Investment Committee

California Public Employees' Retirement System

Agenda Item 5a

September 15, 2015

ITEM NAME: Contracts Administration: Real Estate Board Investment Consultant RFP Initiation

PROGRAM: Real Assets

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION
Approve the statement of Services to be Provided (Attachment 1), Evaluation Process (Attachment 2), Evaluation Sheet (Attachment 3), and the initiation of the Request for Proposal (RFP) process for the Real Estate Board Investment Consultant.

EXECUTIVE SUMMARY
Staff requests Investment Committee (Committee) approval to release RFP No. 2015 - 8014, Real Estate Board Investment Consultant Services, in order to procure a new contract for the Real Estate Board Investment Consultant for a term of up to five (5) years.

The Role of Private Asset Class Board Investment Consultants as described in the Total Fund Investment Policy (Attachment 4) has been provided as a reference.

STRATEGIC PLAN
This agenda item 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 primary role of the Real Estate Board Investment Consultant is to provide professional assistance regarding strategy and policy analysis, performance analysis and monitoring, and independent advisory services to the IC.

Pension Consulting Alliance, LLC (PCA) was selected as the first Real Estate Board Investment Consultant and has since remained in the position through successive RFPs and contract awards. The current contract with PCA commenced on April 1, 2012, and is scheduled to terminate on March 31, 2017. In order to select a Real Estate Board Investment Consultant, award and execute a new contract prior to this expiration date, staff will issue a RFP, subsequent to Committee approval of the attachments provided with this item.

ANALYSIS

Investment Office staff developed the RFP, specifically the Services to be Provided, to align with CalPERS Investment Beliefs, and to provide sufficient services to the Committee.

The Services to be Provided include:

- Strategy and Policy Analysis
- Performance Analysis and Monitoring
- Independent Advisor to the Committee
- Special Projects

Upon approval by the Committee, the RFP will be released in the fall of 2015. Upon receipt of the proposals, firms will be assessed against a robust Minimum Qualifications review. Firms that have satisfied the Minimum Qualifications will follow the process described in the Proposal Evaluation Process and advance to the Technical Proposal Evaluation phase, where staff will evaluate the proposals and may receive guidance and oversight from two members of the Investment Committee. Proposals that pass the Technical Proposal Evaluation will advance to the Fee Proposal Evaluation phase. Once staff scores the Fee Proposals, the Board will determine the finalists who will be interviewed by the Investment Committee.

The Investment Committee will conduct oral interviews of the finalists and score proposals as detailed in the Proposal Evaluation Process. At a subsequent Board meeting, the Board will award the contract to the candidate receiving the highest overall score, and the Notice of Award will be issued.

Staff anticipate a contract to be executed by August 2016, a total of 10 months from the point of the RFP release to full execution of the resulting contract.
Key activities and anticipated dates are as follows:

Date	Key Activity
October 2015	RFP release
November – March 2015	Staff evaluates and scores technical and fee proposals
April 2016	Staff presents finalists to the Investment Committee for consideration
May 2016	Committee conducts oral interview and selects finalist for contract award
June – July 2016	Contract negotiations and preparation
August 2016	Contract execution

BUDGET AND FISCAL IMPACTS

The current Real Estate Board Investment Consultant contract has a total contract cost of approximately $5.7 million.

The term of the contract resulting from this RFP, will be five years. As required by the CalPERS Board of Administration Contract Activity Reporting Policy, this RFP was reported to the Finance and Administration Committee.

BENEFITS/RISKS

Approving the initiation of the RFP for the Real Estate Board Investment Consultant will minimize any interruptions to the provision of critical consultant services as outlined in the Total Fund Investment Policy.

ATTACHMENTS

Attachment 1 – Services to be Provided
Attachment 2 – Evaluation Process
Attachment 3 – Evaluation Sheet
Attachment 4 – Total Fund Investment Policy Section X Role of Private Asset Class Board Investment Consultants

WYLIE TOLLETTE
Chief Operating Investment Officer

SERVICES TO BE PROVIDED

Subject to, and consistent with the final version of the Policy, and amendments or modifications, if any, as approved by the Investment Committee, the Consultant shall provide services as outlined below. In performing these services, the Consultant will, at all times, be subject to and comply with the California Public Employees' Retirement System Policy for the Role of Private Asset Class Board Investment Consultants, and all other relevant CalPERS Investment Policies, which can be found at www.calpers.ca.gov.

