

SBCERS

Santa Barbara County Employees' Retirement System

DATE: February 28, 2024
TO: SBCERS BOARD OF RETIREMENT
FROM: SBCERS Investment Staff
RE: **PanAgora Vehicle Change Recommendation**

Recommendation

That the Board of Retirement receive the presentation from Principals and Co-Lead Consultants Marcia Beard and Matthias Bauer, CFA of RVK, Inc. regarding the PanAgora Vehicle Change and take one of the following actions:

- A. Approve the recommendation to move the PanAgora strategy from a Separate account (SA) to a Collective Investment Trust (CIT) and authorize the SBCERS CEO to negotiate and execute a written agreement with PanAgora; or
- B. Take other action the Board deems appropriate.

Summary

In December of 2022, the Board of Retirement approved a recommendation to terminate First Eagle from the Non-U.S. Developed portion of the portfolio and increase the allocation of PanAgora and Artisan. Prior to the merger of First Eagle assets, PanAgora and Artisan had Assets Under Management (AUM) on 12/31/2022 of \$108,618,207 and \$109,385,000, respectively. As of 12/31/2023, PanAgora and Artisan have AUM of \$225,999,992 and \$148,482,863, respectively. After the initial transfer of assets from First Eagle to PanAgora and Artisan, the Investment Team approached each firm with a request for fee reductions based on additional AUM and a request to explore commingled vehicles. This request opened the conversation between PanAgora and RVK, which resulted in the above recommendation.

While the fee structure change from a SA to CIT is de minimis, the operational benefits of the CIT structure are higher than a SA. Investing in a CIT would eliminate security lending risks by removing the assets from that program. This new vehicle would also be daily liquid, which will be helpful for future rebalancing and transition needs. Due to this higher efficiency model, staff recommends proceeding with a vehicle change for the PanAgora strategy from SA to a CIT.

Attachments

- 2024-02-28 PanAgora Vehicle Change Recommendation (Final)