



## Agenda Item 10a

September 15, 2014

**ITEM NAME:** Contracts Administration: Infrastructure Board Investment Consultant Interviews and Intent to Award

**PROGRAM:** Total Fund

**ITEM TYPE:** Independent Oversight – Action

### **RECOMMENDATION**

Staff recommends that, after the Finalist interviews, the Investment Committee (Committee) determine whether to award the Infrastructure Board Investment Consultant (Consultant) contract or reject all Consultant proposals and instead, direct Staff to reissue a Request for Proposal in order to solicit new bids.

### **EXECUTIVE SUMMARY**

The purpose of this item is for the Committee to interview the Finalists for the Consultant contract.

### **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**

In December 2009, the Committee selected Meketa Investment Group Inc. (Meketa) through the competitive bidding and evaluation process to act as the Consultant. Through subsequent Committee approvals, Meketa's engagement was extended and has a termination date of March 1, 2015.

In April 2014, at the direction of the Committee, CalPERS released RFP No. 2013-7086 to solicit a Consultant to act as an independent fiduciary advisor to the Committee. The Consultant will provide independent review and recommendations on Strategy and Policy Analysis, Performance Analysis and Monitoring, and other Special Projects, as requested.

As of the RFP final filing date, May 29, 2014, CalPERS had received four proposals, all of which passed the preliminary Minimum Qualifications review. The technical proposals were then scored by Staff, 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

In August 2014, the Committee selected three Finalists for the Consultant to be interviewed at the September 2014 Committee Meeting. The following chart summarizes the scores and ranking of the Finalists for the Consultant contract.

<b>Infrastructure Board Investment 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	StepStone Group LP	\$583,000	137	300	<b>437</b>
2	Meketa Investment	\$644,062	156	272	<b>428</b>
3	Courtland Partners, Ltd.	\$825,000	104	212	<b>316</b>

**ANALYSIS**

Interviews provide the Committee an opportunity for consideration of each Finalist’s proposal, including their organization, staff background and experience, 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.

Upon completion of the interview, each Finalist will be scored by the Committee using the “trimmed average” scoring methodology as 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

The Committee has two options for proceeding after the interviews: (1) award the Consultant contract to the Finalist with the highest total combined score, subject to final negotiations and satisfaction of all requirements; or (2) if the Committee determines that, in the best interests of the System, none of the firms have shown in their proposal or interview sufficient expertise to adequately represent CalPERS as the Consultant, the Committee may choose to reject all proposals for the Consultant contract and instead direct Staff to reissue a Request for Proposal in order to solicit new bids.

#### **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**

Awarding the Consultant contract to the Finalist with the highest total combined score, subject to final negotiations and satisfaction of all requirements, supports the Committee in meeting its objectives to prudently manage the System and provide members and beneficiaries with benefits, as required by law.

Failure to award the Consultant contract 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 with matters related to the Infrastructure program.

---

WYLIE TOLLETTE  
Chief Operating Investment Officer