



Board Action

BOARD OF DIRECTORS

January 16, 2024

ITEM

Retirement Plan – Appointment of Investment Manager

PURPOSE

Approve the appointment of an Investment Manager for the OPPD Retirement Plan

FACTS

- a. In March 2022, Retirement Fund investment manager, Neuberger Berman High Income (NB), was placed on 'watch' for failure to meet the Retirement Fund retention criteria. As of March 31, 2023, NB failed to meet the retention criteria of ranking in the top 40% of Segal Marco Advisors universe of actively managed High Yield Fixed Income Bond portfolios and exceeding the FTSE High Yield Market index net of fees. Due to the failure to meet the retention criteria, the Trust Selection Committee (TSC), assisted by Segal Marco Advisors, initiated a search for a new high yield fixed income bond manager to replace NB using criteria established by the Board.
- b. The TSC reviewed the three leading candidates and held interviews with GoldenTree Asset Management LP-Multi Sector Fund, MacKay Shields High Yield Collective Investment Trust, and PGIM Fixed Income-U.S. Broad Market High Yield.
- c. After the interviews, MacKay Shields High Yield Collective Investment Trust was selected for recommendation to the Board of Directors (Board). MacKay Shields meets all the Policy consideration criteria for an investment manager, and their performance ranks competitively in the high yield fixed income universe.
- d. The TSC recommends that the Board appoint MacKay Shields High Yield Collective Investment Trust as a high yield fixed income manager for OPPD's Retirement Plan.
- e. Attached is a letter from Segal Marco Advisors outlining the manager search process and concurring with the TSC's recommendation in the selection of MacKay Shields High Yield Collective Investment Trust as an OPPD Retirement Plan investment manager.

ACTION


Board's consideration of a resolution appointing MacKay Shields High Yield Collective Investment Trust as an investment manager for OPPD's Retirement Plan.

RECOMMENDED:

DocuSigned by:

 Jeffrey M. Bishop
 Vice President and Chief Financial Officer

APPROVED FOR BOARD CONSIDERATION:

DocuSigned by:

 L. Javier Fernandez
 President and Chief Executive Officer

JMB: jwt

Attachments: Segal Marco Advisors Letter Resolution

December 15, 2023

Omaha Public Power District Board of Directors
Omaha Public Power District
444 South 16th Street
Omaha, Nebraska 68102

Subject: Research Process for OPPD's Actively Managed High Yield Fixed Income Manager Search.

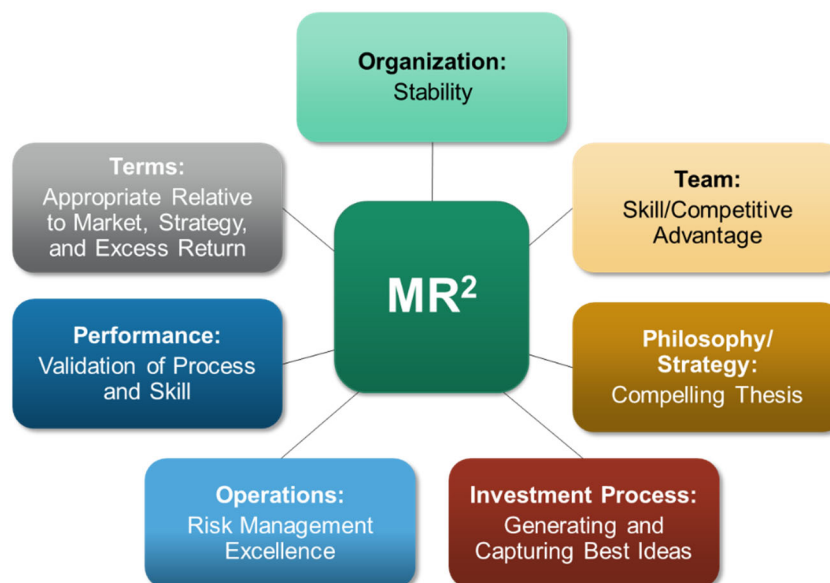
Dear Board of Directors:

We have detailed a description of the research process utilized by Segal Marco Advisors in the recommendation of MacKay Shields as the replacement to Neuberger Berman to manage the actively managed High Yield Fixed Income allocation in the Retirement Plan.

