

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

August 23, 2019

2. Department

California State Teachers' Retirement System (CalSTRS)

3. Organizational Placement (Division/Branch/Office Name)

Administrative Services/Procurement Management

4. CEA Position Title

Director of Procurement Management

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

Under the direction of the Chief of Administrative Services, the Director of Procurement Management is responsible for policy formulation and execution impacting enterprise-wide procurement management activities, providing leadership, management direction and policy guidance to the Procurement Management Division. The Director plans, organizes, and directs all CalSTRS activities associated with procurements, contracts, internal and third party compliance, vendor outreach and relationship management, and the domestic and international travel program for the entire organization. The Director provides advice and expertise to the Teachers' Retirement Board, the Chief Executive Officer, Chief of Administrative Services, and Executive staff related to these responsibilities.

6. Reports to: (Class Title/Level)

Chief of Administrative Services - CEA C

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): As a member of senior leadership, serves as a policy advisor to the CEO, Chief of Administrative Services, Executive Staff and the Teachers' Retirement Board.

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Direct the development and implementation of procurement management policies, procedures and guidelines that facilitate CalSTRS' ability to conduct business in an efficient and expeditious manner. Provide leadership and management direction for the work, activities, and performance of the Procurement Management Division (PMD). Develop and administer annual business plans for the PMD and ensure the division's work activities are clearly aligned with the strategic priorities outlined by the board. Formulate and direct the development of new or revised policies and strategies that support continuous improvement efforts, enhance efficiency, mitigate risks and promote sustainability.

Provide division leadership for the activities that provide consultative services to the business areas to develop and realize solutions to procurement issues that best meet the demands of each program area's unique business need. Provide oversight of special projects associated with complex procurements and contracts and provide consultations to Branch Executives on sensitive and high-dollar procurements and contracts. Oversee the development of alternative solicitation methods where appropriate. Participate in highly sensitive and complex negotiations between contractors, program areas and the legal office. Oversee the development of well-defined procurement outreach activities that include communications, job aids, trainings, workshops and forums for business contract managers to enhance understanding of procurement policies, procedures and guidelines and to ensure compliance with all applicable laws and regulations.

Oversee vendor relationship management and vendor outreach activities. Formulate, develop and implement a comprehensive third-party contractor compliance program with policies and procedures designed to aid in proactively mitigating compliance risk and to ensure the integrity and effectiveness of third-party contractor oversight. Formulate and direct the development and implementation of new or revised policies and procedures necessitated by legislative, policy/and or information system changes. Direct and oversee the review of procurement related legislation to determine its impact on CalSTRS and advise the Chief of Administrative Services regarding legislative positions. Coordinate legislative recommendations to the Governmental Affairs Division.

Serve as a member of CalSTRS Senior Leadership Team providing advice and counsel to the CEO, Chief of Administrative Services and Executive Staff. Participate in departmental strategic and risk management planning sessions and develop related initiatives to meet the items outlined in the board's strategic plan. Oversee the development of performance goals and metrics for the division and monitor progress towards goal achievement. Prepare board agenda material and deliver presentations and reports to the board on procurement and contract matters. Serve as a member on cross-functional project teams and governance councils.

