

Existing Agreements, Exemptions, Current Policies and Practices

This policy is not intended to supersede or invalidate any existing agreements, exemptions, or current policies or practices, including but not limited to the following:

1. Budget

By longstanding mutual agreement with the Department of Finance, following board approval CalSTRS' annual operating budget is submitted to Finance for inclusion in the Governor's annual proposed budget without change or reduction. The Legislature, in turn, has approved these budgets without alteration in the annual Budget bill. Once its annual budget is enacted, CalSTRS has been given the flexibility to reallocate resources internally as deemed appropriate; however, CalSTRS may not exceed its budget notwithstanding changed circumstances absent enactment by the Legislature of a deficiency request. Budget bills provide CalSTRS with the flexibility to "carry over" up to 3% of its operating budget into a future fiscal year upon approval of the Board.

2. Contracts

- a. **Delegation of Authority:** Any contract or purchase which exceeds \$1,000,000 in cumulative value must be approved by the board itself. For goods and/or services obtained with a vendor through CMAS, approval by the board itself is required when cumulative purchase orders for a fiscal year with that vendor exceed \$1,000,000. When requesting board approval for CMAS purchase orders exceeding \$1,000,000 with a vendor, staff shall provide the board with a breakdown of the total amount for the vendor by project and/or program name. Approval authority for contracts and purchases below \$1,000,000 is delegated to the Chief Executive Officer or his/her designee. Additionally, any sole source contract exceeding \$100,000 will require advance approval by the board itself.

In the event of an officially declared state of emergency applicable to CalSTRS, the board chair and vice chair, on the recommendation of the Chief Executive Officer, have the authority to approve on behalf of the board, non-investment contracts exceeding \$1,000,000 and up to \$10,000,000 and sole source contracts exceeding \$100,000 and up to \$1,000,000, when it is not practicable in light of the emergency to timely secure full board approval. Any contract approved under this emergency exception will adhere to CalSTRS normal procurement process, including fiscal and legal review, and will be compliant with state contracting laws. The full board will be immediately notified if any contract is approved under this emergency exception and a complete report will be provided at the next publicly noticed board meeting.

In order to quickly reduce or eliminate the effects of an Information Security Incident, as defined in the Information Security Incident Response Plan Policy, with the approval of either the board chair or vice chair and on the recommendation of the General Counsel, the Chief Executive Officer or Chief

Operating Officer has the authority to approve on behalf of the board non-investment contracts exceeding \$1,000,000 and up to \$5,000,000 and sole source contracts exceeding \$100,000 and up to \$5,000,000, when it is not practical in light of the security incident to timely secure full board approval. Any contract approved under this Information Security Incident exception will adhere to CalSTRS normal procurement process, including fiscal and legal review, and will be compliant with state contracting laws. The full board will be immediately notified if any contract is approved under this security incident exception and a complete report will be provided at the next publicly noticed board meeting.

- b. Contracts for the Procurement of Goods and Services:** By agreement, approval by the Department of General Services is not required. CalSTRS shall acquire 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. Contracts will be made based on a determination by the Chief Executive Officer or his/her designee that the contract is appropriate from a cost-benefit perspective. Contracts for personal services shall include, to the extent appropriate, knowledge transfer provisions to enhance the ability of CalSTRS staff to maintain and operate contracted programs, equipment, and facilities. In order to ensure that quality products and services are obtained at reasonable prices, CalSTRS will use a competitive bidding process except as provided below. Awards for contracts and purchases will be made to the lowest responsible bidders or the highest scored responsible bidders, depending on the solicitation method utilized. The duration or term of contracts awarded will follow guidelines set forth in SAM unless the Board specifically provides otherwise. Staff shall typically seek maximum economic advantage to CalSTRS in its acquisitions. In unique circumstances, such as emergencies, where there is only a single source, or in other situations such as the purchase of proprietary software, a contract may be awarded without competitive bidding, subject to applicable law and delegations. CalSTRS may also contract for goods and services through the various statewide leveraged procurement agreements (e.g., California Multiple Award Schedules (CMAS)). Consistent with the exemption provided to CalSTRS by Management Memo MM 03-10, CalSTRS may exceed existing CMAS purchase order limits without obtaining approval of the Department of General Services.
- c. Information Technology Procurement:** 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 other control agencies. CalSTRS will continue to assert its plenary authority and fiduciary responsibility with respect to matters related to the investment of funds and administration of the system. CalSTRS information technology projects and procurements shall be 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. Information technology projects shall be managed through appropriate project management techniques and in

accordance with established security and risk management protocols to ensure both the security of member data and the integrity of CalSTRS systems.

- d. **Contracts for Legal Services:** In furtherance of its plenary authority and fiduciary responsibility with respect to matters related to the investment of funds and administration of the system and by longstanding agreement, CalSTRS may engage the services of outside counsel without approval by the Office of the Attorney General.

3. Agency Review

Although CalSTRS has plenary authority and fiduciary responsibility for investment of funds and administration of the system, CalSTRS will inform the State and Consumer Services Agency of significant activities and developments and will participate as appropriate in Agency meetings of officers from its constituent entities.

4. Out-of-State/Out-of-Country Travel

Requests for out-of-state and out-of-country travel are approved internally by CalSTRS pursuant to its plenary authority and fiduciary responsibility for investment of funds and administration of the system.

History: Amended May 7, 2020 [to add emergency delegation authority in 2(a)]; Amended February 23, 2021 [to remove language regarding “other sole source contracts” in section 2(a), to remain consistent with the board's current delegation to the CEO.] Amended March 7, 2024 [to add Information Security Incident delegation authority.]