



Investment Committee Agenda Item 7a

December 17, 2018

Item Name: Board Investment Consultant Request for Proposal - Public and Private

Program: Investment Oversight

Item Type: Action

Recommendation

Authorize staff to release one Request for Proposal (RFP) for Board Investment Consulting services including General Board Consulting, Private Equity (PE), Real Assets (RA) and Infrastructure Programs. The current Board consultant agreements are to expire per the below table:

Contract No.	Consultant	Consulting Role	Expiration
2015-7585	Wilshire Associates, Inc.	General Pension	June 30, 2020
2015-7616	Meketa Investment Group, Inc	Private Equity	June 30, 2020
(LOE 3)	Meketa Investment Group, Inc.	Infrastructure	June 30, 2020
2016-8262	Pension Consulting Alliance, Inc.	Real Estate	March 31, 2022

The Investment Office is seeking to sign 3-year agreements with each contractor with the option to extend the contracts annually in each of the subsequent 2 years, for a potential maximum of 5 years. This structure will provide the Board flexibility to complete its internal governance review project and ensure the Board investment consulting services are not interrupted. In addition, this schedule provides INVO the flexibility to formalize its Total Fund management approach as well as on-board our new CIO without interrupting the services.

Executive Summary

CalPERS Board investment consultant contracts are refreshed on a five-year cycle, through an RFP.

Each of the current consultants, through multiple RFPs, have provided investment consulting services to CalPERS Board for a decade, or more, under the same role structure as is proposed with this RFP. Historically, CalPERS issued individual RFPs for each consultant service. With this proposal, merging multiple solicitations into one, reduces complexity and cost.

Strategic Plan

This agenda item supports Strategic Plan goals to reduce complexity across the Enterprise and gain operational efficiencies, improve productivity, and reduce costs.

Investment Beliefs

This agenda item supports CalPERS' Investment Belief 8 that costs matter and need to be effectively managed; and Belief 10, that strong processes, teamwork and deep resources are needed to achieve CalPERS goals and objectives, including strong governance.

Background

Investment consulting services for the Board have been based on a structure where there is a single, general pension consultant augmented by private-asset specialist consultants for Real Estate, Private Equity and Infrastructure. Note, Forestland consulting services are no longer needed due to the de-emphasis of that asset class. Maintaining the current investment consultant structure as it relates to roles and services, provides for the continuation of services while CalPERS completes the Board governance review as well as allows the new Chief Investment Officer time to develop his strategic plan. Lastly, the Total Fund Investment Policy has a requirement for investment consulting services in the current role structure. Therefore, the proposed RFP structure avoids the need for Policy modifications now.

Analysis

The recommended approach will provide CalPERS with the flexibility to re-evaluate investment consulting roles and services during the initial 3 years term and make modifications, if needed, sooner than the traditional 5-year contract term would allow. INVO will ensure that up to two Investment Committee members provide guidance and oversight in this RFP, as they do with all Board Retained Authority RFP's. The selected contractor for the General Pension Services will be precluded from providing the services for the Private Asset Classes (PE, RA and Infrastructure).

Budget and Fiscal Impacts

RFPs are complex and require a significant expenditure of resources and time for the Board, the Investment Committee members chosen to provide guidance and oversight on the RFP, INVO, Legal and OSSD staff to develop, administer, and manage. Migrating to a single RFP with 4 individual contract awards is the most efficient use of Board and team member resources. The values of the current agreements are listed below. The Investment Office plans to negotiate favorable terms for the new agreements with the selected finalist contractors.

Consultant Name	Asset Class	Annual Contract Amount
Wilshire Associates Incorporated	General Pension	\$3,150,000
Pension Consulting Alliance	Real Assets	\$1,200,000
Meketa Investment Group, Inc.	Private Equity	572,500.00
Pension Consulting Alliance	General Pension Backup	\$150,000
Meketa Investment Group, Inc.	Infrastructure	\$121,000

Benefits and Risks

Benefits

- The new agreements will allow CalPERS to continue to have stability and efficiencies in Board's investment consulting services.
- They will also provide CalPERS and the Board the necessary flexibility to complete the Governance and Total Fund review without interrupting the Board Consultant services.
- The new agreements will be negotiated with favorable terms to CalPERS and will give CalPERS additional functionality to reevaluate the agreements after 3 years.

Risks

- The proposed RFP structure may not generate sufficient competition for each service category.
- The proposed roles and services may not fully address future investment consulting business needs.
- CalPERS Team members may not be able to negotiate favorable terms, resulting in increased costs.

Attachments

Attachment 1 – Proposed Schedule for RFP

Attachment 2 – Services to be provided

Attachment 3 – Scoring Sheet for RFP evaluation

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