



Agenda Item 5a

September 15, 2014

ITEM NAME: Contracts Administration: Private Equity Investment Board
Consultant – Selection of Finalists for Interview

PROGRAM: Total Fund

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

Select firms to advance to the Finalist Interview stage of the Private Equity Investment Board Consultant (Consultant) Request for Proposal (RFP) No. 2013-7039.

EXECUTIVE SUMMARY

Staff presents to the Investment Committee (IC) three firms for consideration for advancement to the Finalist Interview stage of the Consultant RFP. The firms for consideration, listed in alphabetical order are: Albourn America LLC; Meketa Investment Group; and, Pension Consulting Alliance, Inc.

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 role of the Consultant is to act as an independent fiduciary advisor to the IC. The Consultant will provide independent review and recommendations on Strategy and Policy Analysis, Performance Analysis and Monitoring, and other Special Projects, for all types of private equity investments, as requested by IC and as directed by CalPERS policy.

The current Private Equity Investment Board Consultant contract with Pension Consulting Alliance began on July 1, 2009, and terminates on June 30, 2015.

ANALYSIS

On April 30, 2014, CalPERS released RFP No. 2013-7039 to solicit for a Private Equity Investment Board Consultant. As of the RFP final filing date, July 2, 2014, CalPERS had received three proposals, all of which passed the preliminary Minimum

Qualifications review. The technical proposals were then scored as specified in the RFP, and based upon responses to the following categories:

- Organization and Background
- Professional Staff
- Strategy and Policy Analysis
- Performance Analysis and Monitoring
- Independent Advisor to the Committee
- Additional Information

The three firms corresponding scores for Technical and Fee Proposals are detailed in the table below. Staff has prepared a firm profile (Attachment 1) for IC consideration.

Private Equity Investment Board Consultant					
Current Rank	Proposer	Total Proposed Fees for Five Years	Technical Proposal Score	Fee Proposal Score	Total Score
1	Albourne America LLC	\$2,000,000	146	300	446
2	Pension Consulting Alliance, Inc.	\$2,475,000	169	242	411
3	Meketa Investment Group	\$2,807,500	174	214	388

Once the IC has determined the finalists for the interview stage of the RFP, a 30 minute interview with each selected firm will be scheduled for the October IC meeting. Interviews provide the IC an opportunity to consider each of the recommended Finalist's proposal including fees and any other specific areas of the proposal for which clarification is necessary.

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

Following each firm interview, the IC will have an opportunity to briefly discuss and/or comment on the firm's interview, followed by each member of the IC individually scoring the proposer.

Upon completion of all of the interviews, staff will score the Finalists using the “trimmed average” scoring methodology 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

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

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

Selecting the Finalists for the interview phase will minimize any interruptions to the provision of critical consultant services to support the IC in its fiduciary duty to the beneficiaries.

Failure to advance firms to the interview phase may result in lack of access to key advisory services including the IC’s access to an independent fiduciary to provide opinions on the prudent and optimal management of the System with matters related to the Private Equity Program.

ATTACHMENTS

Attachment 1 – Finalist Profile Summary

WYLIE TOLLETTE
Chief Operating Investment Officer



CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**PRIVATE EQUITY INVESTMENT BOARD CONSULTANT
SERVICES**

Request for Proposal No. 2013-7039

FINALIST PROFILE SUMMARY

Albourne America LLC

Meketa Investment Group

Pension Consulting Alliance, Inc.

ALBOURNE AMERICA LLC Finalist Profile

A. OVERVIEW

Albourne America, LLC., (Albourne) provides research and consulting services to a broad range of clients, including public pension plans, government funds, corporations, insurance, endowments, foundations, family offices and financial intermediaries. Albourne has approximately 256 client entities contracting for a variety of services, including hedge fund, private equity, real assets, real estate, and private market services.

Established in 2001 as an indirect subsidiary of Albourne Partners Limited (APL), Albourne became registered with the Securities and Exchange Commission as an investment advisor in 2006. Since that time, the firm has provided full service investment consulting and advisory services, including but not limited to:

- Operational due diligence
- Risk Management
- Investment due diligence
- Strategy research
- Portfolio advisory services, including design, monitoring and management

Albourne's largest U.S. client is a public pension fund which requested anonymity. The next three largest U.S. clients are: 1) Century Link Investment Management Company, 2) San Diego County Employees Retirement Associations, and 3) Arizona Public Safety Personnel Retirement System.

B. PROFESSIONAL STAFF

The proposed key personnel assigned to the CalPERS account are:

- Tom Cawkwell, Head of Private Markets Research
- David Hutchings, Portfolio Consultant

Further support to the team would be offered by the Private Equity team which includes:

- Marianna Inston, Private Markets Investment Due Diligence Analyst
- Kristen Jones, Private Markets Investment Due Diligence Analyst
- Tom Zhu, Private Markets Investment Due Diligence Analyst
- Chris Chow, Private Markets Investment Due Diligence Analyst
- Kyoo Kim, Private Markets Investment Due Diligence Analyst
- Jamil Batcha, Private Markets Investment Due Diligence Analyst
- Ghazi Al-Sanie, Private Markets Investment Due Diligence Analyst
- Anita Kouzapa, Private Markets Investment Due Diligence Analyst

PROFESSIONAL STAFF (Continued)

- Kellie Hata, Private Markets Investment Due Diligence Analyst
- Seamus Hutchinson, Private Markets Investment Due Diligence Analyst
- Chris Slavin, Operational Due Diligence Analyst
- Andrew McAloney, Operational Due Diligence Analyst
- Matt Fung, Risk Analyst

C. ORGANIZATIONAL HIGHLIGHTS

Albourne is headquartered in San Francisco, and is a wholly owned indirect subsidiary of APL which is fully owned by full-time employees. APL is headquartered in London, with 248 employees in 12 locations worldwide, including main subsidiaries in: London; Connecticut; Hong Kong; Japan; Singapore; and, Germany.

