Date: June 18, 2013

TO: Entities with Reserve Funds and served by ABA Financial Advisors

FROM: Jim Carr
Chair, BOG Investment Subcommittee

The Investment Subcommittee invited submissions for an investment advisor for the ABA’s long term investments (the practice is to invite proposals every three years). Accordingly, the Subcommittee sent out a Request for Proposal (“RFP”) in January and received nine submissions. Following extensive review and discussion of the proposals, as well as in person interviews with the four finalists, the Subcommittee selected Russell Investments as the ABA’s new investment advisor. The choice of Russell Investments was approved by the Board of Governors Finance Committee at its meeting on June 14th and the by the Board of Governors at its June 15th meeting. I am sending this memo to let you know of the change in investment advisors with information on Russell and why we selected them.

Russell provides services differently than our previous investment advisors. Instead of recommending individual equity and bond funds that are included in the list of potential investments, Russell offers a broad range of multi-manager funds, encompassing the most common asset classes, such as US large cap, small cap, international and emerging markets investments, bonds, etc. In due course, we will provide information on the specific Russell funds available to the Association and its entities. Each Russell fund is managed by a group of highly-regarded independent institutional mangers. So instead of choosing a particular equity or bond manager, you will choose a Russell fund in the same asset class category and that fund will include multiple managers. The Subcommittee and Russell will provide extensive education regarding the available products and procedures.

There were a number of reasons we chose Russell and these include the following:

1) Russell provides diversity in their funds, since they have multiple managers within each Russell fund. Each portfolio is highly diversified which spreads and thereby reduces the risk.

2) Russell can respond quickly and nimbly in a volatile market, or when funds underperform, by changing the underlying managers, allowing them to address market trends by changing managers quickly (acting far quicker than the subcommittee).

3) Their education and training plans for the subcommittee and for the Sections/Divisions are very well thought out and available.

4) Their reporting solutions are flexible and can meet both Section/Division needs (e.g. secure on line access of performance at any time) and ABA Finance’s needs (e.g. downloadable gains and losses by sub-account into Excel spreadsheets for uploading into our general ledger).
5) They can also provide online access for Sections/Divisions to enter quarterly allocation changes streamlining the process for both Sections/Divisions and ABA Finance.

6) They have global presence/offices.

7) They can easily do “overlays” using alternative investments if we want to use them to manage volatility.

8) Their finalist presentation was strong. They were responsive to our questions and followed up to make sure they were answering our questions and meeting our needs.

9) We received excellent reports from our contacts with their references.

10) They have provided us with information on the transition process. They have considerable experience transitioning portfolios in an efficient and cost-effective manner, and we found their plans well thought out and responsive to our needs.

11) They are very happy to provide a presentation and training at the Section Officers Conference (SOC) in September.

12) In utilizing the Russell funds we will have a more active investment product with reduced risk. We also determined that, if we had decided to pursue an active asset management strategy vs. the passive management strategy that we have pursued for the last four years (at least), that change in would have resulted in an increase our fees.

We think you will be very pleased with Russell Investments and the opportunities they offer. One of the considerations in this choice was that many people making investment decisions within the ABA are not investment professionals and the knowledge base for the decision makers varies with each entity. Russell gives us a better ability to make good investment decisions and at the same time spread our risk. Although Russell was not the least expensive proposal, we felt the services they offer the Sections/Divisions and the ABA were decidedly superior to the other proposals.

After extensive review of the different proposals and much discussion, the Subcommittee voted almost unanimously to select Russell Investments. We look forward to working with all of you in transitioning to Russell and working with them over the next few years.

We will be providing a lot more information soon, but please contact me if you have any questions.
June 18, 2013

To: Section, Division and Forum Chairs, Chairs-Elect and Budget Officers

From: Jennifer “Ginger” Busby

Subj: ABA Investment Advisors

I hope you are all having a good start to your summer and I look forward to seeing you in August at the ABA Annual Meeting.

As you know, the ABA Board of Governors (Board) has just completed its June Board meeting, and I attended on behalf of the SOC. There are several items of interest from the Board Meeting about which I will send you a report later in this week. However, there is one immediate and important development that I want to advise you about today.

The Board voted to approve a change in the Association’s investment advisors. A subcommittee of the Board of Governors Finance Committee to which I was a liaison has been evaluating the ABA’s investment advisors for many months. There were four finalists; but the recommendation to the Board on Saturday (June 15, 2013) was that the ABA discontinue its relationship with Deutsche Bank and hire Russell Investments as its new Investment Advisor.

I have attached to this email a memo from Jim Carr that provides an explanation and details about the process and the analysis used in choosing Russell. I will tell you that I was very impressed with Russell’s presentation as it was easy to follow and very easy to understand. They have a diversity of funds, and their reports can be provided to specific entities based on its investments and results.

My understanding of how the transition will occur is that your investments will be mapped to a specific similar investment when the change occurs. We are setting aside some time at the SOC Fall Leadership Meeting in September for the new investment advisors to talk with you, train you, and work through your individual specific investment decisions. The fees are a bit higher than Deutsche Bank; however, the service and flexibility appear to be a better fit.

Please let me know if you have any questions. I am sure you will be hearing from Russell Investment in the near future.

Cc: Governor James F. Carr
Michael E. Burke IV