



## Agenda Item 3b

September 16, 2013

**ITEM NAME:** Contract Administration: Private Equity Investment Board  
Consultant – Contract Extension

**PROGRAM:** Total Fund

**ITEM TYPE:** Independent Oversight – Action

### **RECOMMENDATION**

Approve a one-year extension for Contract No. 2009-5106 for Pension Consulting Alliance, Inc. (PCA) to continue serving as the Board's Private Equity Consultant through June 30, 2015.

### **EXECUTIVE SUMMARY**

At the August 19, 2013 Investment Committee (IC) meeting, Chairperson Jones directed staff to return with an agenda item to request the extension of the current contract with PCA to continue as the Board's Private Equity Investment Board Consultant. Per discussion at the August 2013 meeting, staff understands that the extension of the current contract is preferable to the initiation of a new request for proposal (RFP) at this time. The extension will ensure that critical services are maintained while staff obtains additional direction from the IC on changes to CalPERS Board Investment Consultant RFP process.

Approval of this request will result in a contract extension for continued services to the IC through June 30, 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 contract supports CalPERS mitigation of investment and operational risks by ensuring the continuation of services to the IC, as specified in the contract, and as outlined in the *Role of the Private Asset Class Consultant Policy* (Attachment 1).

### **BACKGROUND**

In May 2009, the IC selected PCA through the competitive selection process to act as the Private Equity Investment Board Consultant.

The initial term of the current contract with PCA was from July 1, 2009 to June 30, 2012, with two successive one-year extension periods through June 30, 2014. The second term of PCA's contract is set to expire on June 30, 2014. Typically, the IC reviews Board Consultant contracts one year prior to expiration so a determination

can be made to either extend the contract or release an RFP. 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.

### **ANALYSIS**

At this time, staff is requesting the IC consider their option to extend this contract for one year of the contract term. The cost of the one-year extension, based on fees negotiated at the onset of the contract is \$495,000. Currently, PCA is serving as the Private Equity Investment Board Consultant at an annual cost of \$495,000. The Statement of Work and Fee Schedule for the current contract is provided as Attachment 3.

An additional extension of the current contract, or a new RFP, will be required to ensure the continuation of services to the Board should the IC elect to continue to seek these services beyond June 30, 2015. Staff will return to the IC in the spring of 2014 to collaborate with the IC on its desired direction to release a new RFP or extend the current contract under Board Resolution No. 92-04B-4.

### **BUDGET AND FISCAL IMPACTS**

The one-year extension for PCA to continue serving as the Private Equity Board Investment Consultant, based on the rate sheet, will be \$495,000.

### **BENEFITS/RISKS**

Extending PCA's existing contract as the Private Equity Investment Board Consultant will ensure uninterrupted service to the IC through June 30, 2015. Failure to approve the extension of the contract may result in a significant period of time in which the IC would be without the services of a Private Equity Board Investment Consultant. There is a high probability that this gap will occur because the existing contract may expire before the completion of an RFP. These key services, further outlined in Attachment 1, include acting as an independent advisor to the IC, performance analysis and monitoring, and strategy and policy analysis.

### **ATTACHMENTS**

Attachment 1 – Role of the Private Asset Class Consultant Policy

Attachment 2 – Board Resolution No. 92-04B-4

Attachment 3 – Agreement No. 2009-5106, Statement of Work and Fee Schedule

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