



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

Elisabeth Bourqui
Chief Operating Investment Officer

Eric Baggesen
Interim Chief Investment Officer



**Attachment 1
Investment Board Consultants**

Schedule of Events

Events	Anticipated Date of Event
RFP Release Date	January 15, 2019
Deadline to Submit Written Questions	January 29, 2019, at 3:00 p.m., Pacific Time
Post Response to Written Questions	February 12, 2019
Final Filing Date	March 5, 2019 at 3:00 p.m., Pacific Time
Preliminary Review by staff and Board *	March 5 – 8, 2019
Evaluation of Proposals by staff and Board *	March 11, 2019 – April 5, 2019
Finalists Selected and presented during Board session *	May 2019
Finalists Interviews *	June 2019
Post Notice of Intent to Award *	June 2019
CalPERS Anticipated Contract Negotiations*	July 2019 – February 2020

*All dates after the Final Filing Date are tentative and subject to change by issuance of a CalPERS eBusiness Alert.



Attachment 2

General Pension Board Consulting Scope of Services – (Not applicable for Private Asset Class services):

General Services

1. Review and provide written opinions as an independent fiduciary on reports prepared by CalPERS staff (Staff), as requested by the CalPERS Board of Administration Investment Committee (Board).
2. Provide opinions on matters relevant to the prudent and optimal management of the System as requested by the Board.
3. Identify and create a peer benchmark for the Public Employees' Retirement Fund (Total Fund). The benchmark for the Total Fund will hereafter be referred to as the CalPERS Peer Universe.
4. Identify and create a peer benchmark for each component of the Affiliate Trusts in components where a peer exists. The benchmarks for Affiliate Trusts will hereafter be referred to as the Affiliates Peer Universe.
5. Provide review and analysis for the Total Fund relative to the CalPERS Peer Universe.
6. Provide review and analysis for each component of the Affiliate Trusts relative to the appropriate Affiliates Peer Universe, as requested by the Board.
7. Attend all CalPERS Board of Administration Investment Committee (IC) meetings.
8. Attend CalPERS Board Committees and other sub-committee meetings, as requested by the Board.
9. Provide research, detailed market analysis and trends, and advice on specific Investment topics, as requested by the Board.
10. Inform the Board of any market conditions that arise which could potentially create undue risk to the System and any component of the System.

Asset Allocation

1. Serve as the lead investment consultant in the periodic Asset Liability Management (ALM) review by providing the following services:
 - a. Coordinate with the Board's private-asset consultants to define the market opportunity set and asset classes relevant to CalPERS.
 - b. Coordinate with the Board's private-asset consultants to form an assessment and perspective regarding the benchmarks used for the various asset classes.
 - c. Coordinate with the Board's private-asset consultants to establish capital market assumptions for the opportunity set used in the modeling process.
 - d. Development of estimates and forecasts used in the modeling process.

2. Provide guidance to the board by providing the following services:
 - a. Provide guidance to the Board on the benefits and risk of using a risk factor based asset allocation approach versus a traditional asset class based asset allocation approach,
 - b. Provide guidance to the Board on the issues, costs, benefits and risks of illiquid asset classes versus more liquid asset classes,
 - c. Provide guidance to the Board on the issues, costs, benefits and risks of private versus public asset classes, and knowledge around public market alternatives to private asset classes, and
 - d. Provide guidance to the Board on alternative benchmarks.
 - e. Participate in the presentation and dialog during ALM workshop sessions with the Board, or the designated subcommittee of the Board.
 - f. Provide an opinion on Board decisions relative to ALM, to include whether decisions were based on reasonable estimates and assumptions and developed by processes comporting with best business practices.
 - g. Develop analytic frameworks and communication materials.

Affiliate Trusts

1. Participate in discussions on ALM for the Affiliate Trusts,
2. Review and provide feedback on ALM plan developed by Staff, and review and provide an opinion on Investment Committee agenda items for ALM.

Risk Management

1. Review and provide opinions to the Board on the risk characteristics and the risk profile of the Total Fund, including analysis relative to the CalPERS Peer Universe.
2. Review and provide opinions to the Board on the risk characteristics and the risk profile of each of the Affiliate Trusts, as appropriate, including analysis relative to the appropriate Affiliate Peer Universe.