Direct the activities that manage CalSTRS' domestic and international travel program. Direct the development of new or revised travel policies and strategies that support continuous improvement efforts and enhance efficiency. Oversee the activities that manage the audit of travel expenses to ensure compliance with state rules and CalSTRS policy and to maintain the integrity of the travel program.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. The proposed Director of Procurement Management develops, implements and oversees critical procurement and contract policies, programs and services that directly impact CalSTRS' ability to conduct business and supports the investment of the CalSTRS nearly \$240 billion portfolio and the payment of \$16 billion in annual benefit payments to 950,000 CalSTRS members and beneficiaries. The approvals for the procurement of goods and services as well as approvals for domestic and international travel are under the oversight of the Teachers' Retirement Board (board), per its plenary authority to administer the system, provided in Article 16, Section 17 of the California Constitution, and do not require approvals by the Department of General Services or other control agencies. The 12-member board includes three member elected positions representing current educators, a retired member, three public representatives, a school board representative, the Director of Finance, the State Controller, the State Superintendent of Public Instruction and the State Treasurer. The board has six committees, Appeals, Audits & Risk Management, Benefits & Services, Governance, Compensation and Investments. The CEA will be responsible for providing management oversight for enterprise-wide procurement programs and contracts including the procurement of experts, advisors and consultants hired to assist the board in fulfilling its governance and oversight of CalSTRS and to provide independent information and advice to the board and its committees on the increasing complexities of the investment markets, the financial services sector and public plan administration. The CEA will direct the activities that manage the procurement of multi-million dollar investments contracts, multi-million technology contracts, legal services, and contracts and procurements that support large scale efforts such as CalSTRS Headquarters Expansion (\$300 million project) and the Pension Solution (\$305 million project). The Director of Procurement Management will also provide management oversight for CalSTRS Domestic and International Travel Program that supports domestic and international on-site due diligence of potentially lucrative investment opportunities in a fast-paced and competitive marketplace.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

CalSTRS continues to grow in membership and fund assets as well as staff due to the increasing complexities in managing a multi-billion dollar financial services organization. With that growth, and the need to compete in a dynamic and global investment market environment, it is necessary for CalSTRS to effectively fortify strategy, develop policies, mitigate risks and ensure compliance. CalSTRS is proposing to establish a new senior leadership position titled Director of Procurement Management at CEA Level A. The CEA will report to the Chief of Administrative Services and will be an expert advisor to the CEO, Executive Staff, and the Teachers' Retirement Board (board) on matters relating to procurement management, contract services, and domestic and international travel management and will provide enterprise oversight of procurements and contract services, including those related to board advisors and consultants, investments, technology, legal services, and large scale efforts such as CalSTRS Headquarters Expansion and the Pension Solution. The proposed CEA will be charged with developing policies related to these responsibilities that ensure compliance and mitigate risks as well as developing procurement management strategies that facilitate better execution and increase efficiencies necessary for CalSTRS to conduct business and compete in a global marketplace.

CalSTRS is currently in process of executing new Investments' business strategies, collectively titled "The Collaborative Model". Recently approved by the board, this new business model will guide the optimal balance between internal and external management of investment assets to increase control of risks, save costs and reduce external investment management fees. There is a pressing need for CalSTRS to fortify its procurement and travel management strategies so that CalSTRS can compete in a dynamic investment market environment. A key success factor in executing the investments' collaborative business model effectively is the ability for CalSTRS to embrace partnerships and collaboration with world-class investment institutions along with building direct investment capabilities. Except for CalPERS, no other California state agency competes in a dynamic global marketplace in the highly specialized nature of investment management which requires the development and oversight of multi-million dollar solicitations and investment contracts. CalSTRS competes for investments against agile organizations which are not subject to State procurement rules that put a constrain on CalSTRS capability to move as quickly as the competition. As the CalSTRS' Investments Branch continues to expand collaborative strategies that require staff to conduct in-depth and on-site due diligence with investment partners, CalSTRS will see an increase in both domestic and international travel so that it may pursue potentially lucrative investment opportunities. Due to the competitive nature of the global marketplace, it is crucial for the Director of Procurement Management to develop policies and strategies for efficiencies that decrease time frames to hire external investment consultants, advisors and managers without increasing risk or forgoing compliance. This includes researching technology solutions, exploring legislative solutions and reviewing the efficacy of current internal policies and procedures to increase responsiveness to investment opportunities.

CalSTRS is increasingly constrained by the traditional state procurement requirements when contracting for investment expertise. This results in opportunity costs due to the delay in securing contracts with investment consultants, advisors and external investment managers. Many state requirements are inapplicable to contracting for investment-related services and dissuade top-quality, high-value external management firms. CalSTRS has been forced to miss out on potentially lucrative investment opportunities because the procurement process took more than a year from start to finish. The Director of Procurement Management will review current laws and statutes that hinder CalSTRS' ability to expeditiously secure these contracts and will develop legislative concepts and proposals that can provide CalSTRS more flexibility and enhance the ability to enter into contracts and agreements for investment-related services.

