



Agenda Item 5b

August 19, 2013

ITEM NAME: Contracts Administration: Back-Up to the Primary Pension Consultant – Letter of Engagement Renewal

PROGRAM: Total Fund

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

Approve a Letter of Engagement (LOE) for a one-year term for Contract No. 2009-5105 for Pension Consulting Alliance, Inc., (PCA) to continue serving as the Board's Back-Up to the Primary Pension Consultant through June 30, 2014.

EXECUTIVE SUMMARY

Staff is requesting the Investment Committee (IC) approve an LOE for PCA to continue services. Approval of this request will result in a new LOE for continued services to the IC through June 30, 2014. The current LOE is due to expire on September 30, 2013. The proposed LOE is provided as Attachment 1.

STRATEGIC PLAN

This item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Approval of the one-year extension of the LOE supports CalPERS mitigation of investment and operational risks by ensuring the continuation of consulting services to the IC.

BACKGROUND

In 2009, the IC selected PCA as the Back-Up to the Primary Pension Consultant through successive competitive selection processes. This process includes:

- The release of a Request for Proposal (RFP)
- A competitive selection process
- Establishment of a Spring-Fed Pool (SFP) of consultants
- Through the SFP, consultants are engaged with LOEs

The IC typically considers Board Consultant contracts approximately one year prior to expiration so a determination can be made to either extend the LOE or release a new RFP. The maximum term of the existing contract with PCA was from August 18, 2009 to June 30, 2014.

ANALYSIS

At this time, staff is requesting the IC consider their option to renew the LOE for a one-year period ending June 30, 2014. No further extensions will be available on this contract after June 30, 2014. Should the IC determine to continue seeking these services, a new RFP will be required.

BUDGET AND FISCAL IMPACTS

The cost of the one-year extension, based on fees negotiated at the onset of the contract is \$112,500. Currently, PCA is serving as the Back-Up Primary Pension Consultant at an annual cost of \$112,500.

The fiscal impact of this one-year extension was included in the *FY 2013-14 Annual Budget Proposal* and reported to the Finance and Administration Committee during the April 2013 meeting.

BENEFITS/RISKS

Renewal of the LOE for services provided by PCA's existing contract as the Back-Up to the Primary Pension Consultant will ensure uninterrupted service to the IC. Failure to approve the new LOE may cause an interruption of services to the IC.

ATTACHMENTS

Attachment 1 – Proposed Letter of Engagement

CAROL MOODY
Interim Chief Operating Investment Officer