



Agenda Item 5a

June 16, 2014

ITEM NAME: Contracts Administration: General Pension Board Consultant Services Request for Proposal

PROGRAM: Total Fund

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

Approve the statement of Services to be Provided (Attachment 1), Evaluation Process (Attachment 2), Evaluation Sheet (Attachment 3), Minimum Qualifications (Attachment 4), and the initiation of the Request for Proposal (RFP) process for the General Pension Board Consultant.

EXECUTIVE SUMMARY

Staff requests Investment Committee (Committee) approval to release RFP No. 2014-7111, General Pension Board Consultant Services, in order to procure a new contract for the General Pension Board Consultant for a term of up to five (5) years.

The Total Fund Statement of Investment Policy (Attachment 5) and Statement of Investment Policy for Benchmarks (Attachment 6) have been provided for reference.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization.

INVESTMENT BELIEFS

This item supports CalPERS Investment Belief 4 that long-term value creation requires effective management of three forms of capital: financial, physical and human.

BACKGROUND

The primary role of the General Pension Board Consultant is to provide opinions on matters relevant to the prudent and optimal management of the System¹.

Wilshire Associates Inc. was selected as the first General Pension Board Consultant in 1983, and has since remained in the position through successive RFPs and contract awards. The current contract with Wilshire began on July 1, 2010, and is

¹ The System is comprised of the Public Employees' Retirement Fund, the Affiliate Trusts, and any other system, fund, or trust administered by the Board of Administration of the Public Employees Retirement System.

scheduled to terminate on June 30, 2015. In order to select a General Pension Board Consultant, award and execute a new contract prior to this expiration date, staff will issue a RFP, subsequent to Committee approval of the attachments provided with this item.

ANALYSIS

Investment Office staff developed the RFP, specifically the Services to be Provided, to align with CalPERS Investment Beliefs, and to provide sufficient services to the Committee.

The Services to be Provided include:

- General Investment Consulting
- Asset Allocation and Risk Management
- Ongoing Education
- Investment Policy Review
- External Manager Review
- Performance
- Investment Office Program Review

Upon approval by the Committee, the RFP will be released in the summer of 2014. Staff anticipate a contract to be executed by July 1, 2015, approximately a total of 10 months from the point of the RFP release to full execution of the resulting contract.

Key activities and anticipated dates are as follows:

Date	Key Activity
Summer 2014	RFP release
Fall 2014	Staff evaluates and scores technical and fee proposals
Fall 2014	Staff presents finalists to the Investment Committee for consideration
Fall 2014	Committee conducts oral interview and selects finalist for contract award
Spring 2015	Contract negotiations and preparation
June 2015	Contract execution

BUDGET AND FISCAL IMPACTS

The current General Pension Board Consultant contract has an annual cost of \$3.3 million and a total contract cost of approximately \$15.5 million.

The anticipated term of the contract, as a result of this RFP, will be for a five-year term with annual costs to be negotiated. As required by the CalPERS Board of Administration Contract Activity Reporting Policy, this RFP was reported to the Finance and Administration Committee in April 2014.

BENEFITS/RISKS

The search and procurement of a General Pension Board Consultant supports the Committee in meeting its objectives to prudently manage the System and provide members and beneficiaries with benefits, as required by law.

Approving the initiation of the RFP for the General Pension Board Consultant will minimize any interruptions to the provision of critical consultant services to support the Committee in its fiduciary duty to the beneficiaries.

Failure to initiate the RFP may result in lack of access to key advisory services including the Committee's access to an independent fiduciary to provide opinions on the prudent and optimal management of the System.

ATTACHMENTS

- Attachment 1 – Services to be Provided
- Attachment 2 – Evaluation Process
- Attachment 3 – Evaluation Sheet
- Attachment 4 – Minimum Qualifications
- Attachment 5 – Total Fund Statement of Investment Policy
- Attachment 6 – Statement of Investment Policy for Benchmarks

WYLIE TOLLETTE
Chief Operating Investment Officer