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Oracle of Tampa Is a Rare Breed

BY MICHAEL CORKERY

Jay Bowen's stock picking has made the Tampa Firefighters and Police Officers Pension Fund one of the best-performing public pensions in the U.S. Some retired cops and firefighters attend pension board meetings to catch a glimpse of the money manager they consider their own Warren Buffett.

But in the hypercompetitive industry of pension fund investing, Mr. Bowen is an anomaly. The 51-year-old is the fund's lone money manager, an unusual arrangement for a retirement system with \$1.6 billion in assets.

"There is really nothing like this arrangement in the country," says Mr. Bowen of the Tampa, Fla., fund, which is by far his largest client.

At a time when pensions are piling into riskier investments such as private equity and hedge funds that tend to carry high management fees, Mr. Bowen and his staff of four senior investment professionals at Bowen Hanes & Co. are a throwback to a bygone era. The firm invests almost entirely in stocks and bonds and doesn't short stocks or use options or futures.

The Tampa pension's chairman, Richard Griner, says pension managers he meets at industry conferences are shocked when he tells them that his fund is betting the house on Mr. Bowen.

"But when I show them my results they pretty much shut up," says Mr. Griner, a Tampa Police detective. "The numbers don't lie."

As of Dec. 31, Mr. Bowen's annual returns beat pension giant Calpers—which employs 125 consultants and 1,100 money managers—over three-year, five-year and 10-year spans.

Critics say it is risky to rely on a lone money manager because he could run into financial trouble or his luck could simply run out.

"I have clients who are uncomfortable with the business risk of investing all their fixed-income assets with a single manager like Pimco or BlackRock, let

alone invest an entire \$1.6 billion pension plan with a very small manager," says Michael Schlachter, a managing director at Wilshire Consulting.

With a total of \$2.2 billion in assets under management, Atlanta-based Bowen Hanes manages about a dozen small municipal pensions in Florida and some family and foundation accounts.

Mr. Bowen says he has relatively few clients because he typically shuns investment consultants—who help to vet, select and monitor money managers—because they can pigeonhole money managers into specific strategies and asset classes. As a result, Bowen Hanes misses out on tapping the network of pension clients that consultants keep.

"Consultants have a stranglehold over the industry," says the lanky Mr. Bowen, who competes in Ironman races. "Think of the blood, sweat and tears that have gone into picking money managers at Calpers. And we have done substantially better."

A Calpers spokesman says the pension fund believes that its diversified portfolio will add value and outperform other portfolios over time.

Mr. Bowen took over the Tampa fire and police fund in 1997 from his father Harold Bowen Jr., who had managed it since the 1970s.

The elder Mr. Bowen, who still serves as a senior adviser to the firm, taught his son how to pick stocks based on broad economic and political trends.

The younger Mr. Bowen says the fund has owned some stocks for decades, including Coca-Cola Co., which the firm first bought at the equivalent of 77 cents a share in 1982. Today, Tampa owns \$13.2 million of the stock at a cost of \$267,000, according to the pension fund's Sept. 30 records.

Mr. Bowen slipped a bit in the year ended Dec. 31, 2012. His 12.6% return trailed the median return of 13.3% among public pensions with more than \$1 billion in assets, according to Wil-

shire Trust Universe Comparison Service.

Mr. Bowen blames some of that underperformance on sitting out a rally in regional banking and residential construction stocks.

Mr. Griner says the fund is focused on the long term, and judges Mr. Bowen's returns on a 20-year rolling average.

Still, short-term investment losses in recent years have triggered higher contributions to the fund from the city of Tampa and public safety employees.

The Tampa fund appears to be well funded at about 90%. It uses an unusually high annual investment target and discount rate of 10% to calculate the present value of benefits owed to retirees.

The higher the discount rate, the smaller the pension liabilities. Many public funds have an investment target of around 8%, though many have cut rates in recent years amid soft return expectations.

Mr. Griner says the investment target is prudent because it applies only to the base pension plan, which accounts for less than half of the system's total assets. So the whole fund could have returns of less than 10% and still meet the investment target for the base plan.

Every month, the fund's performance manager, Investment Performance Solutions—a one-woman firm in Maryland—compares Mr. Bowen's returns to market benchmarks.

The firm's owner, Deborah Hays, says she uses information supplied by the pension fund's custodian, Wells Fargo & Co. A Wells spokeswoman declined to comment.

Pension officials say they are able to keep their costs down by paying low fees to the custodian, the performance manager and Mr. Bowen. Bowen Hanes charges a management fee of 0.25%, which totaled about \$4 million last year for the firm.

Pension funds aren't required to have consultants. Still, Edward Siedle, a

former Securities and Exchange Commission lawyer and founder of Benchmark Financial Services in Ocean Ridge, Fla., says the unusual setup warrants a close look by regulators.

"A fund this size should have a nationally reputable consultant overseeing its investments," says Mr. Siedle.

"It lacks many of the prudent safeguards that are common at public funds."

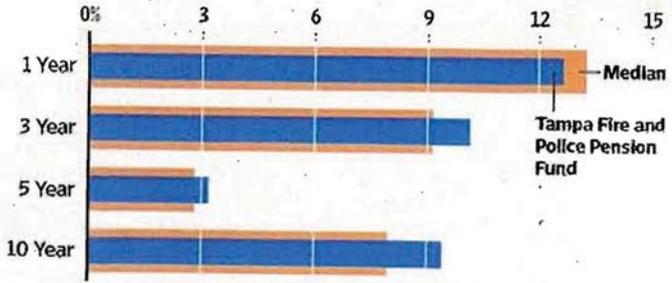
Mr. Bowen says many critics of the Tampa fund are only trying to get a piece of its business.

"This fund is so pristine," he says. "There are all these piranhas circling it like a fresh piece of red meat."

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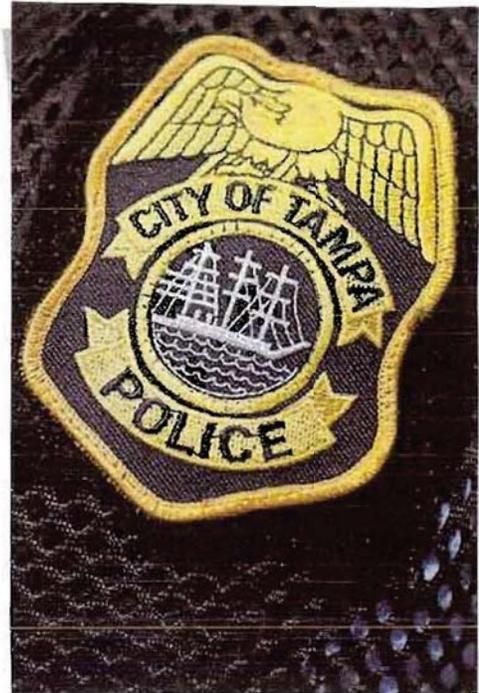
Pension Pulse

Comparing the returns of public pensions with assets of \$1 billion and greater, as of Dec. 31



Sources: Bowen, Hanes & Co. (Tampa fund); Wilshire Trust Universe Comparison Service (median)

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