There is immediate need for a CEA to develop and oversee a more robust procurement compliance program to address recent internal audit findings in the Procurement Management Division (PMD). The proposed CEA will provide senior leadership in the formulation, development and implementation of a comprehensive third-party contractor compliance management program designed to aid in proactively mitigating compliance risk and to ensure the integrity and effectiveness of third-party contractor oversight. Additionally, the size and complexity of CalSTRS requires Business Contract Managers (BCMs) in each of CalSTRS program areas who partner with PMD in acquiring and managing agreements with contractors for the successful delivery and implementation of goods and services needed by the organization. In 2013, CalSTRS implemented an Enterprise Resource Management system internally referred to as Business Direct (BD). BD provides CalSTRS with one comprehensive system and database for tracking and reporting enterprise-wide activities including procurement, contract processing, contractor relationship management, travel and expense processing, as well as asset management, budgeting accounts payable, accounts receivable, and financial reporting. The combination of these events has resulted in the need for a CEA in the PMD to develop policies, procedures, training and communications that promote successful contract management and reinforce compliance with laws, regulations, policies and procedures.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The Director of Procurement Management will be a member of CalSTRS Senior Leadership team which is responsible for providing program and policy direction, carrying out the Strategic Plan and Annual Business Plan and formulating and implementing department-wide policies related to CalSTRS programs. The incumbent will be the principle policy maker for all enterprise-wide activities associated with competitive solicitations, the development of contracts, internal and third-party compliance, outreach and vendor relationship management, and the domestic and international travel program. In addition to developing and implementing new policies due to the changing environment including regulatory changes, operational risks, and the changing needs of CalSTRS members, the Director of Procurement Management will oversee the development and revision of the current CalSTRS Procurement Management policies and procedures that directly impact CalSTRS' ability to conduct business, including but not limited to policies listed below:

- Business Contractor Manager Handbook - This handbook serves as a comprehensive manual of contracting policies and procedures to assist the internal CalSTRS business areas in understanding their contract management roles and responsibilities by providing guidelines, tools and assistance for acquiring and managing contracts and procurements. The Director of Procurement Management will oversee the development of contract management training for CalSTRS internal business contractor managers, to build on the concepts covered in the Business Contractor Manager Handbook and ensure continued compliance with CalSTRS procurement policies.
- Contractor Background Investigation Policy – All third-party contractors who contract with CalSTRS must certify, at contract execution, that they have performed a background investigation on all contractor key personnel performing services under the agreement. CalSTRS requires all contractors to gather and consider background history information in determining if contracted employees meet the general standards for employment. The contractor must give particular emphasis to the business needs arising from CalSTRS fiduciary responsibility for CalSTRS funds, its obligation to protect the personal data it holds and maintain the integrity of the retirement system, and its policy to provide a safe and secure workplace.
- Exception to Competitive Bidding – This policy establishes CalSTRS approach to the non-competitive bidding process (NCB).
- Investment Alternative Solicitation Process – This policy delineates an alternative solicitation process for the Investments Branch to hire external contractors that allows CalSTRS to obtain qualified investment expertise (including but not limited to managers, consultants and independent fiduciaries) to support investment operations and assist in the implementation of CalSTRS' investment strategy.
- Sustainable Procurement Policy - A Statement of Commitment for CalSTRS to recognize that the products and services purchased have inherent social, human health, environmental and economic impacts, and CalSTRS procurement decisions should reflect an ongoing commitment to sustainability. The goal is to ensure sustainable practices and products on the part of our suppliers, adherence to best practices, and consistency with CalSTRS sustainability policies. The policy will be incorporated into the RFP requirements and the contract award process.
- Domestic and International Travel for CalSTRS employees – This policy establishes the guidelines for CalSTRS employees who are authorized to travel while on official state business. Out-of-State and international travel is frequent for staff in Investments who conduct on-sight due diligence of investment opportunities. CalSTRS approves all domestic and international travel internally without additional approvals from State control agencies.
- Advisory Board and Annual Meeting Travel – Consistent with their fiduciary duty, CalSTRS Investments staff may be required to attend annual partnership meetings or advisory board meetings as part of CalSTRS' participation on the advisory board of a partnership or other business entity. These meetings often involve out-of-state or international travel.

