



Agenda Item 7a

March 17, 2014

ITEM NAME: Contracts Administration: Infrastructure Board Consultant Request for Proposal

PROGRAM: Infrastructure

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

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

EXECUTIVE SUMMARY

This agenda item outlines the initiation of the Board Investment Consultant RFP for the Infrastructure. Program Services are currently contracted with Meketa Investment Group, Inc. (Meketa), which is scheduled to terminate on March 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 Infrastructure 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 Provided (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 Infrastructure-related expertise and advisory services.

BACKGROUND

The Infrastructure Board Investment Consultant (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 Inflation-Linked Asset Class (ILAC) Spring-Fed Pool of Investment Consultants (Pool). The Infrastructure Board Consultant is currently engaged through a contract in the ILAC Spring-Fed Pool. The approved extension of the ILAC Spring-Fed Pool and the extensions of the contracts within the Pool through March 1, 2015, allow for continuity of services, through the implementation of the Real Assets Strategic Plan.

ANALYSIS

Upon approval by the IC, the RFP will be released in the spring 2014, and staff estimates that a contract will be executed by February 2015. The requested Services to Be Provided in this RFP are derived from the Role of the Private Asset Class Board Investment Consultants Policy (Attachment 2).

The competitive selection process for the Infrastructure Board 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 investment from Investment Office senior and executive management will be required to successfully complete the selection process.

Firms will be assessed against a thorough Minimum Qualifications (Attachment 3) review. Firms that have satisfied the Minimum Qualifications will advance to the Technical Proposal Evaluation phase where staff will evaluate and score the RFPs 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	
Winter 2014	Contract negotiations and preparation
February 2015	Contract execution

BUDGET AND FISCAL IMPACTS

The current Infrastructure Board Investment Consultant, Meketa, has served in this role since January 2010 at the annual cost of \$106,250.

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

BENEFITS/RISKS

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

Failure to initiate the competitive bidding process will result in a lapse of services provided to the Board by the Infrastructure Investment Consultant. Program oversight, reporting and monitoring will be impacted, as well as the Consultant’s ability to opine on new transactions. This could result in delays to new investments or impact implementation of the program’s strategic plan.

ATTACHMENTS

- Attachment 1 – Proposed Statement of Services to be Provided
- 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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