Performance

1. Review and approve all requests for benchmark replacements and modifications.
2. Review and provide an opinion on the Total Fund Policy Benchmark, as defined in Policy and components of the Total Fund Policy benchmark, as requested by the Board.
3. Review and provide written opinions of custom benchmarks, as requested by the Board.
4. Report on the investment performance of the Total Fund and provide an analysis of CalPERS investment performance compared to CalPERS Peer Universe. The analysis should include recommendations and justifications for recommendations, on any issues in the analysis that would hinder the Board's ability to meet CalPERS long-term investment objectives.
5. Report on the investment performance of the Affiliate Trusts and provide an analysis of CalPERS investment performance compared to the Affiliates Peer Universe. The analysis should include recommendations and justifications for recommendations, on any issues in

the analysis that would hinder the Board's ability to meet CalPERS long-term investment objectives.

6. Prepare a one (1) page annual report on the investment performance for the CalPERS Comprehensive Annual Financial Report (CAFR).
7. Analyze for reasonableness, the benchmarks, measurements and appropriateness of all factors within Staff performance plans, compared to industry peers.
8. Validate year-end, quantitative measurements on Staff performance plans.

Investment Policy Review

1. Monitor and review how Staff is adhering to the Policies.
2. Review, analyze, and provide an independent recommendation on Investment Policies, Investment Policy and Procedures Guidelines (IPPG's), as proposed by Staff, outside advisors, or specialty consultants. The review and recommendation should ensure that the Policies:
 - a. Meet industry standards,
 - b. Are consistent with other Policies,
 - c. Use best practices,
 - d. Align with CalPERS Investment Beliefs,
 - e. Reflect the Board's accepted risk tolerance, and
 - f. Assist the Board in meeting the long-term investment objectives of CalPERS.
3. Provide written recommendations for amendments and/or modifications to any Policy, Including IPPGs related to the policy, and provide detailed justification for recommendations.
4. Prepare and present reports and recommendations for reviewing and updating Policy criteria and objectives which include strategies for public and private asset classes/programs.

External Manager Review

1. Review and provide an opinion on the process used to identify and source external managers, as requested by the Board.
2. Provide advice to the Board on questions or issues that arise in the course of administering the external manager programs on strategic issues related to structure, policy, and benchmarks.
3. Review and opine on investment management fees and related expenses, as requested by the Board.

Investment Office Program Review

1. Benchmark the internal programs against industry standards, best practices, and if applicable, the appropriate component of CalPERS Peer Universe or Affiliates Peer Universe. Provide a written report to the Board.
2. Provide periodic written program reviews, as requested by the Board.
3. Review and provide comment on asset class program reviews and agenda items, as requested. Provide a written report to the Board.

Ongoing Education

1. Provide Board and Staff, as appropriate, with educational sessions including but not limited to:
 - a. Investment topics pertinent to prudently managing the system, and
 - b. Current investment topics and capital market trends.

Private Assets Scope of Services – Private Equity (PE)

General Services

1. Common Duties
 - a) Maintain a total fund perspective when performing the services of this contract.
 - b) Provide input on the PE asset class component of the CalPERS investment portfolio as requested by the Committee.
 - c) Attend the meetings of the Investment Committee, other board committees, sub-committees as requested by the board.
 - d) Research and make recommendations for use of potential and innovative investment strategies and securities.
2. Research and Analysis
 - a) Prepare comprehensive analysis and provide advice on specific Investment issues as requested by the Committee.
 - b) Prepare and present analysis on current issues as they may pertain the CalPERS' investment portfolio.
3. Investment Training
 - a) Provide training to the Committee on investment topics covered under this Agreement.
 - b) Conduct workshops on specific issues designated by the Committee.
4. Additional Duties or Activities

Other duties or activities as may be required consistent with and contemplated by the Foregoing.

Asset Allocation

1. Participate in the periodic Asset Liability Management (ALM) review by providing the following services:
 - a. Support the General Pension Consultant's work to define the market opportunity set and asset classes relevant to CalPERS, provide perspective regarding the benchmark used for PE, and provide perspective on capital market assumptions used in the ALM modeling process.

Risk Management

- a. Review and provide opinions to the Board on the risk characteristics and the risk profile of the PE program, including analysis relative to Peers.

Performance

1. Review and provide written opinions of custom PE benchmarks, as requested by the Board.
2. Report on the investment performance of the PE program and provide an analysis of CalPERS investment performance compared to CalPERS Peer Universe. The analysis should include recommendations and justifications for recommendations, on any issues in the analysis that would hinder the Board's ability to meet CalPERS long-term investment objectives.

