



Agenda Item 8a

February 18, 2014

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

PROGRAM: Private Equity

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

Approve the Statement of Services to be Performed, Minimum Qualifications, Proposal Evaluation Sheet, the Proposal Evaluation Process, and the initiation of the request for proposal (RFP) process for the Private Equity Board Investment Consultant.

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, 2015.

Per Board Resolution No. 92-04B-4, staff requests approval from the Investment Committee (IC) to release an RFP to procure a new contract for the Private Equity Board Investment Consultant for a term of up to five years.

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 1) and the use of a competitive selection process supports CalPERS mitigation of operational risks.

INVESTMENT BELIEFS

This item supports CalPERS *Investment Beliefs* by providing a process to the Board to obtain Private Equity-related expertise and advisory services.

BACKGROUND

The Private Equity Board Investment Consultant, as an independent advisor to the IC, provides specialized professional assistance regarding strategy and policy analysis, as well as performance analysis and monitoring.

In August 2013, the IC approved an extension of the current contract through June 30, 2015 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 late spring of 2014, and staff estimates that a contract could be executed by May 2015. This RFP will reflect the updated Statement of Services to be Performed which reflects the Role of the Private Asset Class Board Investment Consultants Policy (Attachment 2).

The competitive selection process for the Private Equity Board Investment Consultant is anticipated to take approximately 12 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 senior and executive management will be required to successfully complete the selection process.

Firms will be assessed against a robust Minimum Qualifications (Attachment 3) review. Firms that have satisfied the Minimum Qualifications will advance to the Technical Proposal Evaluation phase for staff to evaluate and score the RFP utilizing the consensus scoring methodology. The evaluation team may receive guidance and oversight from two members of the IC. Proposal(s) must meet a 100 point minimum in the Technical Proposal Evaluation to advance to the Fee Proposal Evaluation phase. Once staff scores the Fee Proposals, the evaluation team will rank the proposers in order of their combined Technical and Fee Proposal scores and determine the finalists who will be interviewed by the IC. The IC will conduct oral interviews of the finalists and score proposals utilizing the trimmed average scoring methodology as detailed in the Proposal Evaluation Process (Attachment 4). Either immediately following the oral interviews or at a subsequent IC meeting, the Board will award the contract to the candidate receiving the highest overall score, and the Notice of Intent to Award will be issued. Additionally, the draft Proposal Evaluation Sheet (Attachment 5) has been attached.

The proposed key activities and anticipated dates are as follows:

Proposed Key Activities and Anticipated Dates	
Anticipated Dates	Key Activity
Spring 2014	RFP release
Minimum Qualifications Review Period	
Summer 2014	Staff evaluate Minimum Qualifications
Interview and Selection Period	
Summer 2014	Staff evaluates and scores technical and fee proposals
Fall 2014	IC conducts interviews and selects finalists
Contract Negotiation, Preparation and Execution	
Spring 2015	Contract negotiations and preparation
May 2015	Contract execution

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 hourly costs to be negotiated.

BENEFITS/RISKS

Approving the initiation of the competitive bidding process for the Private Equity Board Investment Consultant will minimize the risk of interruptions of advisory services provided to the Board.

Failure to initiate the competitive bidding process may result in the Board's lack of access to a Private Equity advisory service.

ATTACHMENTS

- Attachment 1 – Proposed Statement of Services to be Performed
- Attachment 2 – Statement of Investment Policy for Role of the Private Asset Class Board Investment Consultants
- Attachment 3 – Minimum Qualifications
- Attachment 4 – Proposal Evaluation Process
- Attachment 5 – Proposal Evaluation Sheet

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