

CUSTOMER SUCCESS STORY

# THE EMPLOYEES RETIREMENT SYSTEM OF TEXAS (ERS TX)

Helping an organization that's critically important to Texans live up to its institutional aspirations

## CHALLENGE:

Manage investment performance tracking and reporting with institutional quality capabilities without having to build a platform from scratch.

## SOLUTION:

By implementing Backstop, ERS was able to move beyond the inefficiencies and inadequacies of less modern, less robust solutions.

## BENEFITS:

- ✓ Greater control over data
- ✓ Stronger reporting capabilities
- ✓ Better ability to evaluate the performance of current and future asset managers
- ✓ Better use of internal resources

It's long been said that everything is bigger in Texas, and in many ways, the statement is true.

Geographically, Texas is practically as large as Europe. Economically, the Lone Star State has a GDP larger than Russia's. The biggest oil deposits ever found in the United States are the estimated 20 billion barrels in the Wolfgang Shale in the Midland-Odessa region. And the Dallas Cowboys are perennially ranked as the highest valued sports franchise in the world.

Given all this bigness, it should come as no surprise to learn that the Texas public employee pension plan, The Employees Retirement System of Texas (ERS), is one of the largest in the country. At \$28 billion, it currently trails only California, New Jersey, Illinois and Ohio.

ERS serves more than 370,000 beneficiaries and is staffed by hundreds of professionals in operations, trading, and fixed income and equity management. You'd expect a retirement system with this scope and scale to have an institutional quality data management and reporting platform in place, and according to Anthony Curtiss, Director of Hedge Funds, it does — thanks in no small way to Backstop Solutions.

**"We're considered an institutional player, and Backstop is definitely one of those functions that can make every group a better performer and further institutionalize our investment management program."**

– Anthony Curtiss,  
Director of Hedge Funds,  
The Employees Retirement  
System of Texas

## MOVING RAPIDLY INTO A POSITION OF AUTHORITY

Anthony got his undergraduate degree at the University of Texas San Antonio in 2001 and went to work as an auditor in the financial services sector at KPMG. He quickly concluded the life of a CPA wasn't for him, and he began studying for his CFA and enrolled in a master's program at the University of Nebraska. Following that he joined Salient Partners in Houston, an asset management organization focused on alternative investments, where he worked until 2011.

It was at Salient that he first became exposed to hedge funds, and he joined ERS TX as a senior analyst shortly after leaving the company. He was named to head the hedge fund group in 2016.

It's a small group – just Anthony and three other financial professionals managing more than \$1.7 billion in assets with the help of a single additional consultant.

"We use hedge funds in both a dedicated hedge fund portfolio, but also have an ability to use them throughout the Trust," Anthony explains. "The primary hedge fund portfolio acts as a diversifier to the Trust. These can be a mix of liquid and less liquid strategies. Most recently, we developed a seeding platform in partnership with PAAMCO PRISMA. This allows us to allocate early within a manager's life cycle and potentially earn additional alpha to a traditional investment."

With a group as small as Anthony's, it's imperative that they have systems that can help them work more efficiently and confidently. The ongoing effort to institutionalize the ERS Hedge Fund program led them to Backstop.



## BUILD OR BUY? BUY.

Anthony already had familiarity with the benefit of using a CRM system from his prior employer, Salient Partners. Given his experience, he knew that it would be critical to implement for ERS. The ERS Hedge Fund program was maturing as the organization continued to make direct investments. He also saw the added benefit to other internal groups as the Trust continues to make external investments.

With that example still fresh in his mind, Anthony says he approached his boss and said, “We need to be better organized and more institutional.” At the same time, he says he recognized that building a custom solution from scratch would be more expensive and resources-intensive than ERS could justify.

Anthony and his boss discussed the challenges of implementing such a system given both the overall size and time demand on the team. “It was determined that a turnkey solution such as Backstop made the most sense, given its existing framework along with its ability to be further configured according to our needs. Backstop really impressed the ERS Hedge Fund team during the RFP selection process. It met several key requirements, including both CRM and liquidity management.”

**“We needed to be more organized and more institutional, and building a platform from scratch wasn’t an option.”**

**– Anthony Curtiss,  
Director of Hedge Funds,  
The Employees Retirement  
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## A COMPREHENSIVE SOLUTION FROM DAY ONE

ERS runs a concentrated hedge fund portfolio of 10 to 25 managers. The ongoing data management, tagging aspects, and performance metrics are all key monitoring aspects for not only the ERS Hedge Fund team, but both internal and external auditors. Backstop plays a key role in executing not only these aspects, but much more.

Anthony describes Backstop as a comprehensive platform with the flexibility to allow his team to perform queries and easily track and share information across multiple groups and channels.

“The biggest real world value for us has been our ability to track performance, and that’s been resident in Backstop since the beginning. Our ability to put in NAVs and have things calculated automatically is extremely beneficial.” For reports to the CIO and the board, he says he uses Backstop to track “a lot of the performance and risk metrics like standard deviation, largest drawdown, things like that.

“The ERS Hedge Fund team utilizes Backstop and blends it with the added Excel functions to create customized internal reports similar to the marketing two-pagers used by our underlying managers. We produce these quarterly for the CIO, but they can also be additive to board members for transparency purposes.”

Because they’re often evaluating new managers, Anthony says he “can go on trips and do onsite visits, looking back into the past to see what we’ve discussed. I can look across team members and see what meetings they’ve had or their last points of contact. So it makes that process efficient as well.”

Finally, Anthony notes that “we get a lot of internal queries from accounting on various fees, and Backstop enables us to track fees and run easy reports. Regardless of the complexity, that level of reporting gets better and better over time.”

## WINNING KUDOS

Anthony says he and his hedge fund group members have benefitted from Backstop as far as their own recognition within the ERS organization is concerned.

“ERS paid for an external consultant to come in and evaluate our internal processes,” he states proudly. “My group scored extremely high, and Backstop was one of the things that was highlighted that differentiated us. The consultant noted that Backstop really helped us from a process tracking, organizational and reporting standpoint. It made us a standout.”

“We’re considered an institutional player, and there’s a desire to continue to grow as an organization,” Anthony continues. “Backstop is definitely one of those functions that adds value and can make every group a better performer and further institutionalize our investment management program.”

No wonder Backstop has been embraced by a number of other teams at ERS. After all, its results have been too big to ignore, and in Texas, bigness counts.

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## ABOUT BACKSTOP SOLUTIONS

Backstop’s mission is to help the institutional investment industry use time to its fullest potential. We develop technology to simplify and streamline otherwise time-consuming tasks and processes, enabling our clients to quickly and easily access, share, and manage the knowledge that’s critical to their day-to-day business success. Backstop provides its industry-leading cloud-based productivity suite to investment consultants, pensions, funds of funds, family offices, endowments, foundations, private equity, hedge funds, and real estate investment firms.

### To learn more about Backstop Solutions contact:

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