3. Analyze for reasonableness, the benchmarks, measurements and appropriateness of all factors within PE program Staff performance plans, compared to industry peers.
4. Validate year-end, quantitative measurements on PE program Staff performance plans.
5. Assist the Committee in establishing appropriate performance benchmarks for PE in the context of the total CalPERS fund.
6. Using the Performance reports produced by the CalPERS Master Custodian, prepare and present a semi-annual evaluation report on the performance of CalPERS' PE program including a comparison with the performance of other peer organizations.
7. Provide CalPERS with semi-annual performance analysis on how the attribution of the PE program versus the Total Fund.
8. Provide CalPERS with semi-annual performance reports of theoretical portfolios, i.e., market indices, benchmarks, and composite total fund portfolio.
9. Present report identified above semi-annually to the Investment Committee of the Board.
10. Advise the CalPERS Compensation Committee investment incentive measures and objectives for the PE team members.

Investment Policy Review

1. Monitor and review how Staff is adhering to the PE program Policy.
2. Review, analyze, and provide an independent recommendation on PE Program Investment Policies, Investment Policy and Procedures Guidelines (IPPG), as proposed by Staff, outside advisors, or specialty consultants. The review and recommendation should ensure that the Policies:
 - a. Meet industry standards,
 - b. Are consistent with other Policies,
 - c. Use best practices,
 - d. Align with CalPERS Investment Beliefs,
 - e. Reflect the Board's accepted risk tolerance, and
 - f. Assist the Board in meeting the long-term investment objectives of CalPERS.
3. Provide written recommendations for amendments and/or modifications to any Policy, Including IPPGs related to the policy, and provide detailed justification for recommendations.
4. Prepare and present reports and recommendations for reviewing and updating Policy criteria and objectives which include strategies for public and private asset classes/programs.

5. Contractor shall provide a review of the CalPERS PE investment policy, portfolio mix/asset allocation, and investment strategy relative to changes in the capital markets.

External Manager Review

1. Review and provide an opinion on the process used to identify and source external managers, as requested by the Board.
2. Provide advice to the Board on questions or issues that arise in the course of administering the external manager programs on strategic issues related to structure, policy, and benchmarks.
3. Review and opine on investment management fees and related expenses, as requested by the Board.

Backup to the General Board Consulting Pension Services

If directed by the Board the contractor shall provide consulting services in connection with the above-noted contract and engagement as follows:

1. Maintain general availability to meet the needs of the CalPERS Board of Administration Investment Committee (Committee) and staff, including but not limited to, attending regular Committee meetings, and meetings with the Committee chair and/or vice-chair to discuss and prepare for Committee meetings.
2. Provide written second opinions to those issued by the general pension consultant as requested by the Committee.
3. Provide Independent analyses and recommendations on asset allocation strategies, Investment policies, Investment Office programs. Industry trends and views, general Investment portfolio management, asset and sector performance and attribution assignments, and Investment risk assessment, or other analyses, as requested by the Committee.
4. Provide other consulting services which may include recommendations, opinions and/or advice on an Issue relevant to the prudent management of the System, as requested by the Board.
5. Prepare for attend and participate in Committee workshops as requested by the Committee for the Asset Allocation and Liability Workshop, assist in the development of assumptions, review and comment on materials, and participate in all pre-meetings.

Private Assets Scope of Services – Real Assets (RA)

General Services

1. Common Duties
 - a) Maintain a total fund perspective when performing the services of this contract.
 - b) Provide input on the PE asset class component of the CalPERS investment portfolio as requested by the Committee.
 - c) Attend the meetings of the Investment Committee, other board committees, sub-committees as requested by the board.
 - d) Research and make recommendations for use of potential and innovative investment strategies and securities.
2. Research and Analysis
 - a) Prepare comprehensive analysis and provide advice on specific Investment issues as requested by the Committee.
 - b) Prepare and present analysis on current issues as they may pertain the CalPERS' investment portfolio.
3. Investment Training
 - a) Provide training to the Committee on investment topics covered under this Agreement.
 - b) Conduct workshops on specific issues designated by the Committee.
4. Additional Duties or Activities
Other duties or activities as may be required consistent with and contemplated by the foregoing.

Asset Allocation

1. Participate in the periodic Asset Liability Management (ALM) review by providing the following services:
 - a. Support the General Pension consultant's work to define the market opportunity set and asset classes relevant to CalPERS, provide perspective regarding the benchmark used for PE, and provide perspective on capital market assumptions used in the ALM modeling process.

Risk Management

1. Review and provide opinions to the Board on the risk characteristics and the risk profile of the RA program, including analysis relative to the Peers.

Performance

1. Review and provide written opinions of custom RA benchmarks, as requested by the Board.
2. Report on the investment performance of the RA program and provide an analysis of CalPERS investment performance compared to CalPERS Peer Universe. The analysis should include recommendations and justifications for recommendations, on any issues

in the analysis that would hinder the Board's ability to meet CalPERS long-term investment objectives.

