



Moody/Thurber

**RESOLUTION NO. 6692**

**WHEREAS**, Retirement Fund investment manager Wellington Mid Cap Opportunities has failed to meet the retention criteria established by the District's Trust Selection Committee; and

**WHEREAS**, in January 2025, the Trust Selection Committee, assisted by Segal Marco Advisors, initiated a search for a mid cap equity manager for the Retirement Plan using criteria set by the Board of Directors; and

**WHEREAS**, the Trust Selection Committee reviewed the three leading candidates in this asset class resulting in interviews with all three investment managers; and

**WHEREAS**, Kayne Anderson Rudnick Investment Management met all of the Statement of Investment Policy consideration criteria for an investment manager; and

**WHEREAS**, the Trust Selection Committee recommends the appointment of Kayne Anderson Rudnick Investment Management as mid cap equity 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 Kayne Anderson Rudnick Investment Management 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.

March 4, 2025

Omaha Public Power District Board of Directors  
Omaha Public Power District  
444 South 16<sup>th</sup> Street  
Omaha, Nebraska 68102

**Subject: Research Process for OPPD's Actively Managed U.S. Mid-Cap Equity Manager Search.**

Dear Board of Directors:

We have detailed a description of the research process utilized by Segal Marco Advisors in the recommendation of Kayne Anderson Rudnick Investment Management as the replacement to Wellington Management Company to manage the actively managed U.S. Mid -Cap Equity allocation in the Retirement Plan, the 401(k) Plan and the 457 Plan.

The process used was as follows:

1. Our research specialists employed a highly formalized process – Manager Research and Ranking Process (MR<sup>2</sup>) – 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. MR<sup>2</sup> 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 MR<sup>2</sup>, 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 Various Retirement Plans. 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 U.S. Mid-Cap Equity 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 January 30<sup>th</sup> and the following firms were selected to provide in-person presentations on February 20<sup>th</sup>.

**U.S Mid-Cap Equity Candidates**

- Earnest Partners
  - Kayne Anderson Rudnick Investment Management
  - PGIM Quantitative Solutions
8. Following the interviews, the Trust Selection Committee selected Kayne Anderson Rudnick Investment Management to replace Wellington as the manager of the U.S. Mid-Cap Equity allocation in the Defined Benefit Plan and the two Defined Contribution Plans.
  9. Based on the research process, Segal Marco Advisors supports the decision of the Trust Selection Committee in their recommendation to hire Kayne Anderson Rudnick Investment Management.

If you have any questions about the research process for the selection of this manager, please feel free to call me at 724-816-1501.

Sincerely,



Jeffrey C. Boucek, CFA

cc: John Thurber  
Timothy Vasquez



Omaha Public Power District  
**BOARD OF DIRECTORS**

# Action Item

March 18, 2025

ITEM

Retirement Plan – Appointment of Investment Manager

PURPOSE

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

FACTS

- a. In September 2023, Retirement Fund investment manager, Wellington Mid Cap Opportunities (Wellington), was placed on ‘watch’ for failure to meet the Retirement Fund retention criteria. As of September 30, 2024, Wellington failed to meet the retention criteria of ranking in the top 40% of Segal Marco Advisors universe of actively managed mid cap equity portfolios and exceeding the S&P Mid Cap 400 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 mid cap equity manager to replace Wellington using criteria established by the Board.
- b. The TSC reviewed the three leading candidates and held interviews with Earnest Partners, Kayne Anderson Rudnick Investment Management, and PGIM Quantitative Solutions.
- c. After the interviews, Kayne Anderson Rudnick Investment Management was selected for recommendation to the Board of Directors (Board). Kayne Anderson Rudnick Investment Management meets all the Policy consideration criteria for an investment manager, and their performance ranks competitively in the mid cap equity universe.
- d. The TSC recommends that the Board appoint Kayne Anderson Rudnick Investment Management as a mid cap equity 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 Kayne Anderson Rudnick Investment Management as an OPPD Retirement Plan investment manager.

ACTION

Board’s consideration of a resolution appointing Kayne Anderson Rudnick Investment Management as an investment manager for OPPD’s Retirement Plan.

RECOMMENDED:

*John Thurber*

BA3988CC39CC493  
John W. Thurber  
Interim Chief Financial Officer

APPROVED FOR BOARD CONSIDERATION:

Signed by:

*J. Javier Fernandez*

AL399047156277  
J. Javier Fernandez  
President and Chief Executive Officer

JWT: jap

Attachments: Segal Marco Advisors Letter  
Resolution