



Investment Committee

Item number 10 – Open session

Subject: General Consultant RFP

Presenter(s): Chairman

Item type: Consent action

Date and time: January 8, 2025 – 0 minutes

Attachment(s): Attachment 1 – General Investment Board Consultant RFP Scope of Service

PowerPoint presentation(s): None

Item purpose

The present CalSTRS contracts for general investment consultant services with Meketa Investment Group, Inc. will run through June 30, 2025. If approved, a Request for Proposal (RFP) will be issued this winter 2025 with the selected finalist presented before the Investment Committee at the March 2025 meeting. The new consulting contract(s) will begin July 1, 2025, and for a period of the Committee's choosing, either a flat three years, a flat five years, or five years comprised of a three-year contract with two one-year extension options.

This item is placed on Consent if the Committee desires to move forward with the search and selection of the attached general investment consultant scope of work or can be pulled from Consent and discussed if the Committee desires a change.

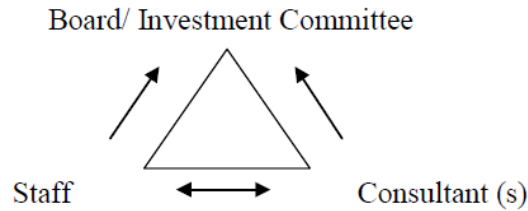
Recommendation

This is the Committee's consultant; therefore, it is the Committee's wishes whether to continue the one consultant structure or pull this item and debate a different structure. Staff will prepare per the Committee's direction and help facilitate the procurement, but staff will not make any recommendations.

Executive summary

The role of the consultant is clearly defined as working FOR the Investment Committee as the contracting entity. Since the consultant must opine on all staff recommendations, the consultant

must work closely WITH the staff, while maintaining a level of independence. We even included the following graphic in the RFP to help the firms understand the relationship:



This balance can be time consuming for the consultant since the CalSTRS Portfolio is so large and diverse. As a result, the consultants must be able to demonstrate, not only the acumen to advise CalSTRS, but must also have the staff resources and availability to cover the account.

The Investment Committee has debated how to measure the value added by the external investment consultants. As it has in the past, the RFP will have a series of questions asking the proposer if they can measure their value add to clients and how they think the Investment Committee at CalSTRS should measure their performance.

Background

In 1983, the CalSTRS Investment Portfolio was separated from CalPERS by legislative action. The CalSTRS Board, which did not have any investment staff at the time, needed to immediately affirm the asset allocation and hire a large group of external investment managers. The CalPERS consultant, Wilshire Associates, was retained to guide CalSTRS through the transition. Shortly after the relationship commenced, Allan Emkin was hired by Wilshire Associates to serve as the lead consultant for the CalSTRS relationship. In 1988, Allan Emkin left Wilshire and founded Pension Consulting Alliance, PCA. During that year, the CalSTRS General Consultant contract was up for renewal and in an RFP competition PCA was selected.

In the 2013 RFP, the traditional general investment consultant services were divided into two, first a lead consultant with all the traditional duties, and a second a co-consultant. PCA was selected as the lead consultant and Meketa was selected as the co-consultant. Another RFP was issued in 2018 where Meketa was selected. Meketa and PCA merged in 2019.

This RFP will be maintaining a one consultant structure. The firm will outline their experience for the scope of services and will be expected to attend all Investment Committee meetings and to provide research and industry leading ideas to enhance the CalSTRS Defined Benefit and Pension2 investment portfolios. A full description of the scope of services is listed in Attachment 1.

Strategic Plan linkage: [Goal 1 of the Strategic Plan](#). Ensure a well-governed, financially sound trust fund.

Board Policy linkage: N/A
