



Board of Administration

Agenda Item 6c

June 19, 2019

Item Name: Approval to Renew the Five-Year Interagency Agreement with the State Controller's Office

Program: Retirement Benefit Services

Item Type: Action Consent

Recommendation

Approve extending agreement No. 2014-7157 with the State Controller's Office (SCO) by 18 months, as well as increasing the contract amount by approximately \$6 million.

Executive Summary

Ongoing and newly identified benefit recipients (retirees, beneficiaries, survivors, etc.) are issued payments from CalPERS through the SCO. SCO is responsible for the generation and mailing of warrants (checks) and direct deposit statements, and invoices CalPERS on a monthly basis for reimbursement of the administrative costs.

Strategic Plan

This item is presented in compliance with the CalPERS Board of Administration Contract Activity Reporting Policy adopted and approved by the Board on April 17, 2012 (Attachment 1) and Board Resolution No. 92-04B-4 (Attachment 2).

Background

This agreement with the SCO covers the critical process of issuing benefit payments to over 650,000 payees each month totaling over \$2 billion. Without this agreement, CalPERS would lack the ability to pay our benefit recipients timely and efficiently. Rates for generating and mailing paper warrants, paper statements and electronic images are defined by the SCO each fiscal year and can fluctuate on an annual basis. CalPERS' Retirement Benefit Services Division has an ongoing budget line item of approximately \$4 million to fund the expenses as calculated by the SCO per transaction, which would cover the \$6 million for the 18 month extension.

Analysis

The current 5-year agreement expires June 30, 2019, and we have been collaborating with the SCO on the transaction costs for the upcoming fiscal year and deciding on the length of the new agreement. In the meantime, an amendment to the current agreement increasing both the term and funding is necessary.

CalPERS contracts for goods and services are limited to a duration of five years unless approved by the Board pursuant to Resolution No. 92-04B-4. With the authority to extend the contract agreement beyond five years residing with the Board, the Retirement Benefit Services Division requests the Board approve to amend this agreement with the SCO since they are the sole provider of these services. Additionally, this amendment will increase the agreement by approximately \$6 million, which requires Board approval pursuant to the CalPERS Board of Administration Contract Activity Reporting Policy.

Budget and Fiscal Impacts

The Retirement Benefit Services Division has an approved annual budget line item of approximately \$4 million to cover these expenses. Not approving an amendment would impact CalPERS' ability to pay our benefit recipients timely and efficiently.

Benefits and Risks

The benefits include:

- Provides transparency and ensures Board awareness of significant contracts.
- Informs the Board of contract decisions satisfying their oversight responsibilities and allowing an opportunity to participate in significant contract decisions before they are finalized.

The risks of not approving the recommendation include:

- Inability to pay CalPERS benefit recipients.

Attachments

Attachment 1 – CalPERS Board of Administration Contract Activity Reporting Policy

Attachment 2 – Resolution No. 92-04B-4

Anthony Suine, Chief
Retirement Benefit Services Division

Donna Ramel Lum
Deputy Executive Officer
Customer Services and Support Branch