The process used was as follows:

1. Our research specialists employed a highly formalized process – Manager Research and Ranking Process (MR²) – to evaluate and select managers that were the “best in class”. Our process, consisting of three primary steps:
 - Identify managers from referrals, database screens, and publications
 - Meet with current and prospective managers
 - Perform in-depth due diligence on firms and their products
2. We reviewed the investment process of various managers' products as well as the organization of the firms to determine the long-term viability of their products and to detect the possibility of underperformance. MR² defines 34 success and risk factors within 7 categories.

Each manager was evaluated and scored based on these broad categories:



3. During each step, we applied a ranking system to measure and monitor a manager's history of adding value and the potential to add value in the future. We also looked at performance of prior funds over time to determine whether objectives of risk and return had been met relative to targets/peers. Critical to our process was our evaluation of the three fundamental steps of investment management.
 - Collecting, processing, and refining information
 - Constructing portfolios
 - Analyzing trading costs
4. Using MR², we focused on the qualitative and quantitative evaluation of managers. Critical components of our qualitative assessment were: the quality of the investment professionals, the potential of the philosophy to deliver value-added results, the integrity and rigor of the investment management process, long-term performance record, and the potential fit of the products being recommended for OPPD's Retirement Plan. We used quantitative tools to identify a manager's risk profile, value, and projected return expectations.
5. In the ranking process, we assessed the firms and products' long-term viability, to determine the sources of value-added and to detect factors that could result in consistent future out-performance or under-performance. Each manager was evaluated and scored based on these categories to ensure consistency across firms and products.

The following ratings were officially assigned to each manager:

- Recommended,
- Under Consideration,
- Not Recommended and
- Sell.

Segal Marco Advisors considers the manager rankings to be an evolving and dynamic process. Additionally, we are constantly evaluating new managers and reevaluating established ones with changes in rankings by our research staff made when appropriate.

6. Before selecting the candidates for each OPPD manager search, Segal Marco Advisors proposed the following criteria for the manager search. All candidates needed to exhibit the following characteristics:

Organization

- Firms that have been managing assets for at least five years.
- Firms with proven record of managing high yield fixed income products.
- Firms with a relatively low level of personnel turnover.
- Firms with competitive fee structures.

Management Styles

- An investment process that derives the majority of its value-added from security selection and portfolio construction.
- An investment process that is predominately focused on North America investments.

Performance

- Style and return consistency with thesis.
- Favorable alpha generation.
- Relative lack of negative surprises.

- Favorable peer group comparison.
7. Based on the criteria, Segal Marco Advisors proposed three candidates for this mandate all of which were rated "Recommended". Segal Marco Advisors reviewed the candidates with the Trust Selection Committee on November 6th and the following firms were selected to provide in-person presentations on November 13th.

High Yield Fixed Income Candidates

- GoldenTree Asset Management LP
 - MacKay Shields LLC
 - PGIM Fixed Income
8. Following the interviews, the Trust Selection Committee selected MacKay Shields LLC to replace Neuberger & Berman as the manager of the High Yield Fixed Income allocation in the portfolio.
9. Based on the research process, Segal Marco Advisors supports the decision of the Trust Selection Committee in their recommendation to hire MacKay Shields LLC.

If you have any questions about the research process for the selection of this manager, please feel free to call me at 770-541-4825.

Sincerely,



Jeffrey C. Boucek, CFA

cc: John Thurber



Spurgeon/Bishop

RESOLUTION NO. 6626

WHEREAS, Retirement Fund investment manager Neuberger Berman High Income (NB) has failed to meet the retention criteria established by the District's Trust Selection Committee; of; and

WHEREAS, in November 2023, the Trust Selection Committee, assisted by the District's consultant, Segal Marco Advisors, initiated a search for a high yield fixed income manager for the Retirement Plan using criteria set by the Board of Directors; and

WHEREAS, the Trust Selection Committee interviewed and evaluated the three leading candidates in this asset class; and

WHEREAS, MacKay Shields High Yield Collective Investment Trust met all of the Statement of Investment Policy consideration criteria for an investment manager; and

WHEREAS, the Trust Selection Committee recommends the appointment of MacKay Shields High Yield Collective Investment Trust as high yield fixed income manager for the OPPD Retirement Plan.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Omaha Public Power District as follows:

1. That MacKay Shields High Yield Collective Investment Trust is hereby appointed as an investment manager for the OPPD Retirement Plan, subject to the execution of an acceptable contract.

2. That District officers are hereby authorized and directed to execute and attest all documents that are necessary and proper to complete the appointment of the new investment manager.