MEKETA INVESTMENT GROUP Finalist Profile

A. OVERVIEW

Meketa Investment Group (Meketa) provides general consulting services and private market advisory services to a broad range of clientele. They serve Taft-Hartley funds, public funds, endowments, corporations, non-profits, and other institutional funds.

Originally formed in 1974 as an investment partnership, the firm incorporated under Massachusetts law in 1978 and became registered with the Securities and Exchange Commission as an investment advisor. Since that time, the firm has provided full service investment consulting and advisory services, including:

- Initial Fund review
- Investment Policy design and Asset Allocation
- Liability and liquidity studies
- Fund coordination
- Fund reporting and review
- Board/staff/trustee education

Meketa's Private Markets Services include:

- Strategic Planning, Investment Policy Design, Pricing Analysis
- Partnership analysis and Legal Review
- Program Monitoring and Review
- Cash Flow Coordination

Meketa's three largest clients are CalPERS, CalSTRS, and Washington State Investment Board. Meketa works with 28 public pension fund clients throughout the country, with aggregate assets in excess of \$570 billion, which account for more than half of Meketa's assets under advisement. The remaining clients are Taft-Hartley funds, with several having over \$1 billion in assets.

B. PROFESSIONAL STAFF

The proposed key personnel assigned to the CalPERS account are:

Proposed Team:

- John A. Haggerty, CFA, Managing Principal, Director of Private Markets
- Stephen P. McCourt, CFA, Managing Principal
- Jess Downer, CFA, Senior Vice President
- Steven Hartt, CAIA, Senior Vice President

PROFESSIONAL STAFF (Continued)

Further support to the team would be offered by the Private Markets Investment Committee and Private Equity team:

- James E. Meketa, Managing Principal
- Alan Spatrick, CFA, Managing Principal
- Peter S. Woolley, CFA, CLU, ChFC, Managing Principal
- Frank Benham, CFA, CAIA, Managing Principal
- Kunal Shah, Principal
- Gerald Chew, CAIA, Senior Vice President
- Todd Silverman, CAIA, Senior Vice President
- Chris Tehranian, Senior Vice President
- Christy Gahr, Assistant Vice President
- Jia He, Assistant Vice President

C. ORGANIZATIONAL HIGHLIGHTS

Meketa is independently owned by fourteen senior professionals, and has a staff of over one hundred, including consultants, analysts, marketing and administrative personnel. Meketa's offices are located in Boston, Miami, San Diego, and London, with an office in Portland, Oregon scheduled to open in July 2014.

The firm has been advising clients on private markets since the late 1990s and in the Private Equity asset class since 2000. Meketa currently has 21 focused investment professionals dedicated to serve clients needs and conduct research related to Private Equity, with expertise in: Private Equity; Private Debt; Venture Capital; Infrastructure; Real Estate; and, Natural resources/timber. Meketa currently manages private market assets of approximately \$20 billion.

PENSION CONSULTING ALLIANCE, INC.
Finalist Profile

A. OVERVIEW

Pension Consulting Alliance, Inc. (PCA) provides investment advisor services to clientele which includes large public plan sponsors, endowments, Taft-Hartley funds, and 529 college savings plans.

Founded in 1988, PCA services include, but are not limited to:

- Program development and review
 - Policy development and review
 - Asset/ liability modeling
 - Asset allocation modeling and portfolio structure analysis
- Implementation
 - Market research
 - Manager search and due diligence
 - Fee analysis and negotiation
 - Benchmark and indices review
 - Operational assistance, including staff/board education
- Ongoing Monitoring
 - Monitoring of investment performance, policies, asset allocation and portfolio structure
 - Implementation of portfolio-wide risk measurement and analytical tools
 - Review and analysis

PCA's three largest clients are CalPERS, CalSTRS, and New York State Common Retirement Fund. Presently, PCA has 32 clients representing over \$1 trillion in plan sponsor investment assets.

B. PROFESSIONAL STAFF

The proposed key personnel assigned to the CalPERS account are:

- Michael Moy, Managing Director, Private Equity
- Allan Emkin, Managing Director, Private Equity
- Tad Fergusson, CFA, Managing Director, Private Equity
- Judy Chambers, Managing Director, Private Equity

Further support to the team would be offered by Andrew Bratt, JD, Principal

C. ORGANIZATIONAL HIGHLIGHTS

PCA has a staff of 24 and is headquartered in Portland, OR, with branches located in New York and California. PCA is solely owned by the founder and managing director, Allan Emkin, and managed by a five-member Board of Directors. However, PCA is in the final stages of expanding ownership to a five-employee ownership structure to include key members of the senior management group. The first round of ownership expansion is expected to conclude at the end of 2014.