



Agenda Item 5e

August 19, 2013

ITEM NAME: Contracts Administration: Board Investment Consultant Request for Proposal – Private Equity Program

PROGRAM: Private Equity

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

Approve the Statement of Services to be Performed and the initiation of the request for proposal (RFP) process for the Board Investment Consultant for the Private Equity Program.

EXECUTIVE SUMMARY

This agenda item outlines the initiation of the Board Investment Consultant RFP for the Private Equity Program. The current contract with Pension Consulting Alliance, Inc., (PCA) began on July 1, 2009, and is scheduled to terminate on June 30, 2014.

Per Resolution No. 92-04B4, staff requests approval from the Investment Committee (IC) to release an RFP to procure a new contract for the Private Equity Investment Consultant for a term of up to five years. Additionally, staff requests the IC's feedback on the draft Proposal Evaluation Sheet (Attachment 1).

Contracted services will be inclusive of specialized professional assistance regarding strategy and policy analysis, performance analysis and monitoring, and independent advisory services to the IC.

STRATEGIC PLAN

This item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. The approval of the Statement of Services to be Performed (Attachment 2) and the use of a competitive selection process supports CalPERS mitigation of operational risks.

BACKGROUND

The Private Equity Board Investment Consultant provides specialized professional assistance regarding strategy and policy analysis, performance analysis and monitoring, and independent advisory services to the IC.

In March 2012, the IC approved an extension of the current contract through June 30, 2014, to allow for continuity through the implementation of the Private Equity Strategic Plan.

ANALYSIS

Upon approval by the IC, the RFP will be released in August 2013, and staff anticipates a contract could then be executed by May 2014. This RFP will reflect the updated Statement of Services to be Performed (Attachment 2) as identified in the *Role of the Private Asset Class Board Investment Consultants Policy*.

The competitive selection process for the Private Equity Investment Consultant is anticipated to take approximately 10 months from the time of RFP release to full execution of the resulting contract. The RFP will be designed to solicit qualified bidders who are capable of providing specialized professional assistance. Significant attention from Investment Office (INVO) senior and executive management will be required to successfully complete the selection process.

The proposed key activities and anticipated dates are as follows:

Proposed Key Activities and Anticipated Dates	
Anticipated Dates	Key Activity
August 2013	RFP release
Preliminary Review and Staff Evaluation Period	
October 2013	Staff evaluates and scores technical and fee proposals
Interview and Selection Period	
November 2013	Staff Evaluation Committee Interviews (Optional)
November 2013	Staff presents finalists to the IC for consideration
December 2013	IC reviews staff recommendations
December 2013	Investment Committee conducts oral interview and selects finalist for contract award
Contract Negotiation, Preparation and Execution	
February 2014 - April 2014	Contract negotiations and preparation
May 2014	Contract execution

The approach and methodology for the Preliminary Review and Staff Evaluation Period will be scored by a combination of high-score and consensus scoring and will focus on the candidates' technical expertise and a robust minimum qualification review. Staff will present a list of qualified candidates to the IC for consideration. Members of the IC will advise staff how many candidates, typically two to four candidates, the IC would like to interview.

At the conclusion of those interviews, staff will rank each finalist utilizing a proposal evaluation sheet, as approved by the IC, enlisting a combination of the high-score methodology for the technical evaluations, and consensus score methodology for fee proposal evaluation.

The sum of the technical evaluations, fee proposal evaluations, Evaluation Committee Interviews (optional) and the IC interview scores will be combined and the candidate receiving the highest overall score will be notified of the Notice of Intent to Award.

The draft Proposal Evaluation Sheet details the proposed evaluation criteria that will be included in the RFP as an exhibit, pending approval by the IC. The draft Proposal Evaluation Sheet categories, assigned score, and weighted totals are detailed below:

Proposed Evaluation Sheet Scores and Weights		
Proposal Evaluation Sheet Section	Maximum Score	Weight
Proposal Questionnaire Response	200	20%
Fee Proposal	300	30%
Investment Committee Interviews	500	50%
Total Combined Maximum Score	1000	100%

BUDGET AND FISCAL IMPACTS

The current Private Equity Board Investment Consultant, PCA, has served in this role since July 2009 at the annual cost of \$495,000.

The anticipated term of the new contract, as a result of this new RFP, will be for a five-year term with annual costs to be negotiated.

BENEFITS/RISKS

Approving the initiation of the competitive bidding process for the Board Investment Consultant for the Private Equity Program will minimize any interruptions to the provision of critical consultant services as outlined in the *Role of Private Asset Class Board Investment Consultants Policy*.

Failure to initiate the competitive bidding process may result in contracting delays and the interruption of key services.

ATTACHMENTS

Attachment 1 – Draft Proposal Evaluation Sheet

Attachment 2 – Proposed Statement of Services to be Performed

Attachment 3 – Exhibit 1 to Attachment 1, Statement of Investment Policy for Role of the Private Asset Class Board Investment Consultants

CAROL MOODY
Interim Chief Operating Investment Officer