
DECEMBER 18, 2017

AGENDA ITEM 4
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Resolution No. 2017-09: Authority to Execute a Contract for Investment Consulting Services

Background

The California Secure Choice Retirement Savings Investment Board (“Board”) is the administrator of California’s Secure Choice Retirement Program as defined in Government Code Sections 100000-100050 (“Secure Choice Program” or “Program”), and the State agency responsible for the effective and efficient administration of the California Secure Choice Program Trust (“Trust”).

State law also compels the Board to hire an investment manager or managers, develop an investment policy, develop a risk management and oversight program for the investment portfolio, and regularly report on the Program’s investments and investment performance against benchmarks and standards.

Investment consulting services are necessary to assist the Program in hiring and managing an investment manager, or managers, for the Program, including review and analysis of proposals, adopting investment performance benchmarks, and reviewing investment manager performance against those benchmarks.

Investment consulting services will also be necessary to advise the Board on development of investment policies that will guide the investment options to be offered by the Program and assist the Board in making decisions about the Program’s investment options. The investment consultant shall be relied upon to keep the Board informed on the investment climate and market conditions that could impact the Program’s investments, as well follow and report on trends in the investment management industry.

The investment consultant shall also be relied upon to provide the Board with educational sessions on investment-related topics and respond to information requests from the Board, staff, or other consultants.

Procurement

At the October 23, 2017 meeting, the Board approved release of request for proposals number CSCRSIB06-17 (“the RFP”) for investment consulting services.

The RFP was published October 27, 2017. Proposals were due November 17, 2017. The evaluation committee completed their initial scoring of the proposals November 30th and conducted interviews with finalists the week of December 4th.

Staff estimate the contract will be executed by January 10, 2018. However, that date may be subject to change depending on the time necessary for internal and external review and approval of the contract.

Contract Term and Cost

The term of this contract will be from January 10, 2018 (or upon contract execution) through January 9, 2020 with a maximum contract amount of \$260,000.00. At the Board's sole discretion, the Board has the option to extend the term of this contract by one additional year and increase the budget by an additional \$120,000.00.

Committee Analysis

After reviewing all of the responsive proposals, the committee determined that *Meketa Investment Group* ("*Meketa*") had one of the strongest submissions based on the firm's:

- Long track record consulting to plans of all sizes, including those with tens of billions of dollars under management as well as start-up plans
- Wide range of experience providing consulting services including policy design and risk control implementation
- Flexibility in terms of communication methods to their clients, and
- Well-considered and detailed work plan for assisting the Board with formulating investment beliefs, hiring an investment manager, and establishing investment options
- Top scoring cost proposal

During the finalist interviews, the consulting team from *Meketa* expertly answered all the questions with great detail and their passion for our program was compelling. Conversations with references only strengthened the committee's opinion that *Meketa* was the right recommendation to make to the Board.

Staff Recommendation

Approve resolution number 2017-09 to execute a contract with *Meketa Investment Group, Inc.* for investment consulting services.

Attachments

- Attachment #1: Resolution No. 2017-09
- Attachment #2: *Meketa* firm background and consulting team bios

RESOLUTION NO. 2017-09

RESOLUTION OF THE CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT FOR INVESTMENT CONSULTING SERVICES

WHEREAS, the California Secure Choice Retirement Savings Investment Board (the “Board”) was established under Senate Bill 1234 (Chapter 734, 2012; codified under Government Code Section 100000 et seq.) and was mandated to conduct a market analysis to determine whether the necessary conditions for implementation of the California Secure Choice Retirement Savings Trust Act (the “Act”) can be met;

WHEREAS, Senate Bill 1234 (Chapter 804, 2016) expresses legislative approval of the California Secure Choice Retirement Savings Program (“Secure Choice” or “the Program”), requiring the Board to design and implement the Program;

WHEREAS, Government Code Section 100010(a)(1) provides the Board the power and authority to make and enter into contracts necessary for administration of the California Secure Choice Retirement Savings Trust;

WHEREAS, Government Code Section 100002(e)(2)(A) compels the Board to develop and implement an investment policy that defines the program’s investment objectives and establish policies and procedures enabling investment objectives to be met in a prudent manner;

WHEREAS, Government Code Section 100002(e)(3) compels the Board to annually prepare and adopt a written statement of investment policy that includes a risk management and oversight program;

WHEREAS, Government Code Section 100002(e)(4) requires the risk management and oversight program to monitor the risk levels of the program investment portfolio and the program monitor investment returns and risk to determine if risks taken are adequately compensated compared to applicable performance benchmarks and standards;

WHEREAS, Government Code Section 100002(f) requires the Board to approve an investment management entity or entities;

WHEREAS, Government Code Section 100012(a)(1-3) provides the Board the powers and authority to design, establish, and operate the Secure Choice retirement savings arrangements in a manner consistent with best practices for retirement savings vehicles; with sound investment practices and appropriate selection of default investments; and with simplicity and ease of administration for participating employers; and

WHEREAS, the Board issued Request for Proposals No. CSCRSIB06-17 for investment consulting services;

NOW, THEREFORE, BE IT RESOLVED that the Executive Director, or in her absence, the Chair, or his or her designee, is hereby directed and authorized to execute a contract with Meketa Investment Group, Inc. for an amount not to exceed \$260,000 for investment consulting services.

