



Finance & Administration Committee

California Public Employees' Retirement System

Consent

Agenda Item 3b

December 12, 2012

ITEM NAME: Semi-Annual Contracting Prospective Report

PROGRAM: Operations Support Services Division

ITEM TYPE: Action Consent

RECOMMENDATION

Approve the December 2012 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement (Attachment 1).

EXECUTIVE SUMMARY

The approved Board Contract Activity Reporting Policy (Attachment 2) includes a semi-annual report of prospective contract activity (Prospective Report) to be presented as an action consent item. Upon approval, the Chief Executive Officer and his or her delegates will have authority to execute the contracts and expenditures set forth in the Prospective Report. This semi-annual report is presented in April and December to coincide with the approval of the annual budget and mid-year budget adjustments.

STRATEGIC PLAN

This item is presented in compliance with the Board Contract Activity Reporting Policy adopted and approved by the Board on April 17, 2012.

BACKGROUND

To provide transparency and ensure Board awareness of significant contracts, the Finance and Administration Committee approved the Board Contract Activity Reporting Policy for all activity that will meet or exceed a \$1 million threshold. This policy includes a semi-annual Prospective Report.

ANALYSIS

The Prospective Report includes the following:

- Requests for Proposals (RFPs) scheduled for development and release when the estimated total value of the contract or budget for the contractor or contractors is \$1 million or greater.
- Contracts exempt from the competitive bidding process and investment manager contracts which are \$1 million or greater in total value.
- Spring-Fed pool engagements or work from undefined dollar contracts or purchase orders which are \$1 million or greater in total value.

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- Any amendments to the contracts set forth above which cause the contract to exceed a threshold of \$1 million or more when the contract has not otherwise been reported to the Committee.
- An expected amount of expenditures of \$1 million or greater under a current contract.
- Items previously reported by the Committee, when the amount is increased by \$1 million or more over the amount previously reported to the Committee.

Any contracting activity that is covered by this policy, but was not contained in the Prospective Report must be reported to the Finance and Administration Committee as an action consent item at the next Committee meeting.

BENEFITS/RISKS

The benefits of this new process include:

- Provides transparency and ensures Board awareness of significant contracts.
- Enables the Board, where appropriate, to have an opportunity to participate in significant contract decisions before they are finalized.
- Informs the Board regarding staff's contract decisions thereby satisfying their monitoring responsibilities.

The risks of this new process include:

- Potential delay in necessary services to support CalPERS.

ATTACHMENTS

Attachment 1 – December 2012 Prospective Report

Attachment 2 – Board Contract Activity Reporting Policy

KIMBERLY A. MALM, Chief
Operations Support Services Division

DOUGLAS HOFFNER
Deputy Executive Officer
Operations and Technology

**December 2012 Prospective Report –
Solicitations, Contracts, Purchase Orders and Letters of Engagement - \$1 Million or Greater**

	SOLICITATIONS	Program	Release	Anticipated Contract Start	Description of Services
1.	Strategic Management and Business Consulting Services Spring-Fed Pool Refresh (RFP No. TBD)	ESPD	January/Feb 2013	Spring 2013	Organization and Leadership Development; Strategy and Project Management; Enterprise-wide pool.
	Request for Proposal Refresh; multiple award; estimated value may exceed \$2M.				
2.	Generation 3 Healthcare Decision Support System (GEN3) (RFP 2012-6367)	HPRD	December 2012	July 2013	Data warehouse solution and services for health program data.
	Request for Proposal; single contract award; five year term; estimated value \$15M.				
3.	Dependent Eligibility Verification Audit (RFP 2012-6517)	HPRD	October 2012	March 2013	Plan and conduct activities relating to verification of dependents' eligibility.
	Request for Proposal; single award; estimated value may reach \$4.6M.				
4.	Sign Language Interpreting Services Spring-Fed Pool (RFP 2012-6607)	HRSD	February 2013	July 2013	Sign language interpreting services for CalPERS hearing impaired staff.
	Request for Proposal; multiple award; five year term; estimated value \$1M.				
5.	Private Equity Accounting and Data Collection Services (RFP 2012-6385)	INVO	August 2012	July 2013	Replace or enhance current Private Equity processes.
	Request for Proposal; single award; five year term; value TBD; may be approximately \$5M/year.				
6.	Private Equity Portfolio Management System (RFP 2012-6481)	INVO	August 2012	August 2013	Technology platform to house, track, and monitor Private Equity Assets.
	Request for Proposal; single award; five year term; value TBD; may be approximately \$5M/year.				

**December 2012 Prospective Report –
Solicitations, Contracts, Purchase Orders and Letters of Engagement - \$1 Million or Greater**

	NEW CONTRACTS/AMENDMENTS	Program	Award/ Initiate	Contract/ Amendment Start	Description of Services
1.	Charles River (Contract No. 2011-6287) Investment Servicing Division	INVO	Existing	January 2013	Software License/Management System.
	Amend existing contract; current five year contract total is \$11.8M; adding approximately \$2.5M.				
2.	Ernst & Young (2012-6614) Investment Servicing Division	INVO	December 2010	December 2012	Global tax agency services.
	Exempt from competitive bid approved February 2011; contract successfully negotiated; five year term – total contract value \$3.5M.				

