



Investment Committee

Agenda Item 7a

March 14, 2022

Item Name: Selection of Private Debt Board Consultant

Program: Investment Office

Item Type: Action

Recommendation

Approve Wilshire Advisors LLC “Wilshire” or Meketa Investment Group, Inc. “Meketa” as the Board of Administration’s Private Debt Board Consultant.

Executive Summary

As a result of the Board approved Strategic Asset Allocation, and the resulting addition of the Private Debt Asset Class, the Board’s current practice is to have independent investment consulting services for each private asset class. The Private Debt Board Consultant will assume duties in alignment with the other Private Asset Class Consulting services (Private Equity, Real Assets and Infrastructure) which include, but are not limited to, attending all Board of Administration Investment Committee meetings, preparing comprehensive investment analysis and providing asset class specific advice to the Board of Administration. With the Board’s concurrence, the Private Debt Board Consultant should be in place by July 1, 2022. As the Private Debt consulting services are aligned with work already being performed by both Wilshire and Meketa, the most efficient option is to award this new work to one of your existing vendors.

Strategic Plan

The addition of a Private Debt Board Consultant supports the CalPERS Strategic Plan goals of “Risk Management” and “Fund Sustainability.” A Private Debt Board Consultant will assist the Board of Administration in identifying and managing the risks of the Private Debt Asset Class while also identifying the strengths and benefits of investing in Private Debt to support fund sustainability.

Investment Beliefs

The Private Debt Asset Class reinforces the CalPERS Investment Beliefs Number 6: Strategic asset allocation is the dominant determinant of portfolio risk and return and Number 7: CalPERS will take risk only where we have a strong belief we will be rewarded for it. The addition of the

Private Debt Asset Class strengthens the strategic asset allocation of the CalPERS portfolio. A Private Debt Board Consultant will provide guidance and recommendations to the Board regarding the risk and return of the asset class as it relates to the overall CalPERS portfolio.

Background

Wilshire and Meketa are both capable firms and should be considered for the Private Debt Board Consultant role. Both have experienced teams with backgrounds in performing private debt consulting work. Due to current time constraints, other procurement methods such as a Request for Proposal are not feasible.

Analysis

Meketa is the current Private Equity, Real Assets, and Infrastructure Board Consultant. Meketa has a Private Credit Team that would be dedicated to the Board, if chosen as the Private Debt Board Consultant. CalPERS would engage with Meketa through a Letter of Engagement via the Investment Office's Spring Fed Pool. Meketa's proposed cost for this work is \$425,000 per year.

Wilshire is the General Pension Board Consult. Wilshire is also performing consulting services for the CalPERS Opportunistic Strategies Group which currently includes Private Debt. Contracting with Wilshire for the Private Debt Board Consultant work would require an amendment to their current 213 contract. Wilshire's proposed cost for this work is \$250,000 per year.

Both Meketa and Wilshire's current contracts were procured through the Board Investment Consultant Request for Proposal (RFP). The RFP had prohibited the General Pension Board Consultant from also performing Private Asset Class work although Private Debt was not originally included in the RFP. If the Board desires, it may make sense under the current circumstances, given the time constraints and for the reasons stated above, to allow Wilshire to be considered as an option for the Private Debt Board Consultant position.

Budget and Fiscal Impacts

The proposed annual costs of implementing a Private Debt Board Consultant are \$250,000 if contracting with Wilshire or \$425,000 if contracting with Meketa. The costs would be absorbed through the Investment Office's current budgetary resources.

Benefits and Risks

Procuring a Private Debt Board Consultant has the following benefits and risks:

- A Private Debt Board Consultant supports the CalPERS Strategic Plan's "Risk Management" and "Fund Sustainability" initiatives.
- It also fosters Investment Beliefs Numbers 6 and 7 as the Private Debt Board Consultant will provide guidance and recommendations regarding the risks and return of the asset class.
- Given the time constraints to procure a consultant by July 1, 2022 both Wilshire and Meketa are viable options as the Board's Private Debt Consultant. Both have experienced teams that would provide dedicated consulting advice to the Board.

Wilshire is currently providing consultative services to the Opportunistic Strategies Group which includes Private Debt.

- Wilshire's proposed annual consulting costs are \$250,000. Meketa's proposed annual costs are \$425,000.
- The risk of not procuring a Private Debt Board Consultant in a timely manner may result in the Board having limited information and analysis around the risk and benefits of the Private Debt Asset Class as it relates to the overall CalPERS portfolio.

Attachments

Attachment 1-Proposed Private Debt Board Consultant Scope of Services

Matt Flynn
Investment Director, Investment Servicing Division

Dan Bienvenue
Interim Chief Investment Officer