
April 18, 2016

Item Name: Contracts Administration: Real Estate Board Investment Consultant – Selection of Finalists for Interview

Program: Investment Office

Item Type: Action

Recommendation

That the firms that have passed the technical proposal evaluation be invited to appear before the Investment Committee (Committee) for oral interviews as specified in Request for Proposal (RFP) No. 2015-8014. The interviews are scheduled for the May meeting of the Committee.¹

Executive Summary

The purpose of this agenda item is to present to the Committee the firms that have passed the technical proposal evaluation, in order for the Committee to select the firms (Finalists) to continue in the RFP process. The Finalists are scheduled to be interviewed during the May meeting of the Committee. The objective of the interviews is to select the next Real Estate Board Investment Consultant (Consultant).

Strategic Plan

This agenda item supports Strategic Plan Goal A - Improve long-term pension and health benefit sustainability. The selected firm will provide the Committee with advice and recommendations on the Real Estate investment portfolio, which plays an integral role in the success and sustainability of the Total Fund.

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 Committee and provide opinions on matters relevant to the prudent and optimal management of the Real Estate portfolio. Additionally, the Consultant is to align the execution of contracted services with CalPERS' Investment Beliefs, which (1) are a guide for making decisions, (2) provide context for CalPERS' actions, and (3) reflect CalPERS' values.

The current Real Estate Board Investment Consultant contract with PCA began on April 1, 2012, and terminates on March 31, 2017.

¹ Meeting schedule is subject to change.

Analysis

On October 8, 2015, CalPERS released RFP No. 2015-8014 to solicit services for the Real Estate Board Investment Consultant. As of the RFP final filing date, December 1, 2015, CalPERS received six proposals, all of which passed the preliminary Minimum Qualifications review.

As specified in the RFP, the technical proposals of the six firms were scored on a pass or fail basis, based upon responses in the following categories:

- Strategy and Policy Analysis
- Performance Analysis and Monitoring
- Independent Advisor to the Investment Committee
- Investment Transaction Review
- Special Projects

The table below details the current scores for each firm whose Technical Proposal achieved a passing score. Additionally, Staff has prepared a profile (see attachments) of each of the firms listed in the table below.

Current Rank	Proposer	Total Proposed Fees for 5 Years	Fee Proposal Score (out of 300)	DVBE Points ²	Current Subtotal	Interview Points (700)	Final Score
1	Courtland Partners, Ltd.	\$3,981,850	300	30	330	TBD	TBD
2	Pension Consulting Alliance, LLC	\$6,266,000	191	30	221	TBD	TBD

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

Following each firm's interview, the Committee will determine, as a group, each Finalist's interview score, with a maximum allowable score of 700 points. The interview score of each Finalist will be combined with the Fee Proposal Score and any applicable Preference and/or Incentive Points in order to produce a Total Score. The Finalists will be ranked according to their Total Scores from highest to lowest. The firm receiving the highest total score will be awarded the contract, and Staff will issue the notice of intent to award.



² Each firm committed to subcontracting 3-3.99% Disabled Veteran Business Enterprises.

Budget and Fiscal Impacts

The anticipated term of the contract to be awarded pursuant to this RFP is five years. Each firm's proposed costs for the services are detailed in the table above. As required by the CalPERS Board of Administration Contract Activity Reporting Policy, this RFP was reported to the Finance and Administration Committee in December 2014.

Benefits and Risks

The selection of the Real Estate Board Investment Consultant supports the Committee in meeting its objectives to prudently manage the System and provide members and beneficiaries with benefits, as required by law.

In order to ensure continuity of services upon expiration of the current consultant's contract on March 31, 2017, staff recommends that the Committee select the firms that are to continue to the interview phase of the RFP process, and that the interviews be conducted in May in conjunction with the May committee meeting. This timetable will allow the Committee and staff sufficient time to complete this project and minimize any interruptions to the provision of critical consultant services to support the Committee in fulfilling its fiduciary duties to the beneficiaries.

Attachments

Attachment 1 – Summary Profile – Courtland Partners, Ltd.

Attachment 2 – Summary Profile – Pension Consulting Alliance, LLC

Katherine H. Crocker

Investment Director

Wylie Tollette

Chief Operating Investment Officer