



## Agenda Item 5d

August 19, 2013

**ITEM NAME:** Contracts Administration: Infrastructure Board Investment Consultant – Letter of Engagement Renewal

**PROGRAM:** Total Fund

**ITEM TYPE:** Independent Oversight – Action

### **RECOMMENDATION**

Approve a one-year term extension for the Letter of Engagement (LOE) for Contract No. 2008-4936 for Meketa Investment Group, Inc. (Meketa) to continue serving as the Board's Infrastructure Investment Consultant through March 1, 2015.

### **EXECUTIVE SUMMARY**

Staff is requesting the Investment Committee (IC) approve a new LOE for a one-year term for Meketa to continue services. Approval of this request will result in a new LOE for continued services to the IC through March 1, 2015.

### **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 LOE supports CalPERS mitigation of investment and operational risks by ensuring the continuation of services, as specified in the proposed LOE (Attachment 1).

### **BACKGROUND**

Since 2009, the IC has selected Meketa as its Board's Infrastructure Investment Consultant through a competitive bidding and evaluation process.

The competitive selection process includes:

- The release of a request for proposal (RFP)
- A competitive selection process
- Establishment of a Spring-Fed Pool of consultants
- Through the Spring-Fed Pool, consultants are engaged with LOEs

The IC considers Board Consultant contracts approximately one year prior to expiration so a determination can be made to either extend the LOE arrangement or release an RFP. The current LOE is scheduled to expire on March 1, 2014, as part of the Inflation-Linked Asset Class (ILAC) Spring-Fed Pool.

Per Board Resolution No. 92-04B-4 (Attachment 2), 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 if the IC does not extend the ILAC Spring-Fed Pool. For additional information on the ILAC Spring-Fed Pool extension request, reference the August 19, 2013, agenda item 5c, Contract Administration: Inflation-Linked Asset Class Spring-Fed Pool – Term Extension.

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

### **ANALYSIS**

Staff recommends the IC establish a new one-year LOE for Meketa from the ILAC Spring-Fed Pool. This recommendation is dependent upon the extension of the ILAC Spring-Fed Pool. Establishing a new one-year LOE with Meketa will ensure the continuation of services by the Board's Infrastructure Investment Consultant. All costs and contracting parameters will remain the same, with the exception of the extension of the term date.

### **BUDGET AND FISCAL IMPACTS**

Currently, Meketa is serving as the Infrastructure Consultant at an annual cost of \$106,250, and is included in the annual ILAC Spring-Fed Pool budgeted amount of \$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 be \$106,250.

The fiscal impact of this extension was included in the *FY 2013-14 Annual Budget Proposal* and reported to the Finance and Administration Committee during the April 2013 meeting.

### **BENEFITS/RISKS**

Approval of a new LOE for Meketa to continue consulting services as the Infrastructure Consultant, and the extension of the ILAC Spring-Fed Pool, will ensure uninterrupted service to the IC. Failure to approve the one-year extension and approve a new LOE may cause an interruption of services to the IC.

### **ATTACHMENTS**

Attachment 1 – Proposed Letter of Engagement

Attachment 2 – 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