



Investment Committee Agenda Item 3c

September 19, 2022

Item Name: Board of Administration Investment Consultants Request for Proposal

Program: Investment Office

Item Type: Action Consent

Recommendation

Authorize staff to release one (1) Request for Proposal (RFP) for Board Investment Consulting services including General Board Consulting, Private Debt (PD), Private Equity (PE), Real Estate (RE), and Infrastructure Programs. The current Board consultant agreements are to expire per the below table:

Contract No.	Consultant	Consulting Role	Expiration
2020-8758	Wilshire Advisors LLC	General Pension and Private Debt	June 30, 2024
2020-8759	Meketa Investment Group, Inc.	Private Equity	June 30, 2024
2020-8760	Meketa Investment Group, Inc.	Real Estate	June 30, 2024
2020-8761	Meketa Investment Group, Inc.	Infrastructure	June 30, 2024

The Investment Office is seeking to sign five-year agreements with each contractor.

Also, this agenda item requests Board approval to include language in the RFP that will allow firms the opportunity to be awarded in both General Pension and Private Asset Class service categories. In the prior 2019 RFP, the firm that was awarded the General Pension work was precluded from being awarded in any other service category. It is the recommendation of the Investment Office to eliminate that prohibition from this RFP.

Executive Summary

In March 2022, the Investment Committee approved the extension of the current Board Investment Consultant Contracts for an additional year (or until June 30, 2024) to allow for time to complete a new Request for Proposal (RFP). This is a formal request to approve the release of the RFP and the RFP language regarding the scope of services (attached hereto as

Attachment 1), the scoring exhibit (attached hereto as Attachment 2), the proposal evaluation, (attached hereto as Attachment 3) and the minimum qualifications (attached hereto as Attachment 4). It is also the recommendation of the Investment Office that the prior restriction in the 2019 RFP, precluding the firm who was awarded the General Pension consultancy work to also be awarded Private Asset Class work, not be included in this RFP. This agenda item also requests that the Board assign two (2) designated Board Members to assist and guide in the RFP process as well as create a "Sub-Committee" which will score the interview portion of the RFP.

Strategic Plan

This agenda item supports the 2022-2027 Strategic Plan goal of Pension Sustainability. Robust and comprehensive Board of Administration Investment Consulting services supports pension sustainability.

Investment Beliefs

Adequate Board of Administration Investment Consulting Services reinforce Investment Belief No. 5: *CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution* and No. 9 *Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error*. Investment consulting services for the Board will assist CalPERS in identifying both its investment goals and investment risks.

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. In 2018, the Board approved the release of one (1) comprehensive request for proposal (RFP) to cover these services in lieu of separate RFPs. This proved to be a successful RFP structure.

In March 2022, the Board assigned Wilshire Advisors LLC to perform Private Debt Board consulting services. However, the Board determined that an RFP was necessary to competitively bid these services moving forward. The Board approved the extension of the current Board consulting contracts with Wilshire Advisors LLC and Meketa Investment Group, Inc. until June 30, 2024 to allow staff time to perform an RFP.

Commensurate with what was done during the 2019 RFP, it is requested that the Board designate two (2) Board Members to participate and guide the RFP to ensure the goals and needs of the Board are met. It is also requested that the Board create a "Sub-Committee" of Board Members who will score the interview portion of the RFP.

The proposed scope of services (attached hereto as Attachment 1), the scoring exhibit, (attached hereto as Attachment 2), the proposal evaluation (attached hereto as Attachment 3), and the minimum qualifications (attached hereto as Attachment 4) are included as part of this agenda item for the Board's review and approval. In the 2019 Board Investment Consulting RFP, the scope of services precluded the firm who was awarded General Pension contract to also be awarded any of the Private Asset Class work. It is the recommendation of the

Investment Office to remove this restriction in this RFP to allow the Board more flexibility regarding its consultant options for the various types of work.

Analysis

Akin to how the RFP has been performed in the past, the designation of two (2) Board Members and a “Sub-Committee” of Board Members to participate and guide the RFP will ensure that staff are capturing the requirements and needs of the Board.

The proposed scope of services, scoring exhibit, proposal evaluation and minimum qualifications have remained constant from the last RFP except for the addition of the Private Debt scope of services.

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, Investment Office, Legal Office, and the Operations Support Services Division (OSSD) to develop, administer, and manage. Therefore, issuing one (1) RFP for all service categories (General Pension, Private Debt, Private Equity, Real Estate, and Infrastructure), similar to what was done in 2019, will be a more efficient use of staff and Board time and 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 Advisors LLC	General Pension	\$3,200,000
Wilshire Advisors LLC	Private Debt	\$250,000
Meketa Investment Group, Inc.	Private Equity	\$695,000
Meketa Investment Group, Inc.	Real Estate	\$1,200,000
Meketa Investment Group, Inc.	Infrastructure	\$175,000

Benefits and Risks

Benefits and risks of performing this new RFP are:

- The new RFP will allow CalPERS to bid the Private Debt consulting services through the competitive bid process;
- The new RFP will use the same structure as the 2019 RFP which will allow all services (General Pension, Private Debt, Private Equity, Real Estate and Infrastructure) to be bid using one RFP which will save CalPERS Staff and designated Board Members time and resources;
- The new RFP will remove the exclusion of a firm being awarded both General Pension Consulting work and Private Asset Class consulting work. This will allow the Board more flexibility regarding the firms that can be awarded for each service category;
- The risk of not removing the preclusion language is that it may limit the qualified candidate pool for each service category;

- The risk of not performing the new RFP timely is that the current contracts will expire before new consultants are in place to advise the Board.

Attachments

Attachment 1 – Proposed Board Investment Consulting Scope of Services

Attachment 2 – Proposed Board Investment Consulting Scoring Exhibit

Attachment 3 – Proposed Board Investment Consulting Proposal Evaluation

Attachment 4 – Proposed Board Investment Consulting Minimum Qualifications

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