



Agenda Item 6a

June 17, 2014

ITEM NAME: Federal Representation Request for Proposal

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATIONS

Staff recommends that the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) approve the schedule of events, evaluation process and scoring method for the three Federal Policy Representative Request for Proposals (RFPs), and for a Spring-Fed Pool of additional Federal consultants.

EXECUTIVE SUMMARY

Per the Board's direction, staff is developing three single-award, policy-specific RFPs to solicit proposals from qualified firms to serve as the Board's Federal Policy Representatives in Washington, D.C. These contractors would provide consultation and representation on federal Executive and Congressional efforts to enact legislation and impose regulations potentially impacting CalPERS and its members. As proposed, the RFPs will be released in August 2014, with a final filing date for submission of proposals at the end of September 2014. CalPERS staff will present a list of qualified candidates to the Committee in December 2014, and the Board of Administration will conduct finalist interviews in February 2015.

In addition, staff seeks Board approval to create a new Spring-Fed Pool of Federal consultants. As discussed with the Committee last month staff believes a Pool is an important supplement to the three policy specific firms and would provide additional resources, as needed, to meet new or increasing research and representation needs on federal policy issues.

STRATEGIC PLAN

This proposal is consistent with Strategic Goal C to engage in state and national policy development to enhance the long-term sustainability and effectiveness of our programs.

BACKGROUND

Staff is developing an RFP to solicit proposals from qualified firms to serve as the Board's Federal Legislative Representative(s). The RFPs will seek proposals from firms to provide representation in three primary policy areas:

- Retirement

- Corporate Governance/Investments
- Health Benefits

Staff's goal is to have final agreements completed and executed by CalPERS and the Contractors before July 1, 2015, the commencement of the four-year terms of the agreements, which would conclude June 30, 2019.

Staff believes that four-year contracts best serve CalPERS interests, as they provide a long enough period to develop a solid working relationship with the Contractors, and generally correspond to the election cycles. A shorter contract, like a 2+1+1, would provide the ability to change Contractors more quickly, if necessary. But it also presents the possible risk that staff would constantly be working on new RFPs, potentially after having a relationship with a Contractor for only 12 months. A four-year contract, with the appropriate severance clauses, should suffice.

ANALYSIS

Federal Policy Legislative Representatives

Attachment 1 outlines the Schedule of Events for the entire process. The exact dates of the RFP releases and Final Submission dates must be slightly staggered, but should take place within a single week. The RFPs will be released in early August 2014, and staff anticipates that contracts would be executed no later than July 1, 2015. The competitive selection processes for the Federal Policy Representatives is expected to take approximately seven months from the RFP release to the completion of contract negotiations. The three sets of Proposals will each be evaluated separately, coordinated by the Office of Governmental Affairs with support from the Operations Support Services Division. A firm may submit proposals for more than one of the policy areas.

Attachment 2 describes staff's proposed evaluation process. In summary, each firm's proposal will receive a preliminary review to ensure that the specified minimum qualifications are met. Upon satisfactory preliminary review, the entire proposal will undergo a technical and fee evaluation. Completed Technical Proposal Questionnaires could receive up to 150 points. A proposal must receive at least 75 points in the Technical Evaluation to move forward in the process.

The proposal with the lowest Fee Proposal for all four years of the proposed contract term combined will receive the maximum score of 300 points. All other Fee Proposals will be rated proportionately as follows:

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

After combining the Technical and Fee scores, staff will interview the proposing firms who meet the minimum Technical score, and award a maximum of 50 points for the results of the interviews. After the interviews are scored, proposals will be ranked

from highest scoring to lowest scoring, with a maximum of 500 points. Staff will present a list of qualified candidates to the Board for consideration as finalists and determination of number of interviews.

Each Finalist can receive up to 500 points for their Board interview score. Each Finalist's interview score will be combined with its Technical and Fee Proposal scores for a maximum total of 1,000 points.

The Federal Policy Legislative Representative contracts will be awarded to the Finalists having the highest total score, 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 total 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 total score.

Spring-Fed Pool

Creating a pool through the RFP process would give CalPERS additional resources without committing additional funds until and unless needed. Participating firms in the pool could be asked to provide limited, but highly-focused, services related to CalPERS efforts to influence federal policy impacting its major policy areas, other ancillary issues, and to build coalitions and improve outreach.

A pool could broaden and diversify the CalPERS network in Washington, D.C. and improve its ability to maintain productive working relationships. It could also enhance CalPERS ability to adapt to a fluid political environment, and leverage the strengths of numerous firms. Contracting with multiple pool participants may also allow for more focused relationship building with specific caucuses or groups, needs like coalition and relationship building, or specialized advice on certain issues.

All qualifying firms who respond to the RFP may be placed in the Spring-Fed Pool. Staff would be responsible for selecting and engaging federal representatives in the pool on an as-needed basis through a Letter of Engagement. A pool may be refreshed periodically, with focused solicitations aimed at recruiting firms for perceived "weak" areas, or new policy needs.

BUDGET AND FISCAL IMPACTS

CalPERS would continue to have federal policy representation performed by qualified firms located in the Washington, D.C. area. The contracts will be awarded to the Finalists having the highest total score in each policy category, subject to final negotiations and satisfaction of all requirements. The costs for these services will be determined based on the Fee Proposal submitted by the successful Proposer. The fees will be structured so that CalPERS will pay a flat monthly "retainer" for routine services, such as monitoring and tracking issues of importance to CalPERS,

preparing standard reports, and responding to routine inquiries. Additional projects or services requested by CalPERS will be billed on an hourly rate with a total project budget to be determined before any work is performed.

Existing policy requires staff to report to the Finance and Administration Committee on a semi-annual cycle, forthcoming contract activity that exceeds a threshold of \$1 million. It is expected that the combined amount for all three four-year contracts will exceed this level, and will be included in the next Contracting Prospective Report in December 2014.

BENEFITS/RISKS

- Approving the initiation of the competitive bidding process for the Board's Federal Policy Representatives will provide expert policy representation.
- Failure to initiate the process may result in the loss of opportunities to act on important federal policy issues.

ATTACHMENTS

Attachment 1 – RFP Schedule of Events

Attachment 2 – Evaluation Process for Specific Federal Policy Representation

Attachment 3 – Evaluation Process for Spring-Fed Pool

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