Role of Private Asset Class Board Investment Consultants Real Assets for investment transactions within staff's delegated authority, staff will analyze the transaction and make the investment decision. For investment transactions exceeding staff's delegated authority, staff will analyze the transaction and provide a recommendation to the Committee.

A. STRATEGY AND POLICY ANALYSIS

1. Review and opine on investment policies and delegations of authority;
2. Review and opine on strategic and annual plans;
3. Provide forecasts of asset class returns for total fund asset allocation purposes; and
4. Provide quarterly analysis of market developments, market conditions, and macro-level view of market opportunities to the Committee.

B. PERFORMANCE ANALYSIS AND MONITORING

1. Prepare quarterly investment performance reports and portfolio risk and attribution analysis; monitor and report on deviations from policy benchmark performance and long-term expected performance;
2. Provide guidance on performance measurement methodologies;
3. Review and opine annually on appropriateness of asset class benchmarks; and
4. Validate accuracy of Real Estate incentive fee calculations.

C. INDEPENDENT ADVISOR TO THE COMMITTEE

1. Provide opinion to the Committee on investments above Staff's delegation of authority;
2. Evaluate whether investment transactions comply with applicable Committee policy and, if applicable, Staff's delegation of authority and provide opinion regarding compliance;
3. Perform annual reviews of major asset class sub component programs and provide opinion on performance, risk, manager selection and monitoring processes, and on internal control process and staffing;

4. Perform annual review of the program and provide opinion on performance, risk, manager selection and monitoring processes, and on internal control processes and staffing;
5. Provide independent advice to the Committee on all aspects of the program and its implementation; and
6. Provide analysis and reports consistent with Policy, as directed by the Committee.

D. SPECIAL PROJECTS

As provided in the Policy, as a general rule, the Consultant shall not perform work for staff on special projects, and/or provide opinions to staff regarding specific investment transactions. However, in limited circumstances, the Consultant may be engaged to perform work for Staff on special projects, and/or to provide opinions to Staff regarding specific investment transactions, if the Consultant possesses unique knowledge or expertise that is not available through other providers. Such an engagement must be initiated by Staff and approved by the Committee prior to engagement.

E. INVESTMENT TRANSACTIONS – PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS – REAL ASSETS

1. Investment Transactions within Staff's delegated authority

   a. Investment transactions less than or equal to $50 million:

      (i) Staff will analyze the transaction and make the investment decision.

      (ii) An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant may provide a Prudent Person Opinion to Staff at the discretion of the Senior Investment Officer ("SIO").

      (iii) The Private Asset Class Board Investment Consultant may observe transaction discussions at the request of the SIO.

   b. Investment transactions that exceed $50 million:

      (i) Staff will analyze the transaction and make the investment decision.

      (ii) An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.

      (iii) The Private Asset Class Board Investment Consultant may observe transaction discussions at the request of the SIO.

c. Investment transactions exceeding Staff's delegated authority:

(i) Staff will analyze the transaction and provide a recommendation to the Committee.

(ii) An Investment Pool Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.

(iii) The Private Asset Class Board Investment Consultant will participate in transaction discussions.

(iv) The Private Asset Class Board Investment Consultant will provide an opinion on the transaction to the Committee.

2. Opinion Standard

The Private Asset Class Board Investment Consultant and the Investment Pool Consultants shall provide a Prudent Person Opinion on the merits of a transaction following a fiduciary standard of care.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REAL ESTATE BOARD INVESTMENT CONSULTANT SERVICES EVALUATION PROCESS

All Proposals received on or before the final filing date and time as specified in the Schedule of Events will be evaluated as outlined below. CalPERS may request clarifications from Proposers at any phase of the evaluation process for the purpose of clarifying ambiguities in the information presented in the Proposal. Section VIII, General Information, provides the detailed clarification process.

CalPERS, in the exercise of its exclusive discretion, may permit the Proposer to correct any error, omission, deviation, or other defect (see Section VIII, General Information). Alternatively, CalPERS may waive such error, omission, deviation, or other defect. However, such waiver shall in no way modify the RFP documents or excuse the Proposer from full compliance with the RFP requirements.

