



Sole Source CONTRACT Filing Justification Template

Use the following justification template for preparing to file sole source contracts in the [Sole Source Contracts Database](#) (SSCD). Once completed, copy and paste the answers into the corresponding SSCD question and answer fields. You will also need to include a copy of this completed form in the documents you post to your agency website and in [WEBS](#).

What is a sole source contract?

"Sole source" means a contractor providing goods or services of such a unique nature or sole availability that the contractor is clearly and justifiably the only practicable source to provide the goods or services. (RCW 39.26.010)

Unique qualifications or services are those which are highly specialized or one-of-a-kind.

Other factors which **may** be considered include past performance, cost-effectiveness (learning curve), and/or follow-up nature of the required goods and/or services. **Past performance alone does not provide adequate justification for a sole source contract.** Time constraints may be considered as a contributing factor in a sole source justification, however will not be on its own a sufficient justification.

Why is a sole source justification required?

The State of Washington, by policy and law, believes competition is the best strategy to obtain the best value for the goods and services it purchases, and to ensure that all interested vendors have a fair and transparent opportunity to sell goods and services to the state.

A sole source contract does not benefit from competition. Thus the state, through RCW 39.26.010, has determined it is important to evaluate whether the conditions, costs and risks related to the proposal of a sole source contract truly outweigh forgoing the benefits of a competitive contract.

Providing compelling answers to the following questions will facilitate DES' evaluation.

Specific Problem or Need

- What is the business need or problem that requires this contract?
[Independent public pension administration benchmarking provides the Department of Retirement Systems with extensive performance, cost and best-practice information.](#)



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That information is a core component of the agency's performance measurement and continuous improvement efforts

Sole Source Criteria

- Describe the unique features, qualifications, abilities or expertise of the contractor proposed for this sole source contract.

CEM Benchmarking, Inc. has been providing benchmarking services to public pension administrators in the US and internationally since the late 1990's. They also provide investment management benchmarking services, which gives them a comprehensive perspective on public pensions. Since they've been in this business for over 30 years, CEM has a significant amount of experience and a well-established client base. Their public pension administration benchmarking service had 78 participants last year and, when you mix in their other services; they currently serve over 400 blue-chip corporate and government clients worldwide. The presence of a large participant database is essential for meaningful statistical analysis, and the international participants are often excellent sources of best practices and innovation.

- What kind of market research did the agency conduct to conclude that alternative sources were inappropriate or unavailable? Provide a narrative description of the agency's due diligence in determining the basis for the sole source contract, including methods used by the agency to conduct a review of available sources. Use DES' Market Research Template if assistance is needed.

CEM Benchmarking is the only vendor known to provide this specialized service. Discussions with other public pension administrators at national conferences and through national organizations, as well as Internet and OMWBE certified vendor searches, all indicate a lack of competitors in this unique service offering.

- As part of the market research requirements, include a list of statewide contracts reviewed and/or businesses contacted, date of contact, method of contact (telephone, mail, e-mail, other), and documentation demonstrating an explanation of why those businesses could not or would not, under any circumstances, perform the contract; or an explanation of why the agency has determined that no businesses other than the prospective contractor can perform the contract.

The DES Stateside contract database was searched using the following: Benchmarking (yielded 0 responses), Pension Benchmarking (yielded 0 responses), and Pension



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(yielded 0 responses). Google was used to look for pension benchmarking services, CEM was the only company that came up who provides this very specialized service.

- Per the Supplier Diversity Policy, DES-090-06: was this purchase included in the agency's forecasted needs report?

Yes, this sole source was included in our report.

- Describe what targeted industry outreach was completed to locate small and/or veteran-owned businesses to meet the agency's need?

A search was done through the OMWBE Certified Vendors, using the following commodity codes: NAICS 524292 (Pension, third party administrative services, 52511(Pension Funds), 525110 (Pension Funds), 525110 (Pension Funds, employee benefits, retirement), 525110 