
<b>Capital Markets Research</b> 8 dedicated professionals <i>(Also significantly contributes to our global manager research efforts.)</i>	<b>Global Manager Research</b> 39 dedicated professionals <b>Defined Contribution Group</b> 6 dedicated professionals <b>Trust, Custody &amp; Securities Lending Group</b> 3 dedicated professionals	<b>Client Report Services Proprietary Database</b> 27 dedicated performance professionals <i>Supported by 20 database, programming and systems professionals.</i>	<b>Callan Institute and “Callan College”</b> 8 dedicated professionals <i>Most Callan professionals participate as instructors and research writers</i>

# Callan's Dedicated Defined Contribution Research Team

One of the Largest and Most Experienced DC Investment Teams



Greg Ungerman, CFA

- Defined Contribution Practice Leader
- DC and Management Committees

Benjamin Taylor

- Head of US Tax-Exempt DC Research

Jamie McAllister

Patrick Wisdom

Jana Steele

- 40-year history of defined contribution consulting
- Broad perspective, partnering with more than 100 clients
- Expertise across all facets of DC plan management

## Focused on outcomes

### Best Practices:

- Fiduciary Handbook, DC Insights

### Proprietary Analytics:

- Recordkeeping Database, TDF Analytics

### Innovation:

- Callan DC Index, Target Date Index

### Thought Leadership:

- DC Plan Sponsor Trends Survey, Whitepapers

**15** Average years of industry experience

**9** Recordkeeper searches conducted in past two years

**37** Fee studies/reviews conducted in past two years

**35** Investment structure evaluations conducted in past two years

**23** Target date fund suitability studies conducted in past two years

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**Investment Experience**



# Monitoring & Evaluation

- 35+** Year commitment to performance measurement
- 25** Dedicated performance analysts
- 3** Analytical solutions experts
- 6** Investment database specialists
- 10** Programmers/system analysts

Empowers clients with performance measurement, database, and investment analytics

- Proprietary data
- Innovative analytical tools
- Customized, flexible, accurate reporting



Allie Banuelos  
Amit Bansal  
Stacy Chang  
Brendan Egan

Perry Jurow  
Ed Kunzman  
Matt Loster  
Paul McGurk

Alpay Soyoguz, CFA  
Denise Steele  
Fionnuala Wright

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# Organizationally Committed to the Science (and Art) of Performance Measurement

We invest where others outsource

## Career tracks for performance measurement and database professionals

- Senior analysts with 20+ years of experience
- Robust, ongoing training program for analysts
- Strong support of pursuit of CFA, CAIA, and other continuing education

## Powerful development track for career consulting professionals

- President, defined contribution practice leader, fund sponsor consulting manager, and director of research were all performance measurement or database analysts early in their careers

## Committed to maintaining proprietary systems

- Provides control over quality, timeliness, and development priorities
- Insulated from organizational and pricing risk of third-party vendors