The Director of Procurement Management will oversee the activities that manage third-party contractor compliance with the following CalSTRS policies:

- Statement of Economic Interests (Form 700) - Depending upon the nature of the work performed, key personnel associated with a contract may be required to file Form 700 with the Fair Political Practices Commission.
- Disclosure of Campaign Contributions and Gifts Form 600(H): The Teachers' Retirement Board Policy Manual requires entities and key personnel engaging in business with CalSTRS to disclose certain campaign contributions, charitable contributions and gifts made to CalSTRS officers and/or board members to be made 1) upon submission of initial proposal to do business with CalSTRS, 2) at the time the contract is executed, and 3) annually thereafter.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The Director of Procurement Management will be responsible for policy formulation and execution impacting enterprise-wide procurement management and contract activities, providing leadership, management direction and policy guidance to the Procurement Management Division. The CEA will serve as the enterprise policy advisor for all procurement, contract and travel management issues and will plan, organize, and direct all associated activities for the entire organization. The CEA will act as an internal technical advisor and staff resource on procurement matters, providing expert advice on complex fiscal and operational issues to assist board members, the CEO and the Chief of Administrative Services in making sound decisions related to their fiduciary responsibility. The Director of Procurement Management will provide consultative services to the Chief Investment Officer and Chief Technology Officer (or their designees) related to the most complex and high-dollar investment contracts and technology procurement decisions, respectively. The incumbent will prepare and present formal oral and written presentations and reports to the board on contracts that exceed the CEO's delegated \$1 million approval authority.

Unlike most state agencies, CalSTRS independently conducts its contracts and procurement activities under the oversight of its board and does not rely on the Department of General Services, the California Department of Technology, or the Department of Finance to provide control and administrative functions. CalSTRS asserts its plenary authority and fiduciary responsibility with respect to matters related to the investment of funds and administration of the system. By agreement, approval by the Department of General Services for contracts and procurements is not required. CalSTRS acquires goods and services in the best interest of CalSTRS, its members, and beneficiaries in accordance with prudent business practices and in compliance with the law. By longstanding agreement, CalSTRS may undertake information technology projects and procurements related to such projects without the review and/or approval of the Department of Finance or Department of Technology. CalSTRS information technology projects and procurements are conducted in a manner that ensures that they meet business needs and that expenditures made in their support represent a prudent investment of CalSTRS resources. By longstanding agreement, CalSTRS may engage the services of outside legal counsel without approval by the Office of the Attorney General. Additionally, all domestic and international travel is approved internally by CalSTRS, pursuant to its plenary authority. Exclusive of the Headquarters Expansion Project and the Pension Solution, the proposed CEA will oversee enterprise-wide contracts valued at \$135 million annually, including contracts for investment consultants and advisors and external investment managers valued at \$85 million annually. The CEA will have signature authority to approve contracts and contract amendments up to \$250,000.

The CEA participates as a senior management sponsor, business lead or team member on enterprise-wide projects and serve as a senior management member of the Operations Performance Review, Customer Service Performance Review, and Risk Committee, the cross-functional teams of Senior Leadership that collaborate to ensure continuous improvement of operational programs and enterprise-wide processes that support CalSTRS operational objectives, effective risk management and long-term sustainability.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

Each year CalSTRS conducts environmental scan activities including assessing CalSTRS strengths, weaknesses, opportunities, and threats (SWOT), potential legislative changes, and current and future projects that impact the system's long-term sustainability and business continuity. Additionally, each year CalSTRS business plan is fine-tuned to represent the focus of the organization allowing CalSTRS to continually assess the changing environment including regulatory changes, operational risks, financial market risks and the changing needs of CalSTRS members. The CEA will formulate and direct the development of new or revised policies based on these ongoing changes and will continue to develop new or revised policies and strategies that support continuous improvement efforts, enhance efficiency and mitigate risks.