



Agenda Item 5

February 19, 2014

ITEM NAME: Facilitator of the Board's 2014 Self-Assessment – Selection of Finalists for Interview

PROGRAM: Board Governance

ITEM TYPE: Action

EXECUTIVE SUMMARY

The purpose of this item is to (i) update the Committee about the firms that are expected to be awarded contracts in the Board Governance Spring-Fed Pool, and (ii) for the Committee to select the Finalists for the first Letter of Engagement under the Spring-Fed Pool – a firm to serve as Facilitator for the Board's 2014 Self-Assessment. The Finalists selected by the Committee will be interviewed by the Committee at its March 2014 meeting and the Facilitator for the Board's 2014 Self-Assessment will be chosen by the Committee at that meeting.

STRATEGIC PLAN

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovating organization. Board self-assessments are a best practice and provide the Board with a mechanism to continue improving its effectiveness in administering the system.

BACKGROUND

The CalPERS Board Governance Study produced by Funston Advisory Services LLC recommended improvements to the Board's self-assessment process. One of the recommendations was engaging an expert third party facilitator to lead or co-lead with the Board President the self-assessment process.

In November 2013, staff obtained approval from the Board to issue an RFP to create a spring-fed pool of Board Governance consultants. (See [Attachment 1](#): November 19, 2013, Board Governance Committee Agenda Item #6.) The RFP was issued in December 2013, and five proposals were received. The five proposals were evaluated by staff as set forth in the RFP, and a Notice of Intent to Award a contract to each of the five firms to provide services through the Spring-Fed Pool was issued on February 10, 2014.

The RFP also solicited proposals for the first engagement under the Spring-Fed Pool – to serve as the facilitator for the Board's biennial self-assessment in 2014. Of the five firms included in the Notice of Intent to Award a contract in the Spring-Fed Pool, three firms submitted proposals to serve as facilitator for the self-assessment. Staff

evaluated and scored the Technical and Fee Proposals of each of the three proposals for facilitator and have ranked them in order of their Technical and Fee Proposal Scores, for consideration by the Committee. Pursuant to the RFP, the Committee is to select the finalists to be interviewed in March. The interviews will provide an opportunity for additional consideration of each finalist's organization, staff background and experience, and any other matters for which clarification would be useful.

ANALYSIS

The RFP provided that staff would initially create the Board Governance Spring-Fed Pool and bring back to the Committee for interview those firms that were both awarded a contract in the pool and who submitted a proposal to serve as facilitator for the Board's self-assessment in 2014 (Facilitator Proposal).

Spring-Fed Pool

A Notice of Intent to Award a contract for the Spring-Fed Pool was issued on February 10, 2014, for the following firms:

- Brock Capital Group;
- Funston Advisory Services;
- Groom Law Group;
- Hewitt EnnisKnupp; and
- Veaco Group.

The deadline for protesting the Notice of Intent to Award expires after the preparation of this agenda item; however, a protest is not expected since the Notice of Intent to Award provides that contracts will be awarded to all five bidders. Contracts for the Spring-Fed Pool are expected to be awarded subject to negotiation of terms and conditions satisfactory to CalPERS on February 18, 2014.

Facilitator Letter of Engagement

Three of the five firms included in the Notice of Intent to Award the Spring-Fed Pool Contract also submitted Facilitator Proposals. Facilitator Proposals were received from Brock Capital Group, Hewitt EnnisKnupp and Veaco Group. In accordance with the terms of the RFP, staff evaluated and scored each firm's Technical and Fee proposals. Attached for the Committee's consideration are staff's scores for each Facilitator Proposal (Attachment 2).

Staff recommends that the Committee deem all three firms Finalists under the RFP and interview all three firms in March. However, in the event staff is unable to negotiate satisfactory terms and conditions for the Spring-Fed Pool Contract with any of the Facilitator Finalists, the Finalist will be removed from the list of Finalists for interview in March. Staff recommends that, as permitted by the RFP, the Committee

rather than the full Board conduct these interviews at the Committee's March 2014 meeting.

The purpose of the interviews is to provide an opportunity for additional consideration of the contractor's organization, staff background and experience, potential for conflict of interest, bid amount or other specific areas of the Facilitator Proposal that require clarification. The Board members are permitted to consider each Facilitator Proposal as a whole, including the oral interview, in assigning a score to each Finalist. Upon completion of the interviews, the Committee will score the Finalists up to 500 points for each Finalist, using the "trimmed average" scoring methodology set forth in the RFP. The interview scores will then be combined with the Technical and Fee Proposal scores, and the Letter of Engagement for the Facilitator will be awarded to the Finalist with the highest score, subject to final negotiations and satisfaction of all requirements.

BUDGET AND FISCAL IMPACTS

The award for the facilitator will be made to the Finalist having the highest Final Score after interviews, but may be subject to final negotiations and satisfaction of all requirements. The cost for these services will be determined based upon the bid proposal submitted by the successful contractor.

BENEFITS/RISKS

The benefits of engaging a third party to serve as facilitator for the Board's 2014 Self-Assessment include obtaining an evaluation from the perspective of a neutral third party and a firm with the expertise that comes from regularly facilitating self-assessments for a variety of boards and corporate entities. In addition, the use of a facilitator should improve the effectiveness of the self-assessment process.

The risk of not using a facilitator for the self-assessment is that the Board's 2014 Self-Assessment will be less effective than it otherwise would be and improvements to the Board's effectiveness and efficiency will not be achieved.

The risks of engaging a facilitator include the possibility that the chosen facilitator will not be effective or successful in facilitating and improving the self-assessment process.

ATTACHMENTS

Attachment 1 – November 19, 2013 Board Governance Committee Agenda Item #6

Attachment 2 – Staff's Scores for Facilitator Proposals

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