

Finance & Administration Committee

California Public Employees' Retirement System

Agenda Item 6b

February 17, 2016

ITEM NAME: Board of Administration Scoring Methodology for Request for Proposals

PROGRAM: Operations Support Services Division

ITEM TYPE: Action

RECOMMENDATION

Approve the scoring methodology for Board Procurements.

EXECUTIVE SUMMARY

Revise CalPERS contracting scoring methodology to provide greater consistency and transparency in the CalPERS Board of Administration RFP selection process.

STRATEGIC PLAN

This item is not part of the Strategic Plan, but is part of the regular and ongoing workload of the Operations Support Services Division.

BACKGROUND

In February 2009 the Benefits and Program Administration approved the "trimmed average" scoring methodology for Procurements that the Board retains authority to approve. The "trimmed average" scoring methodology is outlined below:

Trimmed Average Scoring Methodology

The table below describes the interview scoring process, assuming for illustration purposes, that nine committee members ("raters") are assigning scores.

Step	Action
1	Each rater scores the Proposers individually assigning a score using the following scale:
	0 = Unacceptable 1 = Poor 2 = Fair 3 = Good 4 = Very Good 5 = Excellent
2	The scores from the individual rater score sheets are entered onto a combined rater score sheet.

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3	The lowest score and the highest score for each Proposer are set aside.
4	The seven remaining scores are added together and then divided by seven to achieve the "trimmed average" score.
5	The trimmed average score is multiplied by the maximum number of points for the Interview (500) and divided by the highest score choice (5) for the Final Interview Score. (Trimmed Average Score x 500 /5).

In March 2015 the Risk and Audit Committee approved the following scoring methodology for the Parallel Valuation Services RFP in which two Board members provided guidance and oversight to staff:

Technical Proposal*
 Fee Proposal
 Board Interview Points
 Pass or Fail
 300 points
 700 points

*Proposers that satisfy the Minimum Qualifications will move on to the Technical Evaluation phase. A minimum score of 140 points is required to pass the Technical Proposal Evaluation in order to advance to the Fee Proposal Evaluation. These points do not carryover and are not factored into the Proposer's final score.

In the August 2015, the Performance, Compensation and Talent Management Committee approved another scoring methodology for the Executive Compensation Consultant RFP was presented with another scoring methodology as indicated below.

Technical Proposal
Fee Proposal
Board Interview Points
200 points
300 points
700 points

A Subcommittee of the Performance, Compensation and Talent Management Committee, conducted in a noticed, open session meeting, the review, evaluation and scoring of the RFP responses.

ANALYSIS

As stated above, the existing Board scoring methodology is based on "trimmed average". This methodology is overly complicated and did not allow for consistency and transparency to the Board over their procurements. The "trimmed average" methodology required the Board members to "blind vote" after the Board Interviews which did not allow for discussion or transparency in selection. The revised scoring methodologies will replace the "trimmed average" and provide two (2) options for the Board to utilize when scoring RFP's. These options require much more transparency of the vendor's proposal during the Board Interview process. These options allow the Board to have the appropriate points and discussion to be able to select the vendor.

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Prior to release of the RFPs, staff will obtain approval of the Board or Committee (based upon delegation) minimum qualifications, services to be provided, schedule of events and scoring methodology. Staff is requesting the Board approve the two scoring methodologies for all future RFPs as outlined below:

Option 1: Staff/Board Evaluation - two (2) Board members to provide guidance and oversight to Program staff

Technical Proposal Pass/Fail (must receive 140 points to pass Technical)

Fee Proposal 300 points Board Interview 700 points

Option 2: Board or Board Subcommittee Evaluation

Technical Proposal200 pointsFee Proposal300 pointsBoard Interview700 points

In addition, the Board always has authority within each of their RFP's to modify or change these options during the Board or Committee approval process.

BUDGET AND FISCAL IMPACTS

This item does not have any specific budget or fiscal impact, but is part of the regular and ongoing workload of the Operations Support Services Division.

BENEFITS/RISKS

The benefits of this process include:

- Provides transparency during Board Interviews for board discussion and points awarded instead of "blind voting".
- Enables the Board, where appropriate, to have an opportunity to participate in significant contract decisions before they are finalized.

The risks of not implementing this process include:

- Lack of transparency in the contracting process.
- Potential for vendors to be selected that do not meet the Board needs.

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