A. Preliminary Review

First, the Technical Proposal will be reviewed to determine completeness of required documentation and compliance with DVBE requirements, as prescribed in Sections V and VI. CalPERS staff will use the Required Attachments Certification Checklist, Attachment I, submitted by the Proposer to confirm receipt of all required documents. CalPERS may reject any or all Proposals that fail to meet these requirements.

B. Technical Proposal Evaluation

Upon satisfactory Preliminary Review, the Technical Proposal will be reviewed to determine Proposer's satisfaction of the Minimum Qualifications requirements. For Proposals that satisfy the Minimum Qualifications, the Technical Proposal will be evaluated by a team of CalPERS Staff (Evaluation Team). The Evaluation Team may receive guidance and oversight from up to two members of the CalPERS Board of Administration Investment Committee. The Proposer must satisfy the Minimum Qualification Requirements and pass the Technical Proposal Evaluation phase to advance to the Fee Proposal Evaluation phase.

The Evaluation Team will score the Technical Proposal with a maximum of 200 points. These points will be used only to determine whether the Proposal passes or fails the Technical Proposal Evaluation phase and will not be included in the Total Score, as defined in Section E, Finalist Interviews, below.

Proposers that satisfy Minimum Qualification requirements and receive a score of 140 points or more will “pass” the Technical Proposal Evaluation phase and advance to the Fee Proposal evaluation phase.

C. Fee Proposal Evaluation

Proposers that continue in the evaluation process will have their Fee Proposal opened. The Proposal with the lowest total fee will receive the maximum score of 300 points. All other Fee Proposals will be rated proportionately as follows:

$$\frac{\text{Lowest Annual Fee Proposal}}{\text{Proposer's Annual Fee Proposal}} \times 300 = \text{Proposer's Fee Proposal}$$

The Fee Proposal points will be factored into the Total Score as set forth in Section E, Finalist Interviews (below).

D. Finalists

From the Proposers who pass the Technical Proposal Evaluation, the CalPERS Board of Administration Investment Committee will select the Finalists who will appear before the CalPERS Board of Administration Investment Committee for an oral interview.

One or more team members will conduct background and reference checks of each Finalist. This information will be rated as satisfactory or unsatisfactory as prescribed on the Proposal Evaluation Sheet, Exhibit 2.

E. Finalists Interviews

Each Finalist rated as satisfactory in all categories of the background and reference checks will be required to appear for an oral interview with the CalPERS Board of Administration Risk and Audit Committee at a time and place to be announced. Finalists will be notified in advance of the specific date, time, and format for the interview. Interviews are to be webcast, Finalists will be required to sign the CalPERS Full Board of Administration Interview Form, agreeing they will not watch any of the other Finalists’ interviews. **A Proposer found in violation of this agreement may cause the proposal to be rejected**. The interview shall include participation by all key professionals who will exercise a significant administrative, policy, or consulting role under the contract and will be evaluated using a consensus scoring methodology. The CalPERS Board of Administration Investment Committee will determine a score as a group for each Finalist, and motion the Interview Score, with a maximum of 700 points.

Each Proposer's Interview Score will be combined with the Fee Proposal Score and any applicable Preference and/or Incentive points for a total score (Total Score). Proposals will be ranked according to their Total Score from highest to lowest.

F. Applicable Preference and/or Incentive Points

Preference and/or Incentive Points may be awarded to Proposers based on the applicable requirements and if all required documentation was submitted with the Proposal. The Preference and/or Incentive Points will be in addition to the maximum available points of 1,000, thus, it is possible for a Proposer's final Proposal score (including the applicable Preference and/or Incentive points) to exceed the maximum available points. However, the Preference and Incentive points may not be used to help a Proposer satisfy a minimum point requirement.

1. Small Business Preference

   A five percent (5%) bid preference is available to certified Small Businesses or non-small businesses claiming California-certified small business/microbusiness subcontractor participation for at least twenty-five percent (25%) of its bid. If applicable, based on the preference requirements, a preference of five percent (5%) of the total overall points awarded to the highest scored non-small business proposer will be added to the responsive and responsible Proposer's score.

2. Target Area Contract Preference Act

   If Proposer has submitted a completed a Target Area Contract Preference Act (TACPA) Request form (STD. 830) with its Proposal, and all requirements are met, a preference of five percent (5%) of the maximum points available for this RFP will be added to the responsive and responsible Proposer's score.

