



Investment Subcommittee

Agenda Item 2a

April 19, 2023

Item Name: The Board Investment Consultants RFP: Finalist Interviews and Finalist Selection

Program: Administration

Item Type: Action

Recommendation

1. Select finalist(s) to become the Board's Investment Consultant for each investment category; General Pension Investment Board Consultant, Private Equity Investment Board Consultant, Real Estate Investment Board Consultant, Private Debt Board Consultant, and an Infrastructure Investment Board Consultant.

Executive Summary

This item summarizes final steps the Subcommittee of Investment Committee will undertake to select the Board Investment Consultant RFP.

Strategic Plan

This agenda item supports CalPERS' Strategic Goal to promote a high-performing and diverse workforce in the 2017-22 Strategic Plan. Robust and comprehensive Board of Administration Investment Consulting services support pension sustainability.

Background

In September 2022, the Investment Committee approved the release of a Request for Proposal (RFP) and process to select the Board's Investment Consultants. The RFP was released on January 17, 2023, and all seven proposals received by the March 7, 2023, final filing date were deemed to have met the minimum qualifications and other requirements prescribed by the RFP to move to the technical proposal evaluation. On March 13, 2023, the CalPERS Internal Evaluation Team determined a pass/fail technical score for each proposal. Six of the seven proposals were deemed to have passed the technical evaluation, and thus moved on to Fee Proposal Evaluation on March 15, 2023.

Analysis

Attachment 1 contains the preliminary scores in each category for the finalists to be interviewed. The Subcommittee will conduct the interviews and come to consensus on an interview score for each finalist in each investment category. Attachment 2 contains the Services to Be Provided from the RFP for the Subcommittee's reference during the interview process.

At the discretion of the Subcommittee, the following scale can be used as guidance to aid in setting an interview score for each finalist:

Score Range	Rating	Percentage
630 points to 700 points	Excellent	90% to 100%
560 points to 629 points	Very Good	80% to 89%
490 points to 559 points	Good	70% to 79%
420 points to 489 points	Fair	60% to 69%
0 points to 419 points	Inadequate	0% to 59%

Interviews will be conducted by service category. Following the interviews for the current service category, the Subcommittee will determine the interview score for each finalist and CalPERS team members will calculate the final score during a short break. The final score will include the combined the fee score, the interview score, and any additional preference/incentive points awarded as prescribed in the RFP. The Subcommittee will be presented with the final scores and the Subcommittee will then award the contract for the current service category to the highest scoring finalist, subject to final negotiations and satisfaction of all requirements. If negotiations are not successful, the contract award will be made to the finalist receiving the next highest score, subject to final negotiations and satisfaction of all requirements.

This process will be followed for each service category in the following order: General Pension Investment Board Consultant, Private Equity Board Consultant, Real Estate Board Consultant, Private Debt Board Consultant, and Infrastructure Board Consultant. Notice of CalPERS intent to award to the selected finalist(s) will be posted on CalPERS website www.calpers.ca.gov for five business days before the award is made

Budget and Fiscal Impacts

This section is not applicable to this agenda item. The budget and fiscal impact cannot be determined until the final selection of the Board's Primary Compensation Consultant is complete. Budget and fiscal impacts will be based on the fees submitted within the selected vendor's RFP fee proposal response.

Benefits and Risks

The benefit of selecting a single finalist for each investment category, as the Board Investment Consultant is that CalPERS can enter negotiations to execute a contract for each investment category. Upon contract execution, the Board will have access to an expert in the field of investments. This will ensure the Board can make investment related decisions based on best

practice investment trends and CalPERS' specific needs. Not having an investment consultant creates a risk that investment strategies may be misaligned with the industry and CalPERS' organizational priorities.

Attachments

Attachment 1 – Fee Proposal Scores

Attachment 2 – Services to Be Provided

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Nicole Musicco
Chief Investment Officer