## Retain intellectual capital to understand, develop, and explain complex metrics

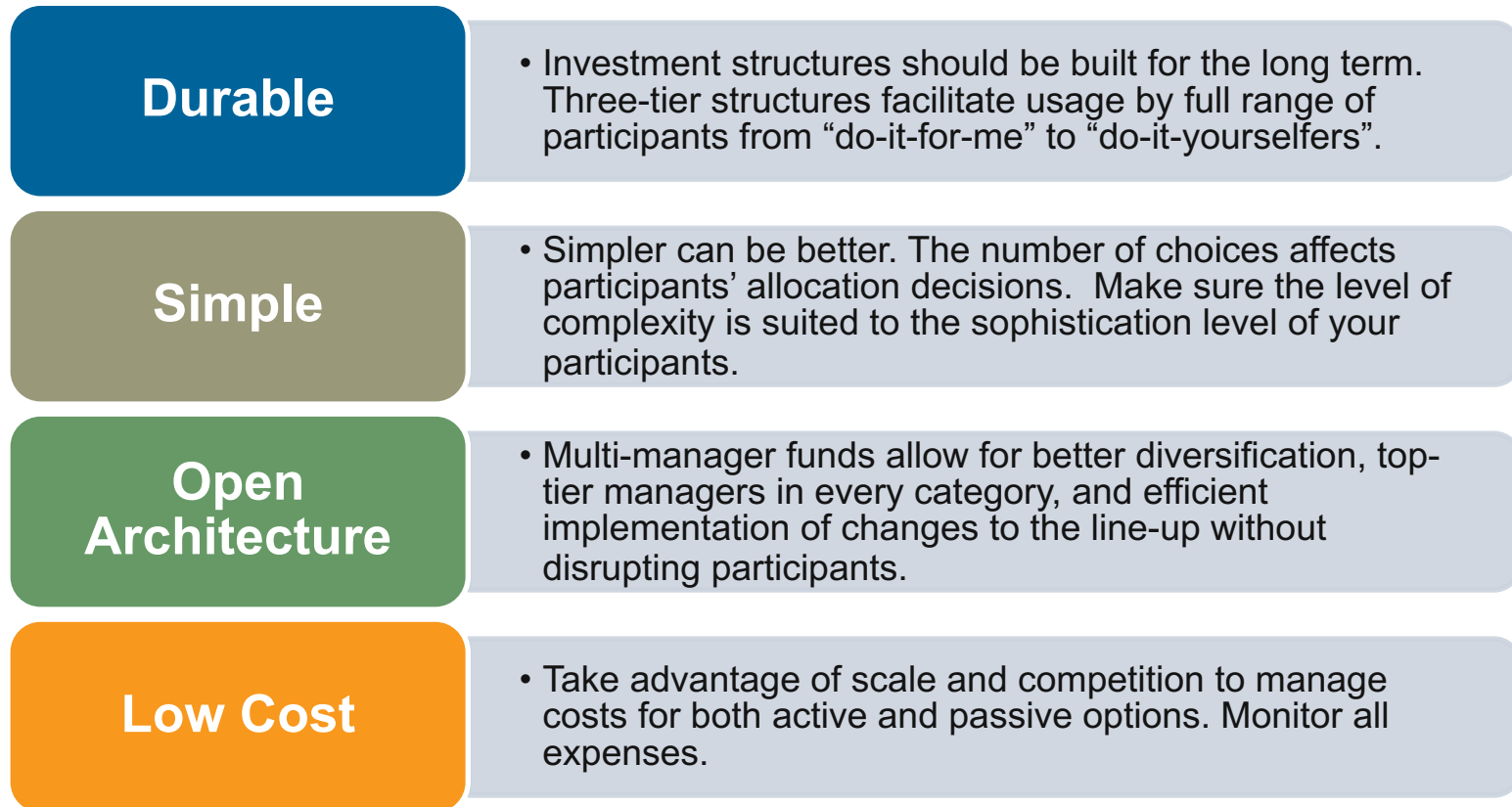
- Data scientists and developers with (literally) hundreds of years of combined experience working on our proprietary systems

Currently making significant investment in developing our third generation of proprietary performance and risk measurement reporting system

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## How Callan Will Support the DCP Investment Lineup

### Callan's Philosophical Tenets



Callan will support a comprehensive process to satisfy fiduciary requirements including:

- Documentation of decision-making and review processes
- Provide a feedback and control system to monitor performance and management of fund options
- Update Fiduciaries on best practices and industry trends

# Callan's Research Resources

As of December 31, 2020

## Research Team by the Numbers

**54** Specialty consultants

**61%** Callan shareholders

**29** CFA and/or CAIA charterholders

**23** Master's degrees

## Searches and Database by the Numbers

**994** Manager searches completed over the last five years

**\$185 bn** Assets represented by these searches

**2,500+** Average number of manager meetings per year

**2,700+** Organizations tracked in proprietary database

**24,000+** Strategies tracked in proprietary database

## Commitment to dedicated resources

- Sole focus is research
- Highly valued, high-profile, career positions
- Original research, in-depth due diligence

## Proprietary database and analytics

- Full control over data collection and due diligence
- Clean, detailed, and continuous data

## Searches are client-driven and customized

- No buy-list
- Emphasis on both quantitative and qualitative analysis
- Thorough documentation of entire process

## Oversight committee for manager searches

- Best thinking across the firm
- Ensures quality control and adherence to well-defined and robust process

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# Dedicated Resources

## Public Market Research

### U.S. Equity

Amy Jones  
Corey Schier  
Mark Stahl, CFA

David Wang  
Mark Wood, CFA



### Non-U.S. Equity

Ho Hwang  
Lauren Mathias, CFA

Tim Pollard  
Fanglue Zhou



### Fixed Income

Kristin Bradbury, CFA  
Dario Buechi\*  
Kyle Fekete, CFA

Nathan Wong, CFA  
David Zee, CFA



\*Supports all asset classes.