	PURCHASE ORDERS	Program	Initiate	Change Order Effective	Description of Services
1.	Capital IQ	INVO	Existing	N/A	Multiple Asset Classes. Data service provider; assists in internal and external portfolio management.
	Existing service provider. Total purchase order with change order may exceed \$1M in FY 12/13.				
2.	Factset Research Systems, Inc.	INVO	Existing	N/A	Multiple Asset Classes. Data service provider; assists in internal portfolio management.
	Existing service provider. \$1.17M reported June 2012; current purchase order is \$1.85M; as of Q1 FY 12/13 total may reach \$2.17M.				
3.	Glass Lewis, & Co. LLC	INVO	Existing	N/A	Multiple Asset Classes. Data service provider; assists in proxy research and vote agency services.
	Existing service provider. Total purchase order with change orders may exceed \$1M in FY 12/13.				

**December 2012 Prospective Report –
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4.	Institutional Shareholder Services	INVO	Existing	N/A	Multiple Asset Classes. Data service provider; assists in internal portfolio management.
	Existing service provider. Total purchase order with change orders may exceed \$1M in FY 12/13.				
5.	Standard & Poor's Corporation	INVO	Existing	N/A	Multiple Asset Classes. Data service provider; assists in internal portfolio management.
	Existing service provider. Total purchase order with change orders may exceed \$1M in FY 12/13.				
6.	Thompson Reuters Markets, LLC	INVO	Existing	N/A	Multiple Asset Classes. Data service provider; assists in internal management portfolio management.
	Existing service provider. Total purchase order with change orders may exceed \$1M in FY 12/13.				
7.	McAfee Security Products/Services	ITSB	December 2012	N/A	Various Security Products, Data Loss Prevention, Mobile Malicious Code, Mobile Device Management, etc.
	One time software/hardware purchase for Security Roadmap Program efforts, purchase order is estimated at \$1.5M.				
	INVESTMENT MANAGER CONTRACTS	Program	Award/ Initiate	Contract/ Amendment Start	Description of Services
1.	Property Management Services	INVO	December 2012	January 2013	Property Management Services.
	Exempt from competitive bid; contract term 1/1/13 – 12/31/18; estimated contract value \$5.1M.				

December 2012 Prospective Report – Solicitations, Contracts, Purchase Orders and Letters of Engagement - \$1 Million or Greater

	UNDEFINED – LEGAL SERVICES CONTRACTS	Program	Initiate	Contract/ Amendment Start	Description of Services
1.	K&L Gates, LLP (Contract No. 2010-5939)	LEGO	Existing	Existing	Outside Counsel – Bankruptcy
	Contract term 3/21/11 – 12/31/13; Expected contract value for FY 12/13 \$2,342,000.				
2.	K&L Gates, LLP (Contract No. 2010-6072)	LEGO	Existing	Existing	Outside Counsel – Real Estate
	Contract term 4/11/11 – 3/31/14; Expected contract value for FY 12/13 \$1,920,000.				

	LETTERS OF ENGAGEMENT	Program	Award/ Initiate	Contract/ Amendment Start	Description of Services
1.	Coach Source (Contract No. 2009-5203) Talent Management and Employee Development Spring-Fed Pool	HRSD	Existing	Existing	Leadership development for Managers and Supervisors as part of the 360 Degree Feedback Program and other leadership coaching services.
	Undefined Pool Contract; FY 09/10 – 12/13 engagements reached \$643,951; FY 13/14 services may reach \$358,725, bringing the total contract value to over \$1M.				
2.	Bard Consulting LLC (Contract No. 2010-5565) Real Estate Consulting Services Spring-Fed Pool	INVO	Existing	Existing	Consulting Services, Portfolio Monitoring, Due Diligence, Special Program Assistance.
	\$1.095 committed since \$1.166 was reported in April 2012; total committed value is \$2.261M; RFP 2009-5282 total pool expenditures were estimated under the June 2012 Report at \$4.8M.				
3.	Callan Associates, Inc. (Contract No. 2010-5562) Real Estate Consulting Services Spring-Fed Pool	INVO	Existing	Existing	Consulting Services, Portfolio Monitoring.
	June 2012 Reported \$740k; Through Q1 FY 12/13 \$1.229M has been committed; may exceed \$1.7M.				

