



Agenda Item 6

November 19, 2013

ITEM NAME: Approve RFP for Spring-Fed Pool and Board Self-Assessment Facilitator

PROGRAM: Board Governance

ITEM TYPE: Action

RECOMMENDATION

- 1) Approve the issuance of an RFP to a) establish a Spring-Fed Pool of consultants to advise the Board in connection with board governance projects and services on an as-needed basis, and b) award a letter of engagement to a qualified firm to serve as Facilitator for the Board's Self-Assessment in 2014.
- 2) Approve the RFP schedule of events and the evaluation process and scoring method for the Spring-Fed Pool and Facilitator for the Board Self-Assessment.

EXECUTIVE SUMMARY

The Board Governance Committee has been involved in a number of CalPERS governance issues during the past five years, including establishing a process for the Board to engage in a biennial Self-Assessment. The proposed RFP will enable the Board to carry out the Self-Assessment and also support other board governance projects.

STRATEGIC PLAN

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. By creating a Spring-Fed Pool of firms to provide board governance services, including the Board's Self-Assessment process, the Board will ensure that it continues to encourage outstanding performance and innovation in itself and the System.

BACKGROUND

As part of the Board Governance project conducted in 2011, the Board decided to implement a biennial self-assessment process. In February of 2012, the Board Governance Committee approved the issuance of an RFP to solicit the services of a third-party facilitator to create and lead the Board's Self-Assessment. Staff performed the initial evaluation and scoring of the proposing firms, and in April of 2012 the Board interviewed the three finalists and awarded the contract to the Veaco Group.

It is once again time for the Board Governance Committee to select a facilitator to carry out the Board's biennial Self-Assessment. Staff proposes creating a Spring-Fed Pool of consultants to perform specialized or focused board governance services, including the Board's biennial Self-Assessment. The process would simultaneously create the Spring-Fed Pool and award a letter of engagement to a firm in the Spring-Fed Pool to facilitate the Self-Assessment in 2014. Creating the Spring-Fed Pool would serve two purposes: 1) provide the Board with maximum flexibility to select the best facilitator from a diverse pool of consultants, and 2) provide the Board with a ready-made pool of consultants to work on miscellaneous board governance issues on an as-needed basis.

ANALYSIS

The proposed RFP will invite qualified firms to bid not only to be members of a Spring-Fed Pool, but also to bid on the Pool's first engagement – to serve as facilitator for the Board's 2014 Self-Assessment. The proposed RFP would thus be executed in two stages. In the first stage, staff will evaluate, score, and award contracts to qualifying firms for inclusion in the Spring-Fed Pool.

As part of the same RFP, proposers may submit bids for the first Letter of Engagement. From these proposals, the Board or the Board Governance Committee will select the Finalists for the 2014 Self-Assessment (these firms would need to qualify to be part of the Spring-Fed Pool in order to be eligible to bid on the Self-Assessment) that will be interviewed by the Board or the Board Governance Committee. The contractor with the highest score, as determined by the Board or the Board Governance Committee, and who meets the Board's needs and desired approach for the Self-Assessment, will be awarded the Letter of Engagement to be the facilitator for the 2014 Board Self-Assessment.

Spring-Fed Pool

Establishing a Spring-Fed Pool will give CalPERS access to a broad and diverse group of firms capable of performing Board governance work for the System. This will also have the added advantage of giving the Board access to a wider network of firms for the Self-Assessment in 2014 and 2016. The Spring-Fed Pool will include firms that are seeking to serve as facilitator for the Board's 2014 Self-Assessment as well as firms interested in performing other Board governance work.

Facilitator for Board's Biennial Self-Assessment

In addition to creating the Spring-Fed Pool, the proposed RFP will solicit the services of a facilitator that specializes in leading board self-assessment processes. The facilitator for the 2014 Self-Assessment will be engaged initially for a four-month period to provide the following services:

- Create a process for the Board to conduct a self-assessment that may include feedback from external key stakeholders on Board performance, an independent third party evaluation of the Board's performance, peer-to-peer

evaluations (through surveys and/or interviews) of individual Board Members and evaluations (through surveys and/or interviews) from members of the Executive Staff.

- Make one or more presentations to the Board about the self-assessment process.
- Conduct/facilitate a self-assessment at the Board's offsite meeting in July 2014.
- Make recommendations based on the self-assessment process.

In addition, the terms of the Letter of Engagement will allow the Board to engage the selected facilitator to implement any Board recommendations that result from the 2014 Self-Assessment. The creation of the Spring-Fed Pool will also allow the Board to select the same facilitator or a different firm from the Spring-Fed Pool to provide services in connection with the Board's next self-assessment in 2016.

Attachment 2 describes the proposed evaluation process for the Spring-Fed Pool and the award of the Letter of Engagement for the facilitator for the 2014 Self-Assessment, including the details of the Board's participation and scoring method.

