



Consent

Agenda Item 3b

May 14, 2012

ITEM NAME: Infrastructure Board Investment Consultant – Special Project Request

PROGRAM: Real Assets – Forestland

ITEM TYPE: Independent Oversight – Consent Action

RECOMMENDATION

Approval to engage Meketa Investment Group, Inc. (Meketa) to assist staff in the development of the Forestland Strategic Plan.

EXECUTIVE SUMMARY

In August 2011, the Investment Committee approved a new policy regarding the role of private asset class Board Consultants that prohibited such consultants from performing special project work for staff without the prior approval of the Investment Committee. Meketa is the Board's Consultant for Infrastructure and staff would like to engage them to assist in developing a strategic plan for the Forestland Program.

Meketa has previously reviewed the existing forestland investments at both the Partnership level and the Forestland Program level, and staff believes Meketa possesses the expertise and unique knowledge to assist in developing the strategic plan.

Staff recommends the engagement of Meketa to provide their services in the development of the Forestland Strategic Plan to be completed prior to June 30, 2013, for an amount not to exceed \$75,000.

BACKGROUND

Meketa was selected in December 2009 to serve as the Infrastructure Investment Board Consultant, and in February 2012, the Board extended the Letter of Engagement until March 1, 2014.

Meketa has worked closely with the Infrastructure and Forestland Program staff since December 2009, and is very familiar with the Program and its evolution. In August 2010, Meketa conducted a CalPERS Forestland review issuing a report on the managers, strategies, and assets comprising the Forestland portfolio including timberland's role in the Inflation Linked Asset Class. In 2010, Meketa assisted staff with the development of the Infrastructure Strategic Plan, which was adopted by the

Investment Committee in April 2011. Meketa also assisted staff in the review of a Forestland issue with the largest relationship in the portfolio in June 2011. Staff believes the depth of Meketa's knowledge of the Forestland portfolio, coupled with the experience of working with Infrastructure staff in the development of the Infrastructure Strategic Plan, makes Meketa uniquely suited for assisting staff with the Forestland Strategic Plan. The only other consultant in the pool with greater Forestland experience has expertise in investment due diligence and no experience developing an institutional strategic plan.

ANALYSIS

An alternative option would be to solicit bids to engage a pool consultant not currently acting as an Investment Board consultant. Staff does not recommend this alternative. Meketa has been working with staff on the Forestland Program since 2010 and possesses the necessary subject matter expertise and historical knowledge of the Program and partnerships to successfully assist in this work. Further, Meketa has demonstrated the ability to successfully assist staff in the development of a strategic plan within the Real Asset Class. Staff anticipates the strategic plan to be completed by June 30, 2013, at a cost not to exceed \$75,000.

Per Section III. B. 5. of the Statement of Investment Policy for Role of Private Asset Class Board Investment Consultants: *In limited circumstances, the Private Asset Class Board Investment Consultant may be engaged to perform work for Staff on special projects if the Private Asset Class Board Investment Consultant possesses unique knowledge or expertise that is not available through other providers. Such an arrangement must be approved by the Investment Committee prior to engagement.*

BENEFITS/RISKS

Approving this exemption for Meketa to perform special project work for staff will provide uninterrupted support to the Board and staff and will contribute to the ongoing success of the Forestland Program. Staff believes there are no risks associated with approval of this exemption.

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