



Investment Committee

Item Number 4 – Open Session

Subject: Private Equity Investment Consultant Interview Results

Presenter(s): Chairperson

Item Type: Action

Date & Time: June 10, 2021 – 10 minutes

Attachment(s): Attachment 1 – RFP Scope of Work

Attachment 2 – Proposed Resolution

PowerPoint(s): None

POLICY

The Board policy requires retaining a specialty consultant to assist the Investment Committee in the oversight of the Private Equity asset class. The current contract for these services with Meketa Investment Group expires September 30, 2021.

BACKGROUND

The private equity consultant works **with** the CalSTRS private equity investment staff to monitor the implementation of the portfolio, but more importantly, works **for** the Investment Committee in providing expertise and advice related to the overall investment strategy, policies and practices of the private equity program. The private equity consultant also keeps the Investment Committee apprised of trends and conditions in the private equity industry. The key role of the private equity consultant is to monitor and evaluate the performance of the CalSTRS Private Equity Program.

The current Consultant's contract expired in 2020, but due to the pandemic it was extended to allow time to issue a new Request for Proposal (RFP). CalSTRS issued RFP 5000001920 on February 9, 2021, with a final filing date of March 2, 2021. A total of three proposals were submitted. All the proposals passed the preliminary review for compliance with minimum qualifications and requirements and proceeded to the evaluation phase of the process.

The proposal questionnaire evaluation phase included an evaluation committee consisting of CalSTRS investment staff review of written proposals and evaluation based on overall quality, global experience, and investment philosophy. The evaluation committee scored by consensus, incentive points, and fees, and then recommended the top two ranked Proposers move forward as finalists for interviews and presentations.

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The Vice-Chair of the Investment Committee, Harry Keiley and Board Member Jennifer Urdan, along with staff interviewed the two firms prior to the June meeting.

RECOMMENDATION

The Investment Committee Chair and Vice Chair, as well as the Chief Investment Officer recommend the Committee approve the proposed selection as the Private Equity Specialty Board Consultant for a term of three to five years, directing staff to negotiate the final terms and conditions of the new contract.

The scope of work is included as Attachment 1, and a proposed resolution is included as Attachment 2.

ATTACHMENT 13

SCOPE OF WORK

The Private Equity Consultant will provide the following services in accordance with the Investment Resolution adopted by the Board.

1. Provide analysis and advice to the Investment Committee of the Teachers' Retirement Board regarding global industry and market trends, investment strategies, and conditions, including positive and/or negative trends with respect to the Private Equity industry. This includes Traditional Strategies that include: buyout (mega, large, mid, and small), debt-related strategies, venture capital and Non-Traditional Strategies that include: Longer-Term Strategies, Multi-Strategy, Special Mandates. Such analysis and advice is to be provided verbally or by email on an ongoing basis and in the form of written semi-annual reports (See Item #2).

In conjunction with the above, periodically comment and provide advice regarding the pros and cons of expanding (or contracting, if applicable) the scope of the private equity asset class in which CalSTRS invests (either within the private equity program or otherwise).

2. Monitor the performance of the private equity portfolio including partnership investments, co-investments, secondary interests, and other investment strategies as applicable. Prepare and present semi-annual performance review reports to the Investment Committee. Reports should cover private equity industry trends as well as an in-depth analysis of the CalSTRS private equity portfolio. Consideration should be given to underlying industry concentration and sub-asset allocations (i.e., , buyout, debt related strategies, venture capital, longer-term strategies, multi-strategy, special mandates).

Monitor the aggregated portfolio to ensure that the program is managed according to policy. Monitor portfolio performance against the performance (short-term and long-term) benchmarks (both IRR and TWR) and provide context on market trends/opportunities. Portfolio data will be provided by a third party.

3. Review and comment on the investment strategy, policies and practices of the Private Equity Program following discussion and analysis with the Investment Committee and suggest changes if appropriate.
4. Review and comment on the annual business plan proposed by staff.
5. Attend Investment Committee and/or Board meetings or legislative hearings as requested by Investment staff.
6. Periodically review the existing benchmarks (performance and compensation) for the Private Equity Program and recommend changes as appropriate.

7. When requested by the Investment Committee provide a PME-type (public market equivalent) analysis to show how the private equity program would have performed relative to a public market benchmark.
8. Other services as may be required in connection with, and in the general nature of, the above duties.
9. The consultant may be asked to opine on and provide a recommendation on an investment.

RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Private Equity Consultant
Contract No. xx

RESOLUTION No. xx-xx

WHEREAS, under the Teachers' Retirement Law: Section 22203, the Board has exclusive control of the investment of the Teachers' Retirement Fund, and

WHEREAS, the Teachers' Retirement Board has charged the Investment Committee with the full authority and responsibility for the System's investments, approval of all investment policies, and establishing the overall investment strategy for the management of the Teachers' Retirement Fund, a multi-billion dollar public pension plan; and

WHEREAS, the Investment Committee directs to contract with qualified firms to provide Private Equity consulting services to the Investment Committee and a Private Equity Advisor to provide advisory services in support of staff; and

WHEREAS, xxx has expertise in the field and is capable of performing such services; therefore be it

RESOLVED, that the Board authorizes staff to execute a contractual agreement, upon negotiation of fees as directed by the Board, with xxx to provide the aforementioned services.

Adopted by:

Investment Committee
On June 10, 2021

Jack Ehnes
Chief Executive Officer

Reviewed by:

Brian Bartow
Chief Counsel