



Investment Committee

Agenda Item 7a

November 18, 2019

Item Name: Board Investment Consultants – Results of Board Investment Consultants Interviews and Intent to Award

Program: Investment Office

Item Type: Action

Recommendation

Approve the Board of Administration Sub-Committee's scoring from the Board Consultant Request for Proposal Interviews and, subject to successful contract negotiations, award contracts in:

- General Pension Consultant: Wilshire Associates, Inc.
- Private Equity Consultant: Meketa Investment Group
- Real Estate Consultant: Meketa Investment Group
- Infrastructure Consultant: Meketa Investment Group

Executive Summary

The appointed Board of Administration Sub-Committee interviewed the finalists of the Board Consultant Request for Proposal in the following categories: General Pension, Private Equity, Real Estate and Infrastructure. The Sub-Committee provided a numerical score for each interviewee based on experience and expertise. Those scores were combined with their fee score to obtain a final score for each vendor. It is the recommendation for the Board of Administration to approve the final scores and contract awards determined by the Sub-Committee.

Strategic Plan

This agenda item supports the Fund Sustainability Strategic Plan Goal – Strengthen the long-term pension and health benefit sustainability. The Consultants will provide the Committee with advice and recommendations on the designated investment portfolio(s), which play an integral role in the success and sustainability of the Total Fund.

Investment Beliefs

This item supports CalPERS' Investment Belief 4 that long-term creation requires strong governance and effective management of three forms of capital: financial, physical, and human.

Background

The role of the Consultants is to act as independent fiduciary advisors to the Committee and provide opinions on matters relevant to the prudent and optimal management of the designated investment portfolio services.

The current General Pension, Private Equity and Infrastructure Board Investment Consultant contracts expire on June 30, 2020. The Real Estate Board Investment Consultant contract expires on March 31, 2022. The Board of Administration approved the realignment of all Board Consultant Services to a July 1, 2020-June 30, 2023 cycle.

CalPERS released a Request for Proposal for Board Consulting Services on March 8, 2019. The Board of Administration approved a Sub-Committee to interview the finalists. The Sub-Committee interviewed the finalists and determined a score for each on October 8, 2019.

Analysis

The following matrix outlines the results of the high scoring vendors interviewed by the Sub-Committee along with the scores they received. The Sub-Committee was able to give each vendor a maximum of 700 points for the interview. The fee score was calculated based on a predetermined formula which gives the lowest fee proposal the maximum amount of points for that section. Subsequent fee proposals receive pro-rated fee scores. The combined total of points possible was 1,000 points. The vendors were also able to receive a maximum of 50 "Incentive Points" for agreeing to commit a portion of their fees to Disabled Veteran Business Enterprises "DVBE."

General Pension Board Investment Consultant				
	Fee Score	Incentive Points	Interview Points	Total Points
Wilshire	300	50	651	1001
Private Equity Board Investment Consultant				
	Fee Score	Incentive Points	Interview Points	Total Points
Meketa	220	50	700	970
Real Estate Board Investment Consultant				
	Fee Score	Incentive Points	Interview Points	Total Points
Meketa	293	50	700	1043
Infrastructure Board Investment Consultant				
	Fee Score	Incentive Points	Interview Points	Total Points
Meketa	300	50	700	1050

Budget and Fiscal Impacts

The anticipated term of the contracts will be three-years with two one-year extension options. As required by the CalPERS Board of Administration Contract Activity Reporting Policy, this RFP was reported to the Finance and Administration Committee in December 2018. The cost of these contracts will be funded from existing budgeted resources.

Benefits and Risks

The benefits of this process include:

- Satisfying the requirements of the Total Fund Policy; and
- Assists the Board of Administration in its fiduciary duty to its members.

The benefits of approving the recommendation include:

- Continuity of the independent Board Consultant services including oversight of the fund; and
- Providing appropriate time for new contracts to be implemented prior to the current ones expiring on June 30, 2020.

The risks of not approving staff's recommendation include:

- Interruption of critical services provided by external Board Consultants; and
- Potential impact on the ability of the Board and staff to fulfill its fiduciary obligations to CalPERS members and beneficiaries.

Attachments

Attachment 1 – Summary Profile: Wilshire, Associates, Inc.-General Pension Board Consultant

Attachment 2 – Summary Profile: Meketa Investment Group-Private Equity, Real Estate and Infrastructure Board Consultants

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