California Public Employees' Retirement System
Investment Office
P.O. Box 2749
Sacramento, CA 95812-2749
TTY: (877) 249-7442
(916) 795-3400 phone
www.calpers.ca.gov

Agenda Item 3

December 12, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Real Estate Board Investment Consultant – Finalist Selection

II. PROGRAM: CalPERS Total Fund

III. RECOMMENDATION: Select the Real Estate Board Investment Consultant

IV. ANALYSIS:

Background

Since 2004, CalPERS Board has engaged a Real Estate Board Investment Consultant. The role of this consultant is to provide independent oversight and advice, in addition to strategy, policy and investment analysis to the Investment Committee. The Services to be Provided are outlined in Attachment 1. The incumbent, Pension Consulting Alliance, Inc. is currently performing these services under a Letter of Engagement set to expire in March 2012.

In July 2011, CalPERS released Request for Proposal (RFP) No. 2011-6066 to solicit for a Real Estate Board Investment Consultant. Finalists were approved at the November 2011 Investment Committee meeting and will participate in interviews at the December 2011 meeting. The three finalists are:

- Callan Associates, Inc.
- Courtland Partners, Ltd.
- Pension Consulting Alliance, Inc.

Selection Process

Each firm will participate in a 50 minute interview with the Investment Committee. This interview consists of a ten minute introductory presentation and up to 40 minutes for a question and answer period. Committee members will evaluate each firm and rank them using the Board approved trimmed average scoring methodology. Each finalist's interview score will be combined with their technical and fee proposal scores, which were determined through consensus scoring by a

CalPERS staff evaluation team. A contract will be awarded to the firm having the highest total combined score. Maximum available scores are as follows:

- Technical – 250 points
- Fee – 100 points
- Interview – 150 points
- Total Combined Score – 500 points

Recommendation

Staff recommends the Investment Committee award the Real Estate Investment Board Consultant contract under RFP No. 2011-6066 to the finalist having the highest total combined score, subject to final negotiations and satisfaction of all contract requirements, for an April 1, 2012 effective date.

V. RISKS

If the Investment Committee does not award a contract, the existing engagement will lapse, resulting in potential policy violations within the Real Estate program.

VI. STRATEGIC PLAN:

This item supports the following strategic goals:

- Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.
- Goal IX: Achieve long-term, sustainable, risk adjusted returns.

VII. RESULTS/COSTS:

The existing Real Estate Board Investment Consultant Contract is $1,140,000 annually.

KAMI NIEBANK, Chief
Investment Policy and Business Services

JANINE GUILLOT
Chief Operating Investment Officer

JOSEPH A. DEAR
Chief Investment Officer