



Finance & Administration Committee

Agenda Item 3e

November 14, 2023

Item Name: Contract Extension of Investment Office Trading Platform Contracts

Program: Investment Office

Item Type: Action Consent

Recommendation

Approve a three-year extension to the BlackRock Financial Management, Inc. and Charles River System, Inc. contracts.

Executive Summary

The Investment Office (INVO) is currently reviewing the technology used to manage total fund investments. The outcome of this work could impact which trading platforms are used for public market assets. The contracts for the two public market trading platforms are set to expire in the next 12 months, and to ensure adequate time is available to complete its review INVO requests a three-year extension to the standard five-year contract term.

Strategic Plan

This request supports the “Organizational Excellence” 2022-2027 Strategic Plan Goal and objective to improve processes, operations, and advance technologies to gain efficiencies and effectiveness.

Investment Beliefs

A careful and thorough review of INVO’s internal systems supports CalPERS Investment Belief 8 “Costs matter and need to be effectively managed,” and 10 “Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.”

Background

INVO utilizes multiple portfolio management platforms to manage investments. Global Equity currently uses Charles River System, Inc., and Global Fixed Income uses BlackRock Financial Management, Inc. The BlackRock contract expires in 2024 and the Charles River contract expires shortly thereafter.

Analysis

INVO is performing a review and analysis of the portfolio management platforms for total fund and public markets. This will inform a recommendation on the path forward for CalPERS. INVO requests to extend the current contracts for an additional three years to ensure continuity within the current platforms and allow adequate time to consider potential alternatives. No significant changes will be made to the existing contracts.

Budget and Fiscal Impacts

The contracts' current fee schedules will be extended for an additional three years resulting in little-to-no fee increase.

Benefits and Risks

The benefits of approving the contract extension are that it will allow time for team members to thoroughly evaluate the current systems and if changes are determined to be prudent, the additional time will help INVO make necessary transitions and to train team members.

There are no known risks to this contract extension.

Michael Cohen
Interim Chief Operating Investment Officer