



Santa Barbara County Employees' Retirement System

DATE: June 28, 2023

Agenda Item # 1

TO: SBCERS BOARD OF RETIREMENT

FROM: SBCERS Investment Team

RE: RVK On-Site Due Diligence Trip Recommendation

Recommendation

That the Board of Retirement receive and accept the recommendation of the Ad Hoc Committee to maintain RVK's services for the SBCERS Private Credit allocation and keep the General Consultant contract on pace for its next regularly scheduled Request for Proposal in 2026.

Background

During the annual Investment Consultant Oversight Review process in 2023, staff learned that RVK had recently completed a restructuring of its Investment Management Research Team. Upon further review staff learned that in addition to the restructuring of the team format, approximately 30% of the team has turned over between February 2022 and January 2023. RVK has assured SBCERS staff that apart from the manager research consultant addressed below, many of the departures did not impact SBCERS as they were analyst positions dedicated to asset classes for which SBCERS is served by their discretionary consultants (e.g., private equity and real estate).

Upon learning of the organizational restructure and team turnover of RVK's Investment Management Research Team, staff recommended that the Board of Retirement create an Ad Hoc Committee to complete an on-site due diligence trip to meet the Investment Management Research Team in-person at RVK's home office in Portland, Oregon. SBCERS uses RVK's Investment Management Research Team, specifically the Private Credit sub-component, to provide recommendations in the Private Credit space as a non-discretionary consultant. Due to SBCERS' heavy reliance on this team to provide proper Private Credit recommendations, staff deemed an on-site visit prudent.

Trustees Zandra Chomondeley, Fred Tan and Laurie Lee were appointed to the Ad Hoc Committee for the RVK On-site Due Diligence Trip. Trustees were accompanied by SBCERS staff members Rebecca M. Valdez, Rico Pardo, and Cristal Rodriguez. The Ad Hoc Committee spent June 1st through 2nd with RVK's Consultant and Investment Management Research Teams. From the

Consultant Team the Ad Hoc Committee was joined by: Marcia Beard, Matthias Bauer, Paige Blaser, Jason Hinton, and Jordan Masukawa. From the Investment Management Research Team the Ad Hoc Committee was joined by: Joe Ledgerwood, Matt Sturdivan, Steve Hahn, Reed Harmon, Layne Johnson, and Todd Simones.

The on-site visit covered the following agenda set out by SBCERS staff ahead of the meeting:

AGENDA - RVK On-Site Due Diligence

Agenda Number	Item	Minute	Begin	End
Office Tour				
1	Office Tour	0:15	1:00 PM --	1:15 PM
Consultant Presentation and Interview				
	Lunch	0:45	1:15 PM --	2:00 PM
2	Professional Staff	0:15	2:00 PM --	2:15 PM
3	Philosophy and Approach	0:15	2:15 PM	2:30 PM
4	Asset Allocation	0:15	2:30 PM	2:45 PM
5	Firm Capabilities and Implementation	0:15	2:45 PM	3:00 PM
6	Portfolio Management and Reporting	0:15	3:00 PM --	3:15 PM
7	Other	0:15	3:15 PM --	3:30 PM
Closing				
8	Final SBCERS Questions	0:15	3:30 PM --	3:45 PM
9	Consultant Closing Remarks	0:15	3:45 PM --	4:00 PM

Through the course of the on-site visit, RVK’s Investment Management Research Team did an impressive job of fielding SBCERS Ad Hoc Committee and Staff’s questions. The Ad Hoc Committee was exceptionally impressed with Reed Harmon. Reed’s acute knowledge of Private Credit coupled with the nuances of the SBCERS specific portfolio were unparalleled. Reed is additionally supported by Layne Johnson and Todd Simones.

The Ad Hoc Committee was satisfied with the Private Credit Team as presented during the on-site visit. Based on the responses of the RVK Investment Management Research Team as presented, the Ad Hoc Committee felt confident in maintaining RVK as SBCERS’ non-discretionary consultant to Private Credit.

At the onset of the due diligence site visit, one person from the Private Credit sub-component of the Investment Management Research was unable to join the on-site meeting. After the on-site visit was concluded, RVK notified the Ad Hoc Committee via SBCERS staff that the member of the Investment Management Research Team who was unable to join the on-site meeting was no longer employed with RVK. The Ad Hoc Committee took this notification under advisement and spent additional time considering the impacts of an additional departure on the private credit team. Ultimately, the Ad Hoc Committee decided this additional turnover would not impact the overall success of the Investment Management Research Team going forward, and decided to move forward with the recommendation presented in this staff report.

Attachments:

- RVK Response to On-Site Due Diligence Questionnaire
- INV - 2023-06 SBCERS Onsite Presentation (Final)