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# Dedicated Resources

## Public Market Research (continued)

### Target Date Funds

Mark Andersen  
Dario Buechi

Gary Chang, CFA  
Jason Ellement, FSA, CFA, MAAA

Julia Moriarty, CFA  
Patrick Wisdom



### Multi-Asset Class

Mark Andersen  
Gary Chang, CFA  
Jason Ellement, FSA, CFA, MAAA

Pete Keliuotis, CFA  
Sean Lee, CFA  
Adam Lozinski

Kevin Machiz, CFA, FRM  
Joe McGuane, CFA

John Pirone, CFA, FRM, CAIA  
David Welsch, CFA





# Callan's Search Process

**1** Client & Candidate Profile

**2** Quantitative Analysis

**3** Qualitative Assessment

**4** Peer Review & Preliminary Call

**5** Candidate Review Packet

**6** Manager Search Committee Meeting

**7** Manager Candidates to Client

## Universe of managers in Callan's database

- 10,000 managers; 16,000 products
- No cost to submit data; proprietary database to maintain data integrity

## Manager knowledge

- 2,300 manager meetings, on-sites, and conference calls per year
- Industry coverage, research and discovery by GMR specialists
- Speaking engagements

## Key criteria considered during the search process

- Client considerations and rationale for the search
- The Ps
  - People, Process/Philosophy, Portfolio Characteristics, Performance, Product Dynamics
- Peer review

## Customized approach to identify appropriate candidates

- One size doesn't fit all
- Encourages creative solutions to clients' manager structure
- Search timeframe varies depending on mandate

## Trust, Custody and Securities Lending Group

- 30** Average custody searches, service benchmarking, fee reviews, securities lending, transition management consulting, and related projects conducted each year
- 1991** Callan began providing trust/custody consulting services, with 64 years of cumulative industry experience
- \$999** Billion in total assets advised in 2018

- Respected industry leader providing thought leadership and strategic direction in trust, custody, securities lending, and transition management
- Conducts searches and reviews, and provides guidance in best practices related to back- and middle-office outsourcing and administration, governance, proxy voting, and more
- Extensive *Database of Completed Searches and Negotiated Fees* to assist clients with relevant fee/cost analysis for fee benchmarking.
- Distinct and thorough methodology and risk mitigation process for evaluating trust/custody, transition management pools, and securities lending providers.



Bo Abesamis  
Mark Kinoshita  
Alvaro Vega



# Capital Markets Research

## What makes our team great?

- Customized approach to decision-making
- Rigorous modeling and analysis
- Extensive experience with various investment pools

- Conducts all asset/liability, asset allocation, and asset spending studies for our clients
- Performs investment structure work to follow asset allocation decisions
- Provides capital market research and develops proprietary capital market assumptions for use in risk/reward modeling
- Provides custom client research and education