December 2012 Prospective Report – Solicitations, Contracts, Purchase Orders and Letters of Engagement - \$1 Million or Greater

	LETTERS OF ENGAGEMENT	Program	Award/ Initiate	Contract/ Amendment Start	Description of Services
4.	Crosswater Realty Advisors, LLC (Contract No. 2010-5557) Real Estate Consulting Services Spring-Fed Pool	INVO	Existing	Existing	Consulting Services, Portfolio Monitoring, Investment Funds and Proposal Review.
	\$1.087 was reported in April 2012; current LOE value is \$1.79M, if vendor is selected for additional services, value may exceed \$2M.				
5.	Nichols Consulting (Contract No. 2010-5573) Real Estate Consulting Services Spring-Fed Pool	INVO	Existing	Existing	Portfolio Monitoring, Budgeting/Planning, Consulting Services.
	Through Q1 FY 12-13 \$1.169M has been committed; RFP 2009-5282 total pool expenditures were estimated under the June 2012 Report at \$4.8M.				
6.	RBC Capital Markets, LLC (Contract No. 2010-5559) Real Estate Consulting Services Spring-Fed Pool	INVO	Existing	Existing	Due Diligence.
	Current LOE value is \$750k, if vendor is selected for additional services, value may exceed \$1M.				
7.	Pacific Community Ventures (Contract No. 2009-5116) General Pension Consultant Services Spring-Fed Pool	INVO	Existing	Existing	General Pension Consulting Services.
	Current LOE value is \$708k, if vendor is selected for additional services, value may exceed \$1M.				
8.	Mosaic Investment Advisors, Inc. (Contract No. 2010-5945) Global Equity Consultant Services Spring-Fed Pool	INVO	Existing	Existing	Brokerage Consulting Services.
	Current LOE value is \$775k, if vendor is selected for additional services, value may exceed \$1M.				

Legend:

Health Policy Research Division	HPRD
Human Resources Division	HRSD
Information Technology Services Branch	ITSB
Investment Office	INVO
Legal Office	LEGO

Policy: CalPERS Board of Administration Contract Activity Reporting Policy

Background

To provide transparency and ensure Board awareness of significant contracts; to enable the Board, where appropriate, to have an opportunity to participate in significant contract decisions before they are finalized; and to assist in the Board's monitoring responsibilities regarding staff's contract decisions, certain contracts and purchases that exceed a threshold of \$1 million dollars or more will be reported on a prospective basis to the Board. Staff will continue to have delegated authority to select contractors where the power has not otherwise been reserved to the Board. However, staff will develop reports to provide sufficient information to the Board so that it is informed of upcoming contract activity and can request to participate in the selection decision or provide other input, at its discretion.

CalPERS Policy

Members of the CalPERS Board of Administration will receive a semi-annual report of upcoming contract activity that exceeds a threshold of \$1 million or more and a quarterly report of all finalized contracts and engagements that exceed \$100 thousand as set forth in this policy.

The Report Of Prospective Contract Activity (Prospective Report) will be presented as an action consent item to the Finance and Administration Committee (Committee) (1) at the time the annual budget is approved, and (2) at the time the mid-year budget adjustments are made. Upon approval, the Chief Executive Officer and his or her delegates will have authority to execute the contracts and expenditures set forth in the Prospective Report.

The Prospective Report will include the following:

- Requests For Proposals (RFPs) scheduled for development and release when the estimated total value of the contract or budget for the contractor or contractors is \$1 million or greater in total value.
- Contracts exempt from the competitive bidding process and investment manager contracts which are \$1 million or greater in total value.
- Spring-fed pool engagements or work from undefined dollar contracts or purchase orders which are \$1 million or greater in total value.
- Any amendments to the contracts set forth above which cause the contract to exceed a threshold of \$1 million or more when the contract has not otherwise been reported to the Committee.
- Items previously reported by the Committee, when the amount is increased by \$1 million or more over the amount previously reported to the Committee.

The Prospective Report will not include the following:

- Purchase or work orders for routine, recurring services and goods including, for example, office and building supplies and maintenance, telephones, wireless devices, personal computers, office and building equipment, and information technology hardware and software and hardware and software maintenance.
- Investments in partnerships and limited liability companies, purchases or sales of securities or real property, and other similar investment transactions.

Any contracts that are covered by this policy but were not contained in the Prospective Report must be reported to the Committee as an action consent item at the next Committee meeting.

Upon approval of the Prospective Report, the Chief Executive Officer will have authority to execute the contract and expend funds up to \$1 million over the amount set forth in the report.

If there is an immediate or emergency need for executing a contract or expending funds, which would otherwise be required to be prospectively reported to the Committee, the Chief Executive Officer may execute the contract or expend additional funds without prior reporting to the Committee, provided (a) the Chief Executive Officer consults with the Board President in advance of executing the contract, and (b) the Chief Executive Officer notifies the Committee in writing within five (5) business days of executing the contract. An immediate or emergency need includes, for example, the need to hire outside counsel to represent CalPERS in litigation.

Additional Reports

The Fiscal Services Division will provide a quarterly Contracts and Expenditures report to the Committee which includes the vendor name, type of services, type of award and total contract amount as a consent information item for all purchase orders, engagements, and contracts, by division, of \$100,000 or greater in total value.

The Investment Office will provide a quarterly Spring-Fed Pool Letter of Engagement Commitment Report and an Annual Review of all existing Investment advisors and managers during the annual program review.

The Operations and Support Services Division will provide an Annual Report of all contracts and procurement activity over \$100,000.

Effective Date

This Contract Activity Reporting Policy is effective July 1, 2012.