

MAINE STATE LEGISLATURE

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January 21, 2015

Honorable Mark W. Eves
Speaker of the House
2 State House Station
Augusta, Maine 04333

Honorable Michael D. Thibodeau
President of the Senate
3 State House Station
Augusta, Maine 04333

Dear Speaker Eves and President Thibodeau:

Pursuant to 5 M.R.S., Section 12023, please consider this the letter of transmittal for the required report from the Maine Public Employees Retirement System (MainePERS) due by February 1, 2015.

Please contact me if you have any questions or need additional information.

Thank you.

Sincerely,

Sandra J. Matheson
Executive Director

SJM/hlsb

Encl.

**Report of MainePERS Pursuant to 5 M.R.S. § 12023
for the period from July 1, 2013 to June 30, 2014**

A. Procurements

The Maine Public Employees Retirement System ("MainePERS") made the following procurements in excess of \$10,000 during the period from July 1, 2013 to June 30, 2014, under a waiver from MainePERS' competitive procurement policy or under a contract that predated implementation of the policy:

	<u>Vendor</u>	<u>Total Paid</u>	<u>Type</u>	<u>Category</u>
1.	Acom Solutions	\$ 15,719	Software	Waiver
2.	Aetna Life Insurance Co.	\$ 835,215	Insurance	Pre-Existing
3.	Baker, Newman & Noyes	\$ 129,359	Auditing	Pre-Existing†
4.	Bangor Savings Bank	\$ 34,596	Banking	Pre-Existing
5.	Bloomberg Finance LP	\$ 31,297	Information	Pre-Existing
6.	Bruns, Deborah M.	\$ 26,117	Court Reporting	Waiver
7.	Capital Area Staffing Solutions	\$ 37,172	Temp. Employees	Pre-Existing*
8.	Central Maine Power	\$ 53,877	Electricity	Pre-Existing
9.	Cheiron, Inc.	\$ 281,982	Actuaries	Pre-Existing
10.	Creative Imaging Group	\$ 17,487	Design	Pre-Existing
11.	Dell Marketing LP	\$ 16,206	Computers	Waiver
12.	Downeast Energy	\$ 15,227	Propane	Waiver
13.	Earthlink Business	\$ 122,102	Telephone Service	Pre-Existing
14.	Eaton Peabody	\$ 65,373	Litigation Defense	Pre-Existing
15.	Four City Center, LLC	\$ 47,178	Office Space	Pre-Existing
16.	Franklin Printing	\$ 102,712	Printing	Pre-Existing*
17.	Ice Miller LLP	\$ 33,281	Pension Counsel	Pre-Existing
18.	Industrial Roofing & Siding Co.	\$ 44,267	Roof Work	Pre-Existing
19.	Iron Mountain	\$ 20,329	Data Back-Up	Pre-Existing
20.	Liller Consulting	\$ 12,382	Consulting	Waiver
21.	Merrill Investigative Services	\$ 13,576	Investigations	Waiver
22.	Maxim, R. Michael	\$ 22,270	Maintenance	Pre-Existing
23.	Norris, Inc.	\$ 46,018	Alarm System	Pre-Existing†
24.	Ntirety, Inc.	\$ 57,606	Database	Pre-Existing
25.	Oracle America, Inc.	\$ 94,437	Software	Waiver
26.	Peak Knowledge	\$ 10,328	Software	Waiver
27.	Portland Computer Copy, Inc./ GE Capital	\$ 81,673	Equipment	Pre-Existing
28.	Sage Data Security	\$ 128,762	IT Security	Pre-Existing
29.	Systems Engineering, Inc.	\$ 440,254	IT Services	Pre-Existing
30.	Thayer Corporation	\$ 413,287	HVAC Service	Pre-Existing†
31.	Thayer Corporation	\$ 79,670	Boiler Replacement	Waiver
32.	UGL Services	\$ 45,295	Janitorial	Pre-Existing*

33.	Upper Valley Consulting	\$ 17,657	iPad Services	Waiver
34.	Verizon Wireless	\$ 42,884	Communications	Pre-Existing†
35.	Vitech Systems Group, Inc.	\$ 730,500	IT Services	Pre-Existing

The above does not include contracts with investment fiduciaries, advisors, counsel, or custodians as provided in 5 M.R.S. §§ 17108 – 17110 and exempt from competitive procurement requirements under MainePERS Rule Chapter 602 and MainePERS' procurement policy.

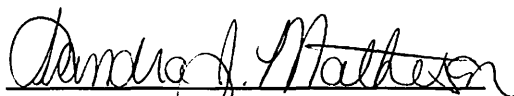
B. Contributions

MainePERS made no contributions during the period from July 1, 2013 to June 30, 2014.

C. Changes to Policies or Procedures

As reported last year, MainePERS has adopted policies and procedures in compliance with 5 M.R.S. § 12022. During the reporting period, MainePERS amended its Administrative Policy 1.4, "Travel," and its Administrative Policy 3.1, "Procurement." Last year's report included a description of the amendment to the Travel Policy and a copy of the amended policy. The Procurement Policy was amended on May 19, 2014, to provide clarification on the criteria applicable to sole source procurement of services, to specify approving authorities and authorization levels, and to make non-substantive changes in conjunction with a restructuring of MainePERS' policy system. A copy of the amended Procurement Policy is attached. There have been no other changes to the policies or procedures required by 5 M.R.S. § 12022 or to the procedures used by the MainePERS Board of Trustees to monitor compliance.

Maine Public Employees Retirement System



Sandra J. Matheson

Executive Director

Dated: January 21, 2015

* A competitive process under MainePERS' procurement policy was held during this period under which this vendor was awarded the contract. The amount paid includes amounts paid to the vendor under a pre-existing contract and under the new competitively bid contract.

† MainePERS entered into a new contract with this vendor during this period using sole source procurement pursuant to MainePERS' procurement policy. The amount paid includes amounts paid to the vendor under a pre-existing contract and under the new contract.

Administrative Governance

3.1 – Procurement

Summary of Policy

The Maine Public Employees Retirement System (“System”) shall ensure that all procurement of goods and services and all awards of contracts conform to the established budget, stated mission of pension administration, and applicable laws and regulations. The System shall make every reasonable effort to obtain all supplies, equipment and services at the lowest cost that meets required quality, including track record and industry knowledge where applicable, from the resources available at the time of procurement.

Statutory/Legal Provisions

- [3 M.R.S. § 951 et seq.](#)
- [3 M.R.S. § 991 et seq.](#)
- [5 M.R.S. §12021 et seq.](#)
- [MainePERS Rule Chapter 602](#)

Departmental Responsibility

Each department within the System shall exercise sound judgment and prudent business practices when procuring items, supplies, and services in accordance with the fiscal year’s budget. Responsibilities include:

- Obtaining competitive bids for any procurement not otherwise exempt that exceeds \$10,000 in accordance with MainePERS Rule Chapter 602;
- Complying with the criteria for waiver of the \$10,000 minimum in the competitive bidding process if a direct procurement is made;
- Providing written documentation that includes justification for direct procurement for sole source procurements that exceed \$10,000 for which no competitive bid was conducted. Such documentation shall be maintained on file until a document retention policy has been issued, and then in accordance with that policy;
- Developing supply sources that ensure low cost and both high quality and service from suppliers when obtaining goods or services;
- Annually evaluating the performance of vendors;
- Identifying opportunities to reduce costs by periodically conducting price/cost analyses;
- Maintaining a record of purchasing and vendor usage that demonstrates the low cost/high quality standards of this policy;
- Participating in shared procurement with other departments for routine or recurring supplies and services whenever feasible;
- Reviewing invoices to ensure cost control and alignment;
- Providing documentation to the Accounting and Finance Department;

- Negotiating contracts under the oversight of the General Counsel for services, leases, and equipment;
- Ensuring that all procurement is managed in accordance with the Purchase and Work Order standards established by the Accounting and Finance Department.
- Provide all documentation necessary to the Accounting and Finance Department in order to ensure timely payments and credits.

Contracts, Requests for Proposals, and Negotiations

All contracts for services, leases and equipment shall be submitted to the General Counsel or Associate General Counsel prior to execution to review the contract language and any special contractual requirements. Prior to the issuance of a Request for Proposal ("RFP") in accordance with System Rule Chapter 602, the General Counsel or Associate General Counsel shall review the RFP to ensure it complies with the provisions of law and this policy.

Purchase Orders and Work Orders

Purchase Orders and Work Orders must comply with applicable Accounting and Finance Practices.

Costs shall be controlled by ensuring the projected costs of Purchase and Work Orders are within the fiscal year budget. Deviations in initial cost must be approved when identified and a modified Purchase or Work Order submitted. Final invoices must include an explanation of the difference.

Cancellation or modification of Purchase and Work Orders must be documented with an explanation submitted to the originating department.

Emergency Procurement

Goods or services may be obtained without a Purchase or Work Order in order to prevent the following conditions:

- A hazard to either persons or property;
- Damage to buildings or facilities;
- A violation of statute or local ordinance;
- Serious detriment to the System;
- Any other bona fide emergency necessitating expedited action.

A department representative initiating an emergency Purchase or Work Order should obtain verbal approval based on an estimated amount and the budget line from which the purchase or work order is derived. A Purchase or Work Order shall be submitted as soon as practical and shall include the reasons for and documentation regarding the emergency procurement.

Requests for Proposals (RFP)

Procurements that exceed \$10,000 and are not otherwise exempt require the issuance of an RFP. Each required RFP shall comply with the provisions of MainePERS Rule Chapter 602. Exceptions to competitively procured goods or services are addressed below under Sole Source Procurements.

Leases

Square footage cost must be competitive for the market in which the property is located. The System shall document its efforts at establishing the market rates and the criteria used in making a selection of leased property.

Prior to entering into any lease arrangements, an analysis will be made of purchase alternatives to ensure the most economical and practical procurement is performed.

The General Counsel or Associate General Counsel shall oversee and review all leases, lease purchase agreements, and rental agreements prior to execution.

Capital Purchases

Capital purchases exceeding \$50,000 shall be budgeted for in the annual Capital Budget. Capital purchases shall be made using the Purchase Order guidelines in this policy. MainePERS capitalization threshold is \$5,000. Items with an extended unit cost equal to or exceeding this amount are added to the System's property records and should be charged to the appropriate departments or amortized over the life of the purchase.

Sole Source Procurements

Sole Source Procurements exceeding \$10,000 must be documented and may be made only under the following circumstances:

- Property or services are available only from one vendor;
- Compatible additions to existing equipment or services where using a different vendor would be impractical for the specific need or incur additional expense because of potential incompatibility issues;
- Competitive bidding is precluded because of the existence of control of raw materials, patent rights, copyrights, or similar circumstances;
- Technical services in connection with installation, servicing of equipment, or assembly are only available from one qualified vendor;
- Components or parts used as replacements for equipment are designed and marketed by only one vendor;
- Procurement where, in the judgment of the System, there is only one vendor in the market that has the capacity to provide and/or maintain the equipment or services being purchased;

- Procurement of electric power or energy, gas, water or other utility where only one vendor or broker exists;
- Contracts with investment fiduciaries or advisors as provided in 5 M.R.S. § 17108;
- Contracts with persons or associations for investment counsel or advice or for other professionals or other assistance as provided in 5 M.R.S. 17109;
- Contracts for the custodial care of securities as provided by 5 M.R.S. § 17110;
- Any other circumstance where adhering to the requirements set forth in this policy would, in the judgment of senior management or the Trustees of the System, result in a breach of fiduciary duty or violation of law.

Sole Source Justification and Documentation

Sole source procurements, excluding emergency procurements, must be documented and justified in advance. Documentation must be maintained until a document retention policy has been issued, and then in accordance with that policy. The following criteria must be considered in justifying sole source procurement:

Uniqueness:

- Details about the unique nature of the vendor must be provided;
- If the item or services are unique to a sole vendor, the characteristics and justification for requiring the same must be described;
- Expertise: if the vendor or contractor possess a unique expertise, both the necessity of the expertise and its nature must be documented;
- Equipment: if the vendor or contractor has unique or proprietary data, equipment, or facilities, the need for the same must be explained and documented.

Timeframe:

- Time constraints create a necessity to override competitive bidding;
- Specific documentation of the timeframe and the need must be documented, including the date by which material goods or services must be delivered and the justification for that date.

Legal

The General Counsel or Associate General Counsel shall review and approve details and justification.

Approving Authority

Written approval by a member of Senior Management with authorization for the amount anticipated to be expended is required before an RFP is issued, sole source procurement is used, or a contract is executed. The following authorization levels are established:

- Executive Director – Unlimited
- Chief Deputy Executive Director – Up to \$25,000
- Chief Investment Officer – Up to \$10,000
- Deputy Executive Director – Up to \$10,000
- Other Senior Managers – Up to \$2,500

Board of Trustees

The System shall provide the Audit Committee of the Board with an annual budget that includes a specific category for procurement expenses. The System shall also provide the Audit Committee of the Board with a semi-annual and annual report listing the actual procurement and sole source procurement costs that have been incurred within that budget. The Audit Committee of the Board shall provide the Board of Trustees with the budget including procurement and the two procurement reports.

Ownership

This Administrative Policy is owned by the Associate General Counsel.

Approved by
Sandra J. Matheson, Executive Director
Date: 5/19/14