Summary of Evaluation Process for the Spring-Fed Pool

In summary, each proposal for the Spring-Fed Pool will receive a preliminary review to ensure that the specified minimum qualifications of the RFP are met. Upon satisfactory preliminary review, the entire proposal will undergo a technical and fee evaluation. The Technical Proposal Evaluation is allocated up to a maximum of 200 points, and the lowest Fee Proposal for the Spring-Fed Pool will receive the maximum score of 300 points. All other Fee Proposals will be rated proportionately as follows:

$$\frac{\text{Lowest Fee Proposal}}{\text{Proposer's Fee Proposal}} \times 300 = \text{Proposer's Fee Proposal Evaluation Score}$$

After combining the Technical and Fee Proposal scores (and any applicable incentive points), the proposals will be ranked from highest scoring to lowest scoring, with a maximum of 500 points. Staff will award contracts to all proposals meeting a minimum number of points.

As proposed, Board members would not participate in the evaluation of proposals for the Spring-Fed Pool, and the Board would authorize staff to enter into contracts with firms in the Spring-Fed Pool.

Summary of Evaluation Process for Letter of Engagement

Subsequent to the award of contracts for the Spring-Fed Pool, staff will evaluate the proposals for the Letter of Engagement submitted by contractors in the Spring-Fed Pool. The Technical Proposal Evaluation will be allocated up to a maximum of 200 points, and the lowest Fee Proposal will receive the maximum score of 300 points.

All other Fee Proposals will be rated proportionally in accordance with the scoring described above for the Spring-Fed Pool Fee Proposals.

Staff will then present to the Board (or the Board Governance Committee) the list of contractors ranked in order of their combined Technical and Fee Proposal scores for the Letter of Engagement for Facilitator of the 2014 Board Self-Assessment. The Board (or Board Governance Committee) will select the finalists who will attend an oral interview with the Board (or the Board Governance Committee). The highest scoring finalist on the interview will receive a maximum of 500 points for the interview, and the remaining finalists will receive points proportionate to their ranking. The incremental difference between each Finalist's interview points is derived by dividing the maximum number of points (500) by the number of Finalists eligible for and participating in an oral interview with the Board. The Technical and Fee Proposal scores (for the Letter of Engagement) will be combined with the Board interview score to provide the Final Letter of Engagement Score for each contractor who submitted a bid for the 2014 Board Self-Assessment Facilitator.

The Letter of Engagement will be awarded to the Finalist having the highest Final Letter of Engagement Score, but may be subject to final negotiations and satisfaction of all requirements. Should negotiations not be successful with the selected Finalist, CalPERS reserves the right, based on its exclusive discretion, to negotiate with the Finalist having the second highest Final Letter of Engagement Score. Should negotiations not be successful with the Finalist having the second highest total score, CalPERS reserves the right, based on its exclusive discretion, to negotiate with the Finalist having the third highest Final Letter of Engagement score.

BUDGET AND FISCAL IMPACTS

If approved, the proposed RFP will be issued and staff will interview and award contracts to qualifying firms for inclusion in the Spring-Fed Pool. Inclusion in the Spring-Fed Pool does not obligate CalPERS to engage or pay any firm until a letter of engagement is executed and services are performed. The Letter of Engagement award for the Facilitator will be made to the Finalist having the highest Final Letter of Engagement Score, but may be subject to final negotiations and satisfaction of all requirements. The cost for these services will be determined based on the Letter of Engagement bid proposal submitted by the successful contractor.

BENEFITS/RISKS

There are many benefits to issuing an RFP that both creates a Spring-Fed Pool of consultants and results in the award of a letter of engagement to a firm to facilitate the Board's 2014 Self-Assessment. Creating a broad and diverse pool enables CalPERS to capture a large segment of the market providing board governance services, ensuring that the Board has access to the top firms to conduct its Self-Assessment. Spring-Fed pools can also be refreshed annually, ensuring that the pool is dynamic and admits new and existing firms on an ongoing basis. The five-year duration of the pool would also eliminate the need to engage in an additional

RFP for the Board's 2016 Self-Assessment. Finally, the broad mandate of the pool would ensure that CalPERS has efficient access to a multitude of firms to assist with board governance projects on an as-needed basis.

If the Board chooses not to issue the proposed RFP then the likely alternative would be a stand-alone RFP for a Facilitator to conduct the Board's 2014 Self-Assessment. The risks of this approach are that a narrower segment of the market providing board governance services would apply, the Board would be limited to utilizing the winning firm and would have to issue a separate RFP for the 2016 Self-Assessment if there was interest in obtaining the services of a different firm, and the Board would not have access to a ready-made Spring-Fed Pool of firms to provide board governance services when needed.

ATTACHMENTS

Attachment 1 – RFP Schedule of Events

Attachment 2 – Evaluation Process

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