



## Agenda Item 5a

September 15, 2014

**ITEM NAME:** Contracts Administration: Private Equity Investment Board Consultant – Selection of Finalists for Interview

**PROGRAM:** Total Fund

**ITEM TYPE:** Independent Oversight – Action

### **RECOMMENDATION**

Select firms to advance to the Finalist Interview stage of the Private Equity Investment Board Consultant (Consultant) Request for Proposal (RFP) No. 2013-7039.

### **EXECUTIVE SUMMARY**

Staff presents to the Investment Committee (IC) three firms for consideration for advancement to the Finalist Interview stage of the Consultant RFP. The firms for consideration, listed in alphabetical order are: Albourne America LLC; Meketa Investment Group; and, Pension Consulting Alliance, Inc.

### **STRATEGIC PLAN**

This agenda 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 role of the Consultant is to act as an independent fiduciary advisor to the IC. The Consultant will provide independent review and recommendations on Strategy and Policy Analysis, Performance Analysis and Monitoring, and other Special Projects, for all types of private equity investments, as requested by IC and as directed by CalPERS policy.

The current Private Equity Investment Board Consultant contract with Pension Consulting Alliance began on July 1, 2009, and terminates on June 30, 2015.

### **ANALYSIS**

On April 30, 2014, CalPERS released RFP No. 2013-7039 to solicit for a Private Equity Investment Board Consultant. As of the RFP final filing date, July 2, 2014, CalPERS had received three proposals, all of which passed the preliminary Minimum

Qualifications review. The technical proposals were then scored as specified in the RFP, and based upon responses to the following categories:

- Organization and Background
- Professional Staff
- Strategy and Policy Analysis
- Performance Analysis and Monitoring
- Independent Advisor to the Committee
- Additional Information

The three firms corresponding scores for Technical and Fee Proposals are detailed in the table below. Staff has prepared a firm profile (Attachment 1) for IC consideration.

<b>Private Equity Investment Board Consultant</b>					
<b>Current Rank</b>	<b>Proposer</b>	<b>Total Proposed Fees for Five Years</b>	<b>Technical Proposal Score</b>	<b>Fee Proposal Score</b>	<b>Total Score</b>
1	Albourne America LLC	\$2,000,000	146	300	<b>446</b>
2	Pension Consulting Alliance, Inc.	\$2,475,000	169	242	<b>411</b>
3	Meketa Investment Group	\$2,807,500	174	214	<b>388</b>

Once the IC has determined the finalists for the interview stage of the RFP, a 30 minute interview with each selected firm will be scheduled for the October IC meeting. Interviews provide the IC an opportunity to consider each of the recommended Finalist’s proposal including fees and any other specific areas of the proposal for which clarification is necessary.

Each firm selected for an interview will have 30 minutes before the IC, which will consist of a 10 minute presentation followed by a 20 minute question and answer session.

Following each firm interview, the IC will have an opportunity to briefly discuss and/or comment on the firm’s interview, followed by each member of the IC individually scoring the proposer.

Upon completion of all of the interviews, staff will score the Finalists using the “trimmed average” scoring methodology set forth in the RFP. The final interview score of each Finalist will be combined with the Finalist’s Technical and Fee Proposal scores and the Finalists will then be ranked from highest to lowest. The distribution of maximum possible points is as follows:

- Technical Proposal: 200 points maximum
- Fee Proposal: 300 points maximum
- Board Interview : 500 maximum

Total Combined Score: 1000 points maximum

### **BUDGET AND FISCAL IMPACTS**

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 selection of the Private Equity Investment Board Consultant supports the IC in meeting its objectives to prudently manage the System and provide members and beneficiaries with benefits, as required by law.

Selecting the Finalists for the interview phase will minimize any interruptions to the provision of critical consultant services to support the IC in its fiduciary duty to the beneficiaries.

Failure to advance firms to the interview phase may result in lack of access to key advisory services including the IC’s access to an independent fiduciary to provide opinions on the prudent and optimal management of the System with matters related to the Private Equity Program.

### **ATTACHMENTS**

Attachment 1 – Finalist Profile Summary

---

WYLIE TOLLETTE  
Chief Operating Investment Officer