Agenda Item 8b

February 18, 2014

ITEM NAME: Contract Administration: General Pension Consultant Services Spring-Fed Pool – Term Extension

PROGRAM: Total Fund

ITEM TYPE: Independent Oversight – Action

RECOMMENDATION

Approve a one-year extension for the General Pension Spring-Fed Pool to allow for the continuation of services through June 30, 2015.

EXECUTIVE SUMMARY

Staff is requesting the Investment Committee (IC) approve a one-year term extension for the General Pension Spring-Fed Pool for the continuation of services.

STRATEGIC PLAN

This item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Approval of the one-year extension of the General Pension Spring-Fed Pool supports CalPERS mitigation of investment and operational risks by ensuring the continuation of services.

INVESTMENT BELIEFS

This item supports CalPERS Investment Belief 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives. Approval of the one-year extension of the General Pension Spring-Fed Pool supports the Target Operating Model initiatives and the Investment Office (INVO) Roadmap objectives, allowing for sufficient time and staff resources to fully evaluate and re-engineer the scope of work for a new General Pension Spring-Fed Pool Request for Proposal (RFP).

BACKGROUND

The General Pension Spring-Fed Pool was established in July 2009 through the competitive selection process. The purpose of establishing the General Pension Spring- Fed Pool was to provide special project services related to:

- General investment analysis and research
- Organizational and structural analysis of investment industry firms
- Performance analysis and benchmarks
- Asset allocation
- Risk management and risk budgeting

- General pension specialty consulting for specialized asset types and classes, custody, investment operations structures and processes

Per Board Resolution No. 92-04B-4 (Attachment 1), all CalPERS contracts for goods and/or services can be no more than a five-year period unless otherwise extended by the Board. The General Pension Spring-Fed Pool will reach the end of its contracted five-year term on June 30, 2014.

ANALYSIS

Staff is requesting to extend the term of the General Pension Spring-Fed Pool to allow for the continuation of existing services provided under the current pool of vendors.

This term extension will provide additional time to explore and develop a scope of services for a new RFP that is more aligned with the Investment Office Roadmap Strategic Objectives and ensures the Investment Office continues access to qualified vendors to support these objectives. Staff plans to return to the IC for approval to initiate a new RFP in the spring of 2014.

BUDGET AND FISCAL IMPACTS

The proposed extension of the Spring-Fed Pool through Fiscal Year (FY) 2014-15 would not pose any additional budgetary impact.

The fiscal impact of this extension was included in the *FY 2013-14 Annual Budget Proposal*.

BENEFITS/RISKS

Approval of a one-year extension of the General Pension Spring-Fed Pool will support the continuation of services through June 30, 2015. This will also accommodate the typical RFP development timeline. Failure to approve the one-year extension may cause an interruption of services to Investment Office and the IC.

ATTACHMENTS

Attachment 1 – Board Resolution No. 92-04B-4

CAROL MOODY
Interim Chief Operating Investment Officer

STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

Subject: Contracts & Procurement of Goods and Services - Contract Duration

No. 92-04B-4

WHEREAS, On [DATE OF ADOPTION], the Board of Administration of the California Public Employees' Retirement System passed Resolution No. 92-04B-1, describing PERS' policies regarding contracts for goods and services;

WHEREAS, Resolution No. 92-04B-1 requires that PERS' contracts for goods and/or services be no more than five years, except when the Board has made an affirmative decision that a longer 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;

WHEREAS, The Public Contract Code ("PCC") grants to the Department of General Services ("DGS") the authority to restrict the duration of contracts awarded by State agencies; this DGS-imposed limitation is generally three years, with five years approved on an exceptional basis;

WHEREAS, PERS' existing Contract Management Procedures governing contracts for goods and/or services are consistent with the above-described DGS limitation; and

WHEREAS, The Board has determined that, in some circumstances, such a five year duration limitation may run counter to the best interests of System members and beneficiaries (including the interest to defray reasonable administrative expenses).

RESOLVED, that, pursuant to the foregoing, the Board's Policy Statement, Operational Guidelines and Contract Management Procedures concerning PERS' contracts for goods and services shall be revised to permit the award of a contract for more than a five year term, under the following circumstances:

A. The Board affirmatively determines that such a longer 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;

B. Such a determination shall only be made after considering the following factors (among any others that 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.

RESOLVED, that the Board hereby delegates to its Chief Executive Officer the authority and responsibility to implement the revisions and activities described above, provided such actions are regularly reported to the Board.

RESOLVED, that this Resolution shall be effective immediately upon adoption, and is cumulative to all other delegations to the Chief Executive Officer.

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I hereby certify that on the 19th day of April, 1995, the Board of Administration of the California Public Employees' Retirement System made and adopted the foregoing Resolution.

William Dale Crist

WILLIAM DALE CRIST
President, Board of Administration
Public Employees' Retirement System

I understand and accept this delegation.

Dated: 4/19/95

James E. Burton

JAMES E. BURTON
Chief Executive Officer
Public Employees' Retirement System