



## Agenda Item 5a

October 13, 2014

**ITEM NAME:** Contracts Administration: Private Equity Investment Board  
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 Private Equity Investment Board Consultant (Consultant) contract or reject all Consultant proposals and instead, direct staff to reissue a Request for Proposal (RFP) 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 May 2009, the Committee selected Pension Consulting Alliance (PCA) through the competitive bidding and evaluation process to act as the Consultant. In August 2013, the Committee approved an extension of the current contract through June 30, 2015, to allow for continuity through the implementation of the Private Equity Strategic Plan.

In April 2014, at the direction of the Committee, CalPERS released RFP No. 2013-7039 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, act as an Independent Advisor to the Committee, and other Special Projects, for all types of private equity investments, as requested.

As of the RFP final filing date, July 2, 2014, CalPERS had received three proposals, all of which passed the preliminary review and Minimum Qualifications. The technical proposals were scored based upon responses to questions in the following categories, as specified in the RFP:

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

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

<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>DVBE Preference Points</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	30	<b>441</b>
3	Meketa Investment Group	\$2,807,500	174	214	-	<b>388</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.

Upon completion of the interview, each Finalist is scored by the Committee using the “trimmed average” scoring methodology set forth in the RFP. The final interview score of each Finalist is 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<sup>1</sup>

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 demonstrated 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 RFP 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 Private Equity program.

---

WYLIE TOLLETTE  
Chief Operating Investment Officer

---

<sup>1</sup> Total Possible Points may exceed 1000 if proposer receives the maximum possible points for each phase in addition to optional Preference points.