Attest: _____
Chairperson

Date of Adoption: _____

**Meketa Investment Group – Firm Background and Consultant Team Biographies
(Excerpted from RFP Proposal Submission)**

Firm Background

Meketa Investment Group (MIG) is a corporation independently owned by senior professionals who are all active in the firm, and was founded in 1974 as an investment partnership. In 1978, the firm was incorporated under Massachusetts law and became registered with the Securities and Exchange Commission as an investment adviser in 1979. We have been in business continuously for 39 years.

The firm originated by providing investment strategy and systems advice to the Harvard Management Company (Harvard University Endowment). The firm was hired by its first pension fund client in 1978, a relationship that continues to this day. MIG has grown steadily and consults on \$590 billion in assets for 160 clients whose aggregate institutional assets are \$1 trillion.

MIG began consulting for public funds in 1998, when we were hired by a Massachusetts public fund, which remains a client today. Currently, we consult on \$500 billion for 44 public fund clients, located throughout the country. We work with several State Entities including Wyoming, CalSTRS and CalPERS, Arizona, Maryland, Illinois, and others. We understand the multi-layered workings inherent of a public fund/state entity structure and the Board's fiduciary responsibilities to the fund and ultimately, its beneficiaries, as well as their missions and goals. Public funds are a significant area of focus for our firm.

MIG is a full service investment consulting and advisory firm. We work with clients on both a full retainer and project basis, and our services are available on a non-discretionary (investment consulting) or discretionary (Outsourced CIO) basis.

Consultant Team Bios

Mika L. Malone, CAIA – Managing Principal (*Primary Consultant*)

Ms. Malone joined MIG in 2003. A Managing Principal of the firm, Ms. Malone heads the firm's Portland office, and currently works as the lead consultant on a number of clients on their Defined Benefit, Endowment, Foundation, and Defined Contribution plans. Ms. Malone is a member of the firm's Compliance, Defined Contribution (DC), Global Macroeconomic, and Environmental and Social Governance (ESG) Committees.

Prior to joining MIG, Ms. Malone was employed in the Treasury department for Clark Construction, Inc. Ms. Malone received an MBA from the University of San Diego, with a concentration in Finance, and an undergraduate degree in English, with honors, from the University of Maryland.

Ms. Malone sits on the Board for the San Diego Hospice Foundation and Parenting with Intent. She volunteers with multiple organizations in the Portland area, including Parenting with Intent, Women in Investment Management, and the Junior League of Portland. Outside the office, Ms. Malone is a competitive rider at hunter/jumper horse shows, and enjoys running half marathons and trail races.

**Meketa Investment Group – Firm Background and Consultant Team Biographies
(Excerpted from RFP Proposal Submission)**

In addition to her extracurricular activities, Ms. Malone is an active speaker at investment industry conferences, including the International Foundation of Employee Benefit Plans (IFEBP), Opal, and Informational Management Network (IMN) events. Ms. Malone holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association®.

Paola M. Nealon – Senior Vice President (Secondary Consultant)

Ms. Nealon joined MIG in 2017 and has over 12 years' experience in the investment industry. A Senior Vice President of the firm, Ms. Nealon serves as a consultant for endowment & foundations, public funds, and Taft-Hartley funds. Her consulting work includes investment policy design, asset allocation modeling, fund performance analysis, and asset class education.

Prior to joining the firm, she was an Investment Officer at Oregon State Treasury, which manages investment portfolios for various state agencies, including the \$75 billion Oregon Public Employees Retirement Fund (OPERF). Prior to that, she served as a Portfolio Manager at Northern Trust, where she was responsible for the construction and monitoring of managers within a multi-manager framework. Her responsibility coverage extended to U.S., International, and Emerging Markets program solutions for Defined Benefit plans as well as Endowments and Foundations. Ms. Nealon began her career at Russell Investments, where she was responsible for evaluating U.S. equity managers, with specific focus on large and midcap value managers with recommendations geared towards advising asset pension consulting clients as well as Russell's fund portfolio managers.

Ms. Nealon received her MBA from the Thunderbird School of Global Management at Arizona State University, with a focus in Global Finance, where she was awarded an academic scholarship of excellence. She received her BA from Colgate University, with a major in Spanish and a minor in Economics.

Ms. Nealon was raised in a bilingual environment, with Spanish being her first language. She has roots in Argentina and enjoys travelling and embracing new cultures. Locally, she is involved in Women in Investments (WIM) and the Portland Alternative Investments Association (PAIA), both non-profit organizations aimed at promoting and enhancing communication and education among members in the Portland investment community.

Ted G. Benedict, CFA, CAIA – Managing Principal (Tertiary Consultant)

Mr. Benedict joined MIG in 2007 and has been in the financial services industry for 21 years. Mr. Benedict serves as the lead consultant on various defined benefit and defined contribution funds, Foundations and Endowments. His consulting work includes investment policy design, asset allocation modeling, defined contribution plans, and manager research.

**Meketa Investment Group – Firm Background and Consultant Team Biographies
(Excerpted from RFP Proposal Submission)**

Prior to joining MIG, Mr. Benedict was employed at Pacific Life, performing investment management research, fund coordination, and implementation of the firm's asset allocation program. Outside of the office, Mr. Benedict enjoys spending time with his family.

He received his undergraduate degree in Economics from St. Lawrence University. Mr. Benedict has received the Chartered Financial Analyst designation from the CFA Institute and is a member of the CFA Institute, as well as the CFA Society of San Diego. Mr. Benedict also holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association[®].