



Agenda Item 5a

November 17, 2014

ITEM NAME: Contracts Administration: General Pension Investment Board Consulting Services – 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 General Pension Investment Board Consulting Services (Consultant) Request for Proposal (RFP) No. 2014-7011.

EXECUTIVE SUMMARY

Staff presents to the Investment Committee (IC) two firms for consideration for advancement to the finalist interview stage of the Consultant RFP. The firms for consideration are Meketa Investment Group (Meketa) and Wilshire Associates Incorporated (Wilshire).

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 and is to provide opinions on matters relevant to the prudent and optimal management of the System¹. Additionally, the Consultant is to align the execution of contracted services with CalPERS' Investment Beliefs, which are a guide for making decisions and provide context for CalPERS' actions, reflect CalPERS' values, and acknowledge CalPERS' responsibility to sustain its ability to pay benefits for generations.

The current General Pension Investment Board Consultant contract with Wilshire began on July 1, 2010, and terminates on June 30, 2015.

¹ The System is comprised of the Public Employees' Retirement Fund, the Affiliate Trusts, and any other system, fund, or trust administered by the Board of Administration of the Public Employees' Retirement System.

ANALYSIS

On July 1, 2014, CalPERS released RFP No. 2014-7011 to solicit for General Pension Investment Board Consulting Services. As of the RFP final filing date, August 20, 2014, CalPERS had received two proposals, both 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:

- General Pension Investment Board Consulting Services
- Asset Allocation and Risk Management
- Ongoing Education
- Investment Policy Review
- External Manager Review
- Performance
- Investment Office Program Review

The two 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.

General Pension Investment Board Consulting Services						
Current Rank	Proposer	Total Proposed Fees for Five Years	Technical Proposal Score	Fee Proposal Score	DVBE Preference Points	Preliminary Total Score
1	Meketa	\$10,820,000	146	300	-	446
2	Wilshire	\$15,750,000	173	206	50	379

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 December 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 consists of the following timeframes:

- Firm Presentation: 10 minutes
- Question and Answer: 20 minutes

Upon completion of all interviews, each member of the IC will individually score the proposers. Staff will then collect the IC members' scores and utilizing the "trimmed average" scoring methodology set forth in the RFP, determine the final interview score for each Finalist. The interview score will be combined with the Finalist's Technical and Fee Proposal scores, and any awarded Preference points, 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

Although this RFP does not include a minimum Disabled Veteran Business Enterprise (DVBE) participation goal, additional points may be awarded to proposers who commit to DVBE participation; therefore, it is possible for a proposer to receive more than 1000 points.

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 General Pension 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 Total Fund.

ATTACHMENTS

Attachment 1 – Finalist Profile Summary

WYLIE TOLLETTE
Chief Operating Investment Officer



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**GENERAL PENSION INVESTMENT BOARD CONSULTING
SERVICES**

Request for Proposal No. 2014-7011

FINALIST PROFILE SUMMARY

Meketa Investment Group

Wilshire Associates Incorporated

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 public and private benefit plans (including pension and health and welfare plans) as well as endowments, foundations, 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.

The firm has provided full service investment consulting and advisory services, which include:

- Initial Fund review
- Investment Policy design and Asset Allocation
- Liability & Liquidity Studies
- Manager selection and evaluation
- Risk mitigation
- Fund Coordination
- Fund reporting and review
- Board/staff/trustee education

Meketa's three largest clients are Laborers' District Council & Contractors' Pension Fund of Ohio, New England Carpenters, and New York State Teamsters. Currently Meketa consults on over \$300B in assets for 97 clients whose total aggregate institutional assets exceed \$700B.

B. PROFESSIONAL STAFF

The proposed key personnel assigned to the CalPERS account are:

- Stephen P. McCourt, CFA, Managing Principal – 19 years of experience providing investment consulting, asset allocation and risk management services to institutional funds
- Frank Benham, CFA, CAIA, Managing Principal/ Director of Research – 15 years of experience providing investment consulting, asset allocation and risk management services to institutional funds
- Mika L. Malone, CAIA, Principal – 10 years of experience providing investment consulting, asset allocation and risk management services to institutional funds

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 in 2014 opened offices in Portland, Oregon and London, England.

The firm has been providing general consulting to institutional plans sponsors services for 30 years. Meketa originated by providing investment strategy and systems advice to the Harvard Management Company; the firm was hired by its first pension fund client in 1978, and continues that relationship to this day. In 2014, general pension investment consulting accounts for approximately 70% of the firm's total revenue on a percentage basis.

WILSHIRE ASSOCIATES INCORPORATED

Finalist Profile

A. OVERVIEW

Wilshire Associates Incorporated was founded in 1972; Wilshire Consulting (Wilshire) was subsequently formed in 1981, and currently provides services to 125 corporate and public defined benefit and defined contribution pension funds, endowments, foundations, healthcare, and insurance companies. Advisory services include:

- Fund review
- Asset Allocation studies
- Investment Policy development and maintenance
- Investment manager search and monitoring
- Quarterly Performance measurement
- Customized client education
- Fund reporting and review
- Board/staff/trustee education

Wilshire's largest client is CalPERS, with the remaining top largest total revenue clients listed as being non-discloseable Corporate Pension clients. Through a subsequent request for clarification, Wilshire obtained permission to disclose the names of three clients as: Pension Benefit Guaranty Corporation; Raytheon Corporation; and New Mexico PERA.

B. PROFESSIONAL STAFF

The proposed key personnel assigned to the CalPERS account are:

- Julia Bonafede, CFA, President and Principal - 24 years of investment experience
- Andrew Junkin, CFA, CAIA, Managing Director and Principal – 19 years of investment experience
- Thomas Toth, CFA. Managing Director and Principal – 15 years of investment experience

C. ORGANIZATIONAL HIGHLIGHTS

Wilshire is headquartered in Portland, OR, with branches located in Pittsburgh, Denver, New Jersey, Chicago, London and Singapore. Wilshire is a privately held Subchapter S corporation that is 100% owned by its active key employees. In 2014, general pension investment consulting accounts for approximately 29% of the firm's total revenue on a percentage basis.