Gary Chang, CFA  
Jason Ellement, FSA, CFA  
Jay Kloepfer

Adam Lozinski  
Kevin Machiz, CFA, FRM  
Julia Moriarty, CFA

John Pirone, CFA, FRM, CAIA  
James Van Heit

# Published Research Highlights from 3Q21

## Comparing Actuarial and Consultant Rates of Return



## The Role of Target Date Funds in Retirement



## Infrastructure and Real Estate Debt in Portfolios



## Research Café: Property Technology



## Recent Blog Posts

**GPs Take 'Credit' for Higher IRRs**

Jonathan Farr

**Seeking Yield in All the Right Places**

Nathan Wong

**PCE vs. CPI: What's the Difference?**

Fanglue Zhou

## Additional Reading

*Private Equity Trends* quarterly newsletter

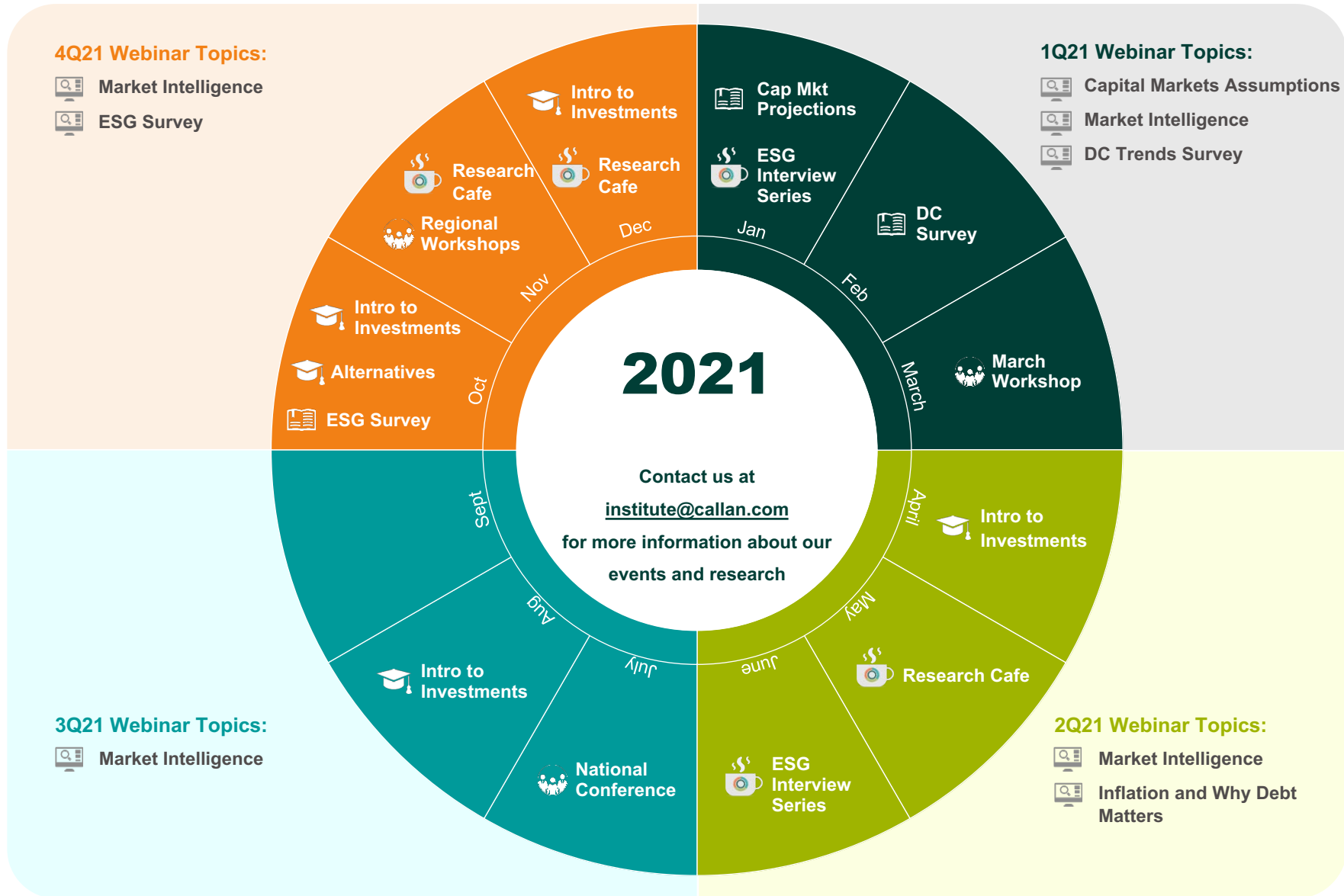
Active vs. Passive quarterly charts

*Capital Markets Review* quarterly newsletter

Monthly Updates to the Periodic Table

*Market Pulse Flipbook* quarterly markets update

# Content Calendar – Callan Institute



Callan College

Conference/Workshop

Publication

Webinar

Research Cafe

Callan

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**Fees**

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## Callan's Service Offering to LADCP

### **Callan proposes an annual retainer fee of \$187,500**

- This is a flat, fixed annual retainer fee for consulting services and is inclusive of all expenses.
- Callan will not charge anything outside of the proposed retainer fee unless a fee for an out-of-scope project is agreed upon in writing between LADCP and Callan.

### **Fees for Projects Outside of Proposed Retainer**

- Recordkeeper search - \$85,000 / occurrence
- Administrative and investment management fee evaluation - \$30,000 / occurrence
- Target date fund search - \$25,000 / occurrence