



Finance and Administration Committee Agenda Item 3b

April 19, 2016

Item Name: Semi-Annual Contracting Prospective Report

Program: Operations Support Services Division

Item Type: Action Consent

Recommendation

Approve the April 2016 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement (Attachment 1).

Executive Summary

To provide transparency and ensure Board awareness of significant contracts, the Finance and Administration Committee approved the Board Contract Activity Reporting Policy for all activity that will meet or exceed a \$1 million threshold. This policy includes a semi-annual Prospective Report.

Consistent with CalPERS policy, contracts for goods and services are limited to a term of five years. The Board by resolution has defined circumstances where the duration of a contract may extend beyond this five year period. Staff requests that the contracts listed under "Contracts Exceeding 5 Year Duration" be approved to exceed the five year maximum.

Strategic Plan

This item is presented in compliance with the Board Contract Activity Reporting Policy adopted and approved by the Board on April 17, 2012.

Background

Board Contract Activity Reporting

The approved Board Contract Activity Reporting Policy (Attachment 2) includes a semi-annual report of prospective contract activity (Prospective Report) to be presented as an action consent item. Upon approval, the Chief Executive Officer and her delegates will have authority to execute the contracts and expenditures set forth in the Prospective Report. This semi-annual report is presented in April and December to coincide with the approval of the annual budget and mid-year budget adjustments. Also included are the contracts that the Board reserves the authority to approve procurement of services per Delegation No. EXEC-11-01 and their contract terms (Attachment 3).

Duration of Contracts

CalPERS contracts for goods and services are limited to a duration of five (5) years unless approved by the Board pursuant to Resolution No. 92-04B-4 (Attachment 4). This Resolution requires, among other things, that the Board affirmatively determine that a longer contract term is necessary to fulfill the Board's duty to serve the interests of System members and beneficiaries, including the interest in defraying administrative expenses. Such a determination shall only be made after considering the following factors (among any others the Board may deem prudent under the particular circumstances):

1. The impact of a longer term upon the System's interests in obtaining quality services at a reasonable cost; and
2. The System's ability to monitor the performance of contractors with such lengthy contract terms, and to take corrective action (including expeditious termination of the contract) if necessary to fulfill the Board's fiduciary duties.

Analysis

Prospective Contract Activity Report

The Prospective Report includes the following:

- Requests for Proposals (RFPs) scheduled for development and release when the estimated total value of the contract or budget for the contractor or contractors is \$1 million or greater in total value.
- Contracts exempt from the competitive bidding process and investment manager contracts which are \$1 million or greater in total value.
- Spring-Fed pool engagements or work from undefined dollar contracts or purchase orders which are \$1 million or greater in total value.
- Any amendments to the contracts set forth above which cause the contract to exceed a threshold of \$1 million or more when the contract has not otherwise been reported to the Committee.
- An expected amount of expenditures of \$1 million or greater under a current contract.
- Items previously reported by the Committee, when the amount is increased by \$1 million or more over the amount previously reported to the Committee.

Any contracting activity that is covered by this policy, but was not contained in the Prospective Report must be reported to the Finance and Administration Committee as an action consent item at the next Committee meeting.

Budget and Fiscal Impacts

The potential budget and fiscal impacts of not approving the Report will delay the timely execution of contracts which could result in increased cost for health and investment services.

Benefits and Risks

The benefits of this process include:

- Provides transparency and ensures Board awareness of significant contracts.
- Enables the Board, where appropriate, to have an opportunity to participate in significant contract decisions before they are finalized.



- Informs the Board regarding staff's contract decisions thereby satisfying their monitoring responsibilities.

The risks of not implementing this process include:

- Potential delay in necessary services to support CalPERS.

Attachments

Attachment 1 – April 2016 Prospective Report

Attachment 2 – Board Contract Activity Reporting Policy

Attachment 3 – Contracts Board Reserves the Authority to Approve the Procurement of Services

Attachment 4 – Resolution No. 92-04B-4

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