3. Disabled Veteran Business Enterprise (DVBE) Incentive

   If Proposer has submitted information on or with Attachment G regarding the DVBE Program Incentive, the applicable DVBE Incentive points (based on the confirmed DVBE participation percentage as provided in the table below) will be added to the responsive and responsible Proposer's score. (See Exhibit 2, Proposal Evaluation Sheet.)

   Final determination of a Proposer's DVBE participation and applicable incentive points shall be at the sole discretion of CalPERS.

Confirmed DVBE Participation of:	DVBE Incentive (percentage of maximum points available)	DVBE Incentive Points (based on 1000 maximum points available)
5% or Over	5%	50
4% to 4.99%	4%	40
3.01% to 3.99%	3%	30

G. Tie Breaker

In case of a tie for two (2) or more Proposers, final scores will be rounded to the nearest one-hundredth decimal.

H. Award of Contract

1. The Contract award, if any, will be made to the responsive and responsible Finalist having the highest total score, but it is subject to final contract negotiations and satisfaction of all requirements. Should negotiations not be successful with the selected Finalist, CalPERS may, based on its exclusive discretion, negotiate with the Proposer having the next highest total score.

2. Notice of CalPERS intent to award to the selected Proposer will be posted in CalPERS Contracts Management Section and at www.calpers.ca.gov for five (5) State business days before the award of contract is made.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
REAL ESTATE BOARD INVESTMENT CONSULTANT SERVICES

PROPOSAL EVALUATION SHEET

Firm's Name ______________________________

I. MINIMUM QUALIFICATIONS

Minimum Qualifications satisfied? Yes ☐ No ☐

II. TECHNICAL PROPOSAL*

Technical Proposal Evaluation Pass ☐ Fail ☐

*Minimum score of 140 points required to pass. This numerical score is used only to determine the threshold for passing the Technical Evaluation phase. These points do not carry-over, and are not factored into the Proposer's final score. Proposers must pass Technical Proposal Evaluation in order to advance to Fee Proposal Evaluation.

III. FEE PROPOSAL	Maximum Points	Proposer's Points
Fee Proposal Evaluation	300	______

IV. BACKGROUND AND REFERENCE CHECKS

Background and Reference checks satisfactory? Yes ☐ No ☐

V. INVESTMENT COMMITTEE INTERVIEWS	Maximum Points	Proposer's Points
Investment Committee Interviews	700	______

TOTAL POINTS	Maximum Points	Proposer's Points
Fee Proposal Points	300	______
Investment Committee Interview Points	700	______
Preference/Incentive Points (if applicable)		______
TOTAL POINTS	1,000	______

California Public Employees' Retirement System

Total Fund Investment Policy Sections

X. Role of Private Asset Class Board Investment Consultants

Purpose

The Policy defines the roles of the ***Private Asset Class Board Investment Consultants***.

Private Asset Class Board Investment Consultant responsibilities are detailed in Appendix 2, Investment Responsibilities.

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Total Fund Investment Policy Appendices

Appendix 1
Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee by:

- Investment Office Staff
- ***General Pension Consultant***
- Private Asset Class Board Investment Consultants

Investment Office Staff			
Program	**Responsible Party**	**Report Content**	**Frequency**
Total Fund	All Programs	Staff shall report concerns, problems, material changes and all violations to the policy in writing. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	No less than Annually or more frequently if needed
Investment Beliefs	All Programs	Staff shall report investment program strategy and its consistency with the Investment Beliefs.	No less than annually
Asset Allocation	Asset Allocation	Staff shall report asset class allocations relative to their targets and ranges, as well as investment performance results of each asset class and benchmark returns. Allocations may temporarily deviate from policy ranges due to extreme market volatility and will be reported.	Monthly
		Staff shall report program allocations, returns, risks, and activity.	No less than annually
		Staff shall report a comprehensive Asset Allocation Strategy analysis coincident with the review of actuarial methods and assumptions to be presented for review and approval of policy target asset class allocations and ranges.	Every 4 years
		Staff shall present a market valuation-based analysis at the midpoint of the 4-year review cycle, or as needed in response to market conditions or changes impacting the capital market assumptions.	At midpoint of 4-year cycle or as needed
Benchmarks	Asset Allocation	Staff shall report any benchmark changes.	No less than annually

