



Agenda Item 5

March 19, 2014

ITEM NAME: Facilitator of the Board's 2014 Self-Assessment – Committee Interviews and Recommendation for Board to Award the Letter of Engagement

PROGRAM: Board Governance

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Committee (1) interview and score the three finalists for a letter of engagement (LOE) to serve as the facilitator for the Board's 2014 Self-Assessment, and (2) recommend that the Board award the LOE to the firm with the highest cumulative score, subject to final negotiations and satisfaction of all requirements.

EXECUTIVE SUMMARY

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 to engage an expert third party facilitator to lead or co-lead with the Board President the self-assessment process.

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 Board has delegated to this Committee the authority to conduct the selection of the Board's consultant on self-assessment and to recommend the finalist to the Board.

In November 2013, staff obtained approval from the Board to issue an RFP to create a Spring-Fed Pool of Board Governance consultants and to solicit proposals for the first engagement under the Spring-Fed Pool – an LOE to serve as the facilitator for the Board's biennial self-assessment in 2014. The scope of work for the LOE includes the following:

- 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, evaluations (through surveys and/or interviews) of the Executive Staff, and other methods suggested by the contractor and agreed upon by the Board.
- 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.

Of the five firms awarded contracts 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 all three firms, and at the Committee's February 2014 meeting, the proposals were presented to the Committee in rank order based on staff's scoring. At that time, the Committee determined that the following firms were finalists (Finalists) to be interviewed by the Committee:

- Brock Capital Group
- Hewitt EnnisKnupp
- Veaco Group

ANALYSIS

Staff recommends the Committee interview and score the interviews for the three Finalists. As set forth in the RFP, the interviews will provide an opportunity for additional consideration of each Finalist's organization, staff background and experience, potential for conflicts of interest, fee proposal or other specific areas of the proposal for which clarification is necessary.

Each Finalist will participate in a 30 minute interview consisting of a timed ten-minute presentation by each Finalist, followed by a timed 20-minute period to respond to questions from the Committee members.

Upon completion of the interviews, the Committee will score the Finalists using the "trimmed average" scoring methodology set forth in the RFP. The final interview score of each Finalist will be combined with the Finalist's LOE technical proposal and fee proposal scores and the Finalists will be ranked from highest to lowest. The distribution of maximum possible points is as follows:

- Technical Proposal – 200 points maximum
- Fee Proposal – 300 points maximum

- Board Interview – 500 points maximum
- Total Combined LOE Score – 1000 points maximum

Staff requests that the Committee recommend that the Board award the LOE to the Finalist with the highest total score, subject to final negotiations and satisfaction of all requirements. In the event negotiations with the highest ranking Finalist are unsuccessful, staff requests the Committee recommend that the Board direct staff to begin negotiations with the second highest ranking Finalist.

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 not benefit from a neutral third party's perspective, will be less effective than it otherwise would be, and improvements to the Board's effectiveness and efficiency may not be achieved.

The risks of engaging a facilitator include the possibility that the chosen facilitator, given the facilitator's experience and expertise, may not be effective or successful in facilitating and improving the self-assessment process; however, selecting a facilitator with broad and extensive experience will serve to minimize this risk.

ATTACHMENTS

None.

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