



TEXAS TECH UNIVERSITY SYSTEM

Office of Investments

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MEMO

**TO: Board of Regents**

**FROM: Gary Ratliff, Associate Vice Chancellor and Chief Investment Officer**

**DATE: November 14, 2008**

**RE: Approval of New Investment Consulting Firm – NEPC, LLC**

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In August 2008, the Office of Investments issued an RFP for investment consulting services. Twelve consulting firms responded to the RFP, and an internal selection committee – comprised of representatives from the Investment Advisory Committee (“IAC”), the Office of Investments, and the Chief Financial Officer’s staff – was formed to review the proposals. Based on the initial responses, the selection committee recommended that additional due diligence be conducted with five firms. The Chief Investment Officer (“CIO”) completed in-person site visits to all five firms at their primary locations. Upon further evaluation, the CIO recommended that four firms – Cambridge Associates, Hammond Associates, NEPC and Prime Buchholz – meet with the IAC on October 15<sup>th</sup>. After interviewing the finalists, the IAC recommends that the Board of Regents authorize the Chancellor to enter into an agreement with NEPC for investment consulting services.

**Firm Overview**

NEPC was formed in 1986 to provide a broad range of investment consulting services to institutional investors. Today, the 100% employee-owned firm has 149 staff members and 263 clients, which represent more than \$300 billion in total assets. This level of clients and assets makes NEPC one of the 10 largest consulting firms in the United States. NEPC has offices in Boston, Charlotte, Detroit, Las Vegas and San Francisco.

**NEPC Capabilities**

- Highly experienced, senior consultants will be assigned to Texas Tech relationship
- Exceptional resources in traditional and alternative investment strategies
- Seventeen (17) research professionals dedicated to alternative assets
- State-of-the-art technology for performance reporting and monitoring
- Expertise across multiple client types and asset classes
  - 56 Endowment/Foundation clients (total assets: \$26 billion)
  - Babson College, Holy Cross, Fordham University, Kenyon College, Ohio University, University of Massachusetts
  - Heritage Foundation, CHRISTUS Health, Liberty Mutual, Proctor & Gamble, Dallas Fire & Police
- No conflicts of interests
  - Fee-based consulting is the firm’s only business

### **Estimated Fees**

Generally, consulting fees are calculated as a percentage of assets under management. Therefore, the actual dollars paid for consulting services are variable depending on the level of assets.

Assuming an average size of \$650 million for the LTIF, the estimated annual cost of the NEPC agreement is **\$485,000**.

Under the terms of the existing consulting agreement, the annual expense is **\$455,000**.

If you have any questions or need any clarification, please telephone me at 806-742-1700 Ext. 271.