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Investment Office Staff (continued)			
Program	**Responsible Party**	**Report Content**	**Frequency**
Risk Management	Risk Management	Staff shall report CalPERS investment risks and associated returns.	No less than annually
		Staff shall provide input and consulting on the design of risk reports used to measure and monitor risk. Reports should reflect the key risks identified as part of the overall risk framework.	No less than annually
		Volatility – Staff will report on both forecasted total risk and tracking error, measured as one standard deviation for the next year. These measures will be reported for each asset class and the total Fund. In addition, staff will document the accuracy of risk forecasts for the Total Fund. Staff will accomplish this by presenting the history of monthly forecast and realized risk for both total risk and tracking error.	No less than annually
		Leverage – Staff will provide a report of recourse debt, non-recourse debt and notional leverage by asset class and the total Fund. The report will also include capital commitments for the illiquid asset classes.	No less than annually
		Currency Risk – Staff will provide a report summarizing both actual portfolio and benchmark currency exposures of the Total Fund.	No less than annually
		Counterparty Risk – Staff will report on counterparty exposure, summarizing net amounts owed to or due from CalPERS investment counterparties. The report will include credit default swap spreads and credit ratings for use in determining when exposure to individual counterparties is to be limited.	No less than annually
		Concentration Risk – Staff will aggregate exposures across asset classes to create measures of concentration including industries, countries, and security issuer. This information will be presented for both the total fund portfolio and policy benchmark.	No less than annually
		Stress Testing –Staff will be responsible for the specification of stress test and provide a periodic report which estimates the potential loss of market value to the total Fund portfolio if certain economic events or historical scenarios were to occur.	No less than annually
		Liquidity Risk – During times of market stress, staff will report on the risk that assets cannot trade at or near the previous market price because of inadequate trading volume for particular instruments. Liquidity risk may also be evaluated based on capital commitments and debt restructuring requirements.	No less than annually
		Scenario Analysis – Staff will review the impact on total risk and tracking error of proposed new strategies or shifts in existing investments. The risk analysis will be performed at the asset class and Total Fund levels.	No less than annually

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Investment Office Staff (continued)			
Program	**Responsible Party**	**Report Content**	**Frequency**
Leverage	Asset Allocation / Risk Mgmt Unit	Staff shall report recent estimates by asset class on recourse debt, non-recourse debt, and notional leverage. Leverage for the Currency, Credit Enhancement, and Securities Lending Programs shall be reported separately from asset class leverage.	No less than annually
		Staff shall report the amount of debt previously classified as recourse that CalPERS paid in the prior year.	No less than annually
Divestment	Global Governance	Staff shall review and report the results of the divestment process (divestment decisions) along with providing appropriate recommendations to the Committee.	No less than annually
Opportunistic	All Programs	Staff shall report on program investments, returns, risks, and activity.	No less than annually
Plan Level & Asset Class Transition Portfolios	Investment Servicing Division	Staff shall report on the usage of the Transition Portfolios.	No less than annually
Targeted Investments Program	Targeted Investments Program	Document CalPERS total fund investment presence in California via a comprehensive examination of CalPERS California-based investments across asset classes and the resulting ancillary benefits from these investments. The report will assess local jobs created or supported, investments in communities of interest such as low- to moderate-income communities, areas with high unemployment, and rural communities, and the broader economic impacts resulting from CalPERS investments statewide.	Annually
Terminated Agency Pool	Asset Allocation	Staff shall report the current market value of assets and an analysis of the adequacy of the current Program allocation to meet the forecasted Program liabilities.	No less than annually
		Staff shall provide a comprehensive asset allocation analysis at least once every 4 years or sooner if there is a significant change of funded status.	At least once every 4 years

General Pension Consultant		
Program	**Report Content**	**Frequency**
Total Fund	Consultant shall report on the effectiveness of the Risk Management and Asset Allocation Programs, as well as use of Benchmarks relative to the policy.	No less than annually
Global Derivatives & Counterparty Risk	Consultant shall report the performance of portfolios to ensure that any derivative use does not have a long-term harmful effect on the portfolio.	No less than annually
Opportunistic	Consultant shall report the performance of the program.	No less than annually