3. Analyze for reasonableness, the benchmarks, measurements and appropriateness of all factors within RA program Staff performance plans, compared to industry peers.
4. Validate year-end, quantitative measurements on RA program Staff performance plans.
5. Assist the Committee in establishing appropriate performance benchmarks for RA in the context of the total CalPERS fund.
6. Using the Performance reports produced by the CalPERS Master Custodian, prepare and present a semi-annual evaluation report on the performance of CalPERS' RA program including a comparison with the performance of other peer organizations.
7. Provide CalPERS with semi-annual performance analysis on how the attribution of the RA program versus the Total Fund.
8. Provide CalPERS with semi-annual performance reports of theoretical portfolios, i.e., market indices, benchmarks, and composite total fund portfolio.
9. Present report identified above semi-annually to the Investment Committee of the Board.
10. Advise the CalPERS Compensation Committee investment incentive measures and objectives for the RA team members.

Investment Policy Review

1. Monitor and review how Staff is adhering to the RA program Policy.
2. Review, analyze, and provide an independent recommendation on RA Program Investment Policies, Investment Policy and Procedures Guidelines (IPPG), as proposed by Staff, outside advisors, or specialty consultants. The review and recommendation should ensure that the Policies:
 - a. Meet industry standards,
 - b. Are consistent with other Policies,
 - c. Use best practices,
 - d. Align with CalPERS Investment Beliefs,
 - e. Reflect the Board's accepted risk tolerance, and
 - f. Assist the Board in meeting the long-term investment objectives of CalPERS.
3. Provide written recommendations for amendments and/or modifications to any Policy, Including IPPGs related to the policy, and provide detailed justification for recommendations.

4. Prepare and present reports and recommendations for reviewing and updating Policy criteria and objectives which include strategies for public and private asset classes/programs.
5. Contractor shall provide a review of the CalPERS RA investment policy, portfolio mix/asset allocation, and investment strategy relative to changes in the capital markets.

External Manager Review

1. Review and provide an opinion on the process used to identify and source external managers, as requested by the Board.
2. Provide advice to the Board on questions or issues that arise in the course of administering the external manager programs on strategic issues related to structure, policy, and benchmarks.
3. Review and opine on investment management fees and related expenses, as requested by the Board.

Backup to the General Board Consulting Pension Services

If directed by the Board the contractor shall provide consulting services in connection with the above-noted contract and engagement as follows:

1. Maintain general availability to meet the needs of the CalPERS Board of Administration Investment Committee (Committee) and staff, including but not limited to, attending regular Committee meetings, and meetings with the Committee chair and/or vice-chair to discuss and prepare for Committee meetings
2. Provide written second opinions to those issued by the general pension consultant as requested by the Committee.
3. Provide Independent analyses and recommendations on asset allocation strategies, Investment policies, Investment Office programs. Industry trends and views, general Investment portfolio management, asset and sector performance and attribution assignments, and Investment risk assessment, or other analyses, as requested by the Committee.
4. Provide other consulting services which may include recommendations, opinions and/or advice on an Issue relevant to the prudent management of the System, as requested by the Board.
5. Prepare for attend and participate in Committee workshops as requested by the Committee for the Asset Allocation and Liability Workshop, assist in the development of assumptions, review and comment on materials, and participate in all pre-meetings.

Private Assets Scope of Services – Infrastructure Program

General Services

1. Common Duties
 - a) Maintain a total fund perspective when performing the services of this contract.
 - b) Provide input on the PE asset class component of the CalPERS investment portfolio as requested by the Committee.
 - c) Attend the meetings of the Investment Committee, other board committees, sub-committees as requested by the board.
 - d) Research and make recommendations for use of potential and innovative investment strategies and securities.
2. Research and Analysis
 - a) Prepare comprehensive analysis and provide advice on specific Investment issues as requested by the Committee.
 - b) Prepare and present analysis on current issues as they may pertain the CalPERS' investment portfolio.
3. Investment Training
 - a) Provide training to the Committee on investment topics covered under this Agreement.
 - b) Conduct workshops on specific issues designated by the Committee.
4. Additional Duties or Activities
Other duties or activities as may be required consistent with and contemplated by the Foregoing.

Asset Allocation

1. Participate in the periodic Asset Liability Management (ALM) review by providing the following services:
 - a. Support the General Pension Consultant's work to define the market opportunity set and asset classes relevant to CalPERS, provide perspective regarding the benchmark used for PE, and provide perspective on capital market assumptions used in the ALM modeling process

Risk Management

1. Review and provide opinions to the Board on the risk characteristics and the risk profile of the Infrastructure program, including analysis relative to the Peers.

