



## Agenda Item 10a

December 15, 2014

**ITEM NAME:** Contracts Administration: General Pension 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 General Pension Investment Board Consultant Services (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**

The current Consultant contract with Wilshire began on July 1, 2010, and terminates on June 30, 2015.

In July 2014, at the direction of the Committee, CalPERS released RFP No. 2014-7111 to solicit a Consultant to act as independent fiduciary advisor to the Committee and to provide opinions on matters relevant to the prudent and optimal management of the System<sup>1</sup>. Additionally, the Consultant is to align the execution of contracted services with CalPERS' Investment Beliefs, which are a guide for making decisions,

---

<sup>1</sup> 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.

and provide context for CalPERS' actions, reflect CalPERS' values, and acknowledge CalPERS' responsibility to sustain its ability to pay benefits for generations.

As of the RFP final filing date, August 20, 2014, CalPERS had received two proposals, both 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:

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

In November 2014, the Committee selected both finalists for the Consultant to be interviewed at the December 2014 Committee meeting. The following chart summarizes the scores and ranking of the finalists for the Consultant contract.

<b>General Pension Investment Board Consulting Services</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>Preliminary Total Score</b>
1	Meketa	\$10,820,000	146	300	-	446
2	Wilshire	\$15,750,000	173	206	50	429

**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 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<sup>2</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, neither firm has shown in their proposal or interview sufficient expertise to adequately serve 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 investment program.

---

WYLIE TOLLETTE  
Chief Operating Investment Officer

---

<sup>2</sup> Total Possible Points may exceed 1000 if proposer receives the maximum possible points for each phase in addition to optional Preference points.