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Private Asset Class Board Investment Consultants		
Program	**Report Content**	**Frequency**
Private Asset Classes	Review and provide an opinion letter to the committee on investment policies and delegations of authority.	As needed
	Review and provide an opinion letter to the Committee on strategic and annual plans.	As needed
	Provide a report to the Committee on forecasts of asset class returns for total fund asset allocation purposes.	No less than annually
	Provide a report to the Committee that includes an analysis of market developments, market conditions, and macro level view of market opportunities.	No less than annually
	Provide a report to the Committee regarding investment performance and portfolio risk and attribution analysis; monitor and report on deviations from policy benchmark performance and long-term expected performance.	No less than annually
	Review and provide an opinion letter to the Committee on appropriateness of asset class benchmarks	No less than annually
	Provide an opinion letter to the Committee on investments above staff's delegation of authority.	As needed
	Perform annual review of major asset class sub-component programs and provide an opinion letter to the Committee on performance, risk, manager selection and monitoring processes, and on internal control processes and staffing.	No less than annually
	Perform annual review of the program and provide an opinion letter to the Committee on performance, risk, manager selection and monitoring processes, and on internal control processes and staffing.	No less than annually

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Appendix 2
Investment Responsibilities

The following tables provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- Actuarial Office Staff
- General Pension Consultant
- Private Asset Class Board Investment Consultants
- External Manager

Investment Committee		
Program	**Responsible Party**	**Responsibility**
Total Fund	Investment Committee	Approve adoption of and oversee compliance with Investment Policies designed to achieve CalPERS strategic objectives.
		Review policy recommendations made by Staff.
		Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class, expressed as a percentage of total assets.
		Set Total Fund policy benchmarks.

Investment Office Staff		
Program	**Responsible Party**	**Responsibility**
Total Fund	All Programs	Periodically review the policies and make recommendations to the Committee regarding new policy development, policy revisions, repeals, and any other aspect that the Staff considers pertinent.
		Engage with other asset class Staff, consultants, and other pertinent parties to seek advice and counsel regarding investment strategy and investment results.
		Develop and maintain up-to-date procedures for the use and compliance with policies.
		Implement and adhere to all policies.
		All aspects of program portfolio management, including investment transactions, use of leverage, and monitoring, analyzing, and evaluating performance relative to the appropriate benchmark.
		Manage CalPERS asset class allocations within policy ranges approved by the Committee, in accordance with policy guidelines.
		Modify benchmarks as applicable.
Investment Beliefs	Asset Allocation	Facilitate a periodic review of the Investment Beliefs in conjunction with the Strategic Asset Allocation process.
Asset Allocation	Asset Allocation	Provide recommendations to the Committee concerning the identification of asset classes and selection of asset class benchmarks and policy targets and ranges based on periodic asset liability management (ALM) review.
		Determine adjustments in asset class allocations, and direct rebalancing account activity and fund transfers across asset classes.
		For program tracking errors and CalPERS total fund tracking errors, staff will evaluate forecast values against subsequent realized values over rolling 3 year periods.