Performance

1. Review and provide written opinions of custom Infrastructure benchmarks, as requested by the Board.
2. Report on the investment performance of the Infrastructure program and provide an analysis of CalPERS investment performance compared to CalPERS Peer Universe. The analysis should include recommendations and justifications for recommendations,

on any issues in the analysis that would hinder the Board's ability to meet CalPERS long-term investment objectives.

3. Analyze for reasonableness, the benchmarks, measurements and appropriateness of all factors within Infrastructure program Staff performance plans, compared to industry peers.
4. Validate year-end, quantitative measurements on Infrastructure program Staff performance plans.
5. Assist the Committee in establishing appropriate performance benchmarks for Infrastructure in the context of the total CalPERS fund.
6. Using the Performance reports produced by the CalPERS Master Custodian, prepare and present a semi-annual evaluation report on the performance of CalPERS' Infrastructure program including a comparison with the performance of other peer organizations.
7. Provide CalPERS with semi-annual performance analysis on how the attribution of the Infrastructure program versus the Total Fund.
8. Provide CalPERS with semi-annual performance reports of theoretical portfolios, i.e., market indices, benchmarks, and composite total fund portfolio.
9. Present report identified above semi-annually to the Investment Committee of the Board.
10. Advise the CalPERS Compensation Committee investment incentive measures and objectives for the Infrastructure team members.

Investment Policy Review

1. Monitor and review how Staff is adhering to the Infrastructure Program Policy.
2. Review, analyze, and provide an independent recommendation on Infrastructure Program Investment Policies, Investment Policy and Procedures Guidelines (IPPG's), as proposed by Staff, outside advisors, or specialty consultants. The review and recommendation should ensure that the Policies:
 - a. Meet industry standards,
 - b. Are consistent with other Policies,
 - c. Use best practices,
 - d. Align with CalPERS Investment Beliefs,
 - e. Reflect the Board's accepted risk tolerance, and
 - f. Assist the Board in meeting the long-term investment objectives of CalPERS.

3. Provide written recommendations for amendments and/or modifications to any Policy, Including IPPGs related to the policy, and provide detailed justification for recommendations.
4. Prepare and present reports and recommendations for reviewing and updating Policy criteria and objectives which include strategies for public and private asset classes/programs.
5. Contractor shall provide a review of the CalPERS Infrastructure investment policy, portfolio mix/asset allocation, and investment strategy relative to changes in the capital markets.

External Manager Review

1. Review and provide an opinion on the process used to identify and source external managers, as requested by the Board.
2. Provide advice to the Board on questions or issues that arise in the course of administering the external manager programs on strategic issues related to structure, policy, and benchmarks.
3. Review and opine on investment management fees and related expenses, as requested by the Board.

Backup to the General Board Consulting Pension Services

If directed by the Board the contractor shall provide consulting services in connection with the above-noted contract and engagement as follows:

1. Maintain general availability to meet the needs of the CalPERS Board of Administration Investment Committee (Committee) and staff, including but not limited to, attending regular Committee meetings, and meetings with the Committee chair and/or vice-chair to discuss and prepare for Committee meetings
2. Provide written second opinions to those issued by the general pension consultant as requested by the Committee.
3. Provide Independent analyses and recommendations on asset allocation strategies, Investment policies, Investment Office programs. Industry trends and views, general Investment portfolio management, asset and sector performance and attribution assignments, and Investment risk assessment, or other analyses, as requested by the Committee.
4. Provide other consulting services which may include recommendations, opinions and/or advice on an Issue relevant to the prudent management of the System, as requested by the Board.
5. Prepare for attend and participate in Committee workshops as requested by the Committee for the Asset Allocation and Liability Workshop, assist in the development of assumptions, review and comment on materials, and participate in all pre-meetings.



**ATTACHMENT 3
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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 _____

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 pass or fail evaluation. These pass/fail evaluations 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.

C. Fee Proposal Evaluation (300 Points)

Proposers that continue in the evaluation process will have their Fee Proposal opened. For the purposes of this section, “Proposed Fees” are defined as the average of the sum of the annual fees of each contract year. The firm with the Lowest Proposed Fees will receive the maximum score of 300 points based on Section I. All other Fee Proposals will be scored proportionately as follows:

$$\frac{\text{Lowest Proposed Fees}}{\text{Proposed Fees}} \times 300 = \text{Proposer's Fee Score}$$

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 may 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 3.

E. Finalists Interviews (700 Points)

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 Investment 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 will 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.