

News and Analysis

Analysis

The billion-dollar, one-manager retirement system

For the past 43 years, the \$2.1bn Tampa Fire & Police fund has invested its assets solely with one firm, steering clear of consultants and avoiding more sophisticated strategies.

Rheaa Rao | 03 May 2018 | Pension Plans

If the \$2.1bn **Tampa Fire and Police Pension Fund** wants to invest all of its assets with a single manager, that doesn't bother **Jay Bowen**. The Florida pension is lauded for its performance and its high-funded status, but is often criticized for putting all its eggs in one basket: Bowen's firm.

For the past 43 years, Tampa has invested its assets solely with his firm, steering clear of consultants and avoiding more sophisticated strategies like hedge funds.

"It was viewed as a piece of red meat, everyone wanted to get their hooks into it," Bowen told *MMR*.

In a space where even a small fund hires several money managers for different strategies, the Tampa model is considered an oddity.

For Bowen, the long-term, conservative approach for Tampa that focuses on stocks and high-quality bonds is "unconventionally conventional." He has a similar approach in his personal life. Bowen participates in grueling

triathlons, such as the nearly 28 mile Escape the Alcatraz race. "There is a lot of overlap in terms of long-term discipline, overcoming adversity over the short term, keeping focus," Bowen said.

Bowen's father **Harold J. Bowen, Jr.** forged a relationship with the then \$12m Tampa fund in 1974. Today, Harold J. Bowen, III, who goes by Jay, handles investments for the fund and presents a monthly report to the board. The reports go undisputed and there's hardly ever any asset allocation change.

There are some rules though. **Bowen, Hanes and Co.** is not to invest more than 65% of the fund's assets in common stocks, of which 25% can be in foreign securities, according to the system's investment policy. There is no allocation for alternatives. The retirement system's funding ratio is currently 98%.

The manager provides a 20-year investment approach to the board every year, which, according to Bowen, keeps the actuary happy and helps the board focus on its long-term goals.

"We got to the point where the city became a cheerleader because we were saving city money," Bowen said.

The **Wilshire Trust Universe Comparison Service** data, which compares performance of funds for time periods as narrow as a quarter and as broad as 35 years, shows the Tampa fund emerging at the top of percentile rankings for most of the time intervals. The exceptions are three years, five years and 10 years, where the Tampa fund was at the 14th, 3rd and 8th percentile ranking respectively. The number of funds included by Wilshire start at 154 for a single quarter comparison, but dwindle to 12 for a 35-year comparison.

The consultant quandary

Still, critics persist. The concern, other than lack of diversity in strategy, is the fact that Bowen, Hanes and Co. does not like to work with consultants, who are usually gatekeepers of the industry.

The firm previously worked as the only manager of the \$7.8m **Lady Lake Police Officers' Retirement System**, also in Florida, before a consultant recommended that the fund seek alternate investment options.

David West of **Bogdahn Consulting** (now **AndCo. Consulting**) told the Lady Lake board in 2013 that he feels that the money manager's "operational infrastructure is lacking in state of the art systems for portfolio compliance procedures and trade settlement procedures." West added that the reason he wanted the board to seek other managers was not personal and not entirely performance-based.

In response to the recommendation, **David Kelly** of Bowen, Hanes and Co. stated that the firm had made a decision to not actively engage and work with consultants. While West proposed a multi-manager route, Kelly asked the board to consider an alternative to the consultant's role. The money manager also said that it would resign if the board hires additional managers and keep Bogdahn on. The Lady Lake fund chose the consultant. West declined to comment, citing company policy.

"[Consultants] are usually not receptive to our model because they become somewhat irrelevant if we're the only manager and are taking a 20-year approach," Bowen said. "Typically, it is not a good fit."

The consultant that Bowen's firm does work with at Tampa only reviews quarterly performance and presents the report to the board.

"I've never spoken with him," **Deborah Hays, owner of Investment Performance Solutions**, the consultancy firm, told *MMR* when asked about Bowen. "I'm just the numbers person. I gather data and run reports."

AndCo. still works as a consultant for the \$13m **City of Edgewater Firefighters Pension Board**, where Bowen Hanes and Co. is still the sole manager. The consultant had implored the board to diversify its manager roster in 2015. John Thinnes with AndCo reminded the board, during its October and December meeting, that it the fund is "aggressively allocated with a heavy allocation to equities," but also added that the returns were the "highest he has ever seen."

Sole manager approach

The asset manager's performance, Bowen admits, is better when they're hired as a sole manager, rather than a sliver of a large fund. "When we're a piece of a pie, you've got an outside force controlling the stable of managers...there's enormous pressure to move and change," he said. "People usually turn to us as a core manager, for handling all the assets."

Electing Bowen's firm as its sole manager has also helped Tampa with fees. Bowen has kept fees low and competitive as a reward for the fund's trust and all of its assets. Tampa is his largest client, but he isn't too worried about it.

"From a fee standpoint, it's not even a majority of our fees," he said. "If they disappear tomorrow, nothing would change with us. We would still have 99 relationships."

Despite the work it has done for Tampa, the Atlanta-based money manager has remained small. Bowen said it was an active choice to stay small, so it could focus on a select group of clients and rely on referrals, as opposed to a large marketing effort. He considers Tampa's long-term approach a "luxury" that has been afforded, and he keeps a flexible schedule to make time for his fitness regime.

Bowen's performance in the Alcatraz triathlons mirror his performance in the market. His results from 2012 to 2016 (which were the only records *MMR* could obtain) were consistent. He managed to cut his time down by a couple of minutes some years, while his performance lagged during others. Tampa concedes that it's how money managers operate.

"We've lost money maybe five out of 43 years," Tampa's Chairman **Gregory Reed** told *MMR*. "There is no manager that makes money all the time."

Investor Profile

Tampa (City of) Firefighters' & Police Officers' Pension Fund

Topics

**AndCo Consulting Bogdahn Consulting Bowen City of Edgewater
Firefighters Pension Board City of Tampa Fire and Police Pension Fund David
Kelly David West Deborah Hays Gregory Reed Hanes and Co. Harold J.
Bowen III Harold J. Bowen Jr. Investment Performance Solutions Jay
Bowen John Thinnes Lady Lake Police Officers' Retirement System
Wilshire**

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