



## Agenda Item 5c

August 19, 2013

**ITEM NAME:** Contracts Administration: Inflation-Linked Asset Class Spring-Fed Pool – Term Extension

**PROGRAM:** Total Fund

**ITEM TYPE:** Independent Oversight – Action

### **RECOMMENDATION**

Approve a one-year term extension for the Inflation-Linked Asset Class (ILAC) Spring-Fed Pool to allow for the continuation of services as the Board's Infrastructure Investment Consultant through March 1, 2015.

### **EXECUTIVE SUMMARY**

Staff is requesting the Investment Committee (IC) approve a one-year term extension for the ILAC Spring-Fed Pool for the continuation of services.

### **STRATEGIC PLAN**

This item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Approval of the one-year extension of the ILAC Spring-Fed Pool supports CalPERS mitigation of investment and operational risks by ensuring the continuation of services.

### **BACKGROUND**

The ILAC Spring-Fed Pool was established in 2009, through the competitive selection process. The purpose of establishing the ILAC Spring-Fed Pool was to provide special project services related to Infrastructure, Forestland and Commodities. Since 2009, Meketa Investment Group, Inc. (Meketa) has served as the Board's Infrastructure Investment Consultant, as part of the ILAC Spring-Fed Pool.

Per Board Resolution No. 92-04B-4 (Attachment 1), all CalPERS contracts for goods and/or services can be for no more than a five-year period unless otherwise extended by the Board. The ILAC Spring-Fed Pool will reach the end of its contracted five-year term on March 1, 2014.

### **ANALYSIS**

The typical duration for a standard RFP, and the current expiration date of the ILAC Spring-Fed Pool, will result in a several month period in which the Board would be without an Infrastructure Investment Consultant.

Staff therefore recommends the IC utilize the exception process outlined in Board Resolution No. 92-04B-4 to extend the entire ILAC Spring Fed-Pool beyond the five-year limit.

Resolution No. 92-04B-4 allows the Board to extend contracts beyond the five-year maximum term upon an affirmative determination by the Board that a longer term is necessary to fulfill the Board's duty to serve the interests of CalPERS members and beneficiaries. Extending the ILAC Spring-Fed Pool will avoid an interruption of services from the current ILAC Spring-Fed Pool of contractors. All costs and contracting parameters will remain the same, with the exception of the extension of the term date.

Staff plans to return to the IC for approval to initiate a new RFP for the Board Infrastructure Investment Consultant in the fall of 2013. The new RFP will be a single award contract and will not utilize a spring-fed pool structure.

#### **BUDGET AND FISCAL IMPACTS**

The ILAC Spring-Fed Pool is budgeted annually for \$700,000. The cost for the proposed extension of services through FY 2014-15, based on fees negotiated at the onset of the contract, would remain the same. Additional information about the cost of Meketa's services, as the Board's Infrastructure Investment Consultant is outlined in Agenda Item 5d, Contract Administration: Infrastructure Board Investment Consultant – Letter of Engagement Renewal.

The fiscal impact of this extension was included in the *FY 2013-14 Annual Budget Proposal*.

#### **BENEFITS/RISKS**

Approval of a one-year extension of the ILAC Spring-Fed Pool will support the continuation of the Board's Infrastructure Investment Consultant Services through March 1, 2015. This will also accommodate the typical RFP development timeline. Failure to approve the one-year extension may cause an interruption of services to the Board.

#### **ATTACHMENTS**

Attachment 1 – CalPERS Resolution No. 92-04B-4, Contracts & Procurement of Goods and Services – Contract Duration

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CAROL MOODY  
Interim Chief Operating Investment Officer