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Investment Office Staff (continued)		
Program	**Responsible Party**	**Responsibility**
Risk Management	Risk Management	Select, maintain and enhance the risk management tools used by the program to provide analyses that inform and support the investment actions of the entire CalPERS Investment Staff.
		Provide consulting to Investment Office Capital Allocation and Risk Governance Committees regarding investments being contemplated, current investment risks and the attribution of risk and return.
		Provide consulting on the development of Investment Office Policies, Procedures and Guidelines with respect to the measurement, assessment and management of risk.
		Provide consulting on the design of processes and reports used to measure and monitor risk.
Global Derivatives & Counterparty Risk	Risk Management	Monitor the implementation of and compliance with the policy including due diligence and oversight of derivatives activities by External Managers, Limited Liability Entities, or Registered/Commingled Fund vehicles.
		Monitor and evaluate the use of derivatives and counterparty risk exposures across CalPERS to ensure the appropriate investment risk controls are in place.
	Risk Management /Asset Class Staff	Exercise thorough due diligence in assessing the scope of each Limited Liability Entity or Registered/Commingled Fund Manager's use of derivatives, their purpose, experience of the fund Manager's staff in managing these positions, inherent leverage and the Manager's systems, controls and operations in determining appropriateness of these entities for CalPERS investment.
		Evaluate periodically (no less than annually) for any changes in the use of derivatives at each Limited Liability Entity or Registered/Commingled Fund to reaffirm the appropriateness of these investments at inception.
Opportunistic	CIO & SIOs	Determine clear assignment of investment management responsibility for each program asset.
	CIO	Pre-approve all terms of any transfer of assets between a program account and another CalPERS account.
Plan Level & Asset Class Transition Portfolios	Investment Servicing Division	Maintain control of the movement of cash and securities at the CalPERS Custodian.
Role of Private Asset Class Board Investment Consultants	Private Equity and Real Assets	For investment transactions within staff's delegated authority, staff will analyze the transaction and make the investment decision.
		For investment transactions exceeding staff's delegated authority, staff will analyze the transaction and provide a recommendation to the Committee.
Custody Management	Investment Servicing Division	Notify Custodian in writing of the appointment, suspension, or termination of any investment manager.
		Develop and recommend to the Committee the criteria and methodology of Custodian selection, consistent with CalPERS enterprise-wide competitive solicitation and contracting procedures.
		Ensure that all original investment documents including deeds, titles, partnerships, and insurance contracts are safeguarded in accordance with CalPERS enterprise-wide Business Continuity Plan.
Terminated Agency Pool	Asset Allocation	Ensure that program rebalancing and restructuring is performed efficiently and prudently on an annual basis.
		Re-evaluate the asset allocation every 4 years or as needed if a significant change occurs in assets and liabilities as a result of the addition of a new terminated agency.
		Create an internally managed account to hold the assets of the program.

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Actuarial Office Staff		
Program	**Responsible Party**	**Responsibility**
Terminated Agency Pool	Actuarial Staff	Provide a forecast of liabilities.
		Recalculating pool liabilities when new agencies are added to the program.

General Pension Consultant		
Program	**Responsible Party**	**Responsibility**
Total Fund	General Pension Consultant	Provide independent review, analysis, and recommendations regarding the development and revision of policies to ensure overall consistency, use of best practices, a system-wide approach, and implementation of CalPERS policies.
Benchmarks	General Pension Consultant	Monitor and evaluate the appropriate use of benchmarks performance of the Total Fund and Programs relative to the policy.
		Review and recommend approval of all requests for benchmark replacements and modifications that impact the CalPERS Policy benchmarks.

Private Asset Class Board Investment Consultants (PACBIC)					
Program	**Transaction Type/Size**	**Independent Due Diligence Report (not PACBIC)**	***Prudent Person Opinion*** **(not PACBIC)**	**PACBIC Transaction Role**	**Opinion to the Board**
Private Equity	Fund Investments	SIO discretion	N/A	SIO discretion	N/A
	Co-Investment	SIO discretion	N/A	SIO discretion	N/A
	Customized Investment Accounts that invest alongside other similarly structured funds in the same investments	SIO discretion	N/A	SIO discretion	N/A
	Customized Investment Accounts with an individual mandate that does not invest alongside other similarly structured funds in the same investments or a Direct Investment	N/A	Required	SIO discretion	N/A
	>Staff Delegated Authority	N/A	Required	Required	Required
Real Assets	≤ $50 million	N/A	SIO discretion	SIO discretion	N/A
	>$50 Million	N/A	Required	SIO discretion	N/A
	>Staff Delegated Authority	N/A	Required	Required	Required

1. Except as noted below, the PACBIC shall not:
    a. Manage assets for CalPERS
    b. Perform work for Staff on special projects
    c. Provide opinions to Staff regarding specific investment transactions
2. In limited circumstances, the PACBIC may be engaged for roles enumerated above if the PACBIC possesses unique knowledge or expertise that is not available through other providers. Such an arrangement must be approved by the Committee prior to engagement. In situations where adequate time is not available to request Committee approval, staff may request approval from the Chair of the Committee. Upon approval of the request, staff will notify the other Committee members.

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External Manager		
Program	**Responsible Party**	**Responsibility**
Global Derivatives & Counterparty Risk	External Manager	Operate under Investment Management Agreements (IMAs).
		Communicate with Staff as needed regarding investment strategy and investment results.
		Cooperate fully with CalPERS Staff, Custodian, and General Pension Consultant concerning requests for information.