



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 11

MEETING DATE: June 19, 2019

SUBJECT: Legal Contract Renewal

SUBMITTED FOR: ___ Consent X **Deliberation and Action** ___ **Receive and File**

RECOMMENDATION

Staff recommends the Board authorize the Chief Executive Officer to enter into a consolidated legal services contract with Nossaman LLP that includes fixed terms and fixed expenditure limits.

PURPOSE

This item supports the 2018-19 Strategic Management Plan to maintain transparency and demonstrate fiscal responsibility and stewardship. Relatedly, this item supports Staff's continuing contract management project by (1) consolidating and simplifying existing contracts with outside counsel, and (2) replacing ongoing "evergreen" contracts with better supervised limited-term contracts.

DISCUSSION

SCERS's Historical Relationship with Nossaman

For the past several years, SCERS has retained Nossaman to provide a variety of legal services. Nossaman has provided legal counsel to SCERS in connection with personnel issues, litigation, fiduciary compliance, disability retirement benefits, investment transactions, property management, and IT contracting. Over the past four fiscal years, SCERS' expenditures on Nossaman services have been as follows:

<i>Service</i>	<i>FY 15-16</i>	<i>FY 16-17</i>	<i>FY 17-18</i>	<i>FY 18-19</i>
Disability Retirement	\$260,920	\$295,816	\$251,006	\$165,924 (through 1/31/19)
Employment	\$54,443	\$5,149	\$39,342	\$10,307 (through 3/31/19)
Litigation	\$37,974	\$38,139	\$45,961	\$1,152 (through 1/31/19)
Special Projects	N/A	\$21,609	\$36,582	\$21,772 (through 3/31/19)
Investment Transactions	\$113,871	\$81,254	\$173,807	\$169,882 (through 4/30/19)
Total	\$467,208	\$441,967	\$546,698	\$369,037

August 18, 2018 Board Action

Over the past two years, Staff has implemented a contract management project. Those efforts have resulted in many long-term contracts being reviewed, updated, and amended. One area of focus is the inclusion of fixed term and fixed expenditure limits for each contract.

Pursuant to that effort, at the August 18, 2018 Board Meeting, the Board authorized several three-year contracts with Nossaman related to litigation services, employment services, disability retirement services, and special projects.

SCERS' Active Contracts with Nossaman

After the August 18, 2018 Board meeting, SCERS entered into one-year contracts with Nossaman within the approved expenditure limits. Together with an "evergreen" contract for investment services from 2014, and a real estate management contract last amended in 2016, SCERS currently has six active contracts with Nossaman:

<i>Type of Service</i>	<i>Effective Date</i>	<i>Expiration Date</i>	<i>Expenditure limit</i>
Disability Retirement	7/1/2018	6/30/19	\$350,000
Employment	7/1/2018	6/30/19	\$50,000
Litigation	7/1/2018	6/30/19	\$100,000
Special Projects	7/1/2018	6/30/19	\$50,000
Investment Transactions	3/5/2014	None	None
Real Estate Management	9/6/2016 (last amended)	6/30/19	None

Staff's Current Request

Staff anticipates that SCERS will continue to require legal services from Nossaman of the same type, and to the same degree, as in years past. (The one exception is that SCERS will have little, if any, need for real estate-related services, because SCERS recently liquidated its real estate holdings.) As five of the six active contracts are set to expire at the end of June, now is a good time for the parties to renegotiate their contractual arrangement. Staff believes that it

would promote legal clarity and ease of administration for SCERS to enter into a consolidated contract that governs its entire relationship with Nossaman.

Accordingly, Staff now seeks authorization to take a contracting approach slightly different from what the Board approved last year. Specifically, Staff seeks to negotiate a contract with Nossaman along the following lines:

- The contract would be structured as a single consolidated “Master Contract.” Under that structure, certain general provisions would govern the entire relationship, without regard to service type;
- The Master Contract would include various exhibits, each containing provisions specific to a particular type of service. Those exhibits would address:
 - Services relating to disability retirement benefits (including disability-related administrative and writ litigation), not to exceed \$450,000 annually;
 - Services relating to investment transactions (including real estate investments), not to exceed \$250,000 annually;
 - Services relating to litigation and fiduciary compliance, not to exceed \$100,000 annually;
 - Services relating to employment matters, not to exceed \$50,000 annually;
 - Special Projects, not to exceed \$50,000 annually;
- Nossaman is expected to stay within the annual “not to exceed” budgets for each area of service. However, if the budget for one service area is exhausted or nearly exhausted, the CEO may, in writing, authorize Nossaman to continue providing services by drawing available funds from another budget;
- The Master Contract would be for a three-year term, with hourly fee rates locked in for each fiscal year;
- Each party may terminate the contract at any time.

Prepared by:

/S/

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Reviewed by:

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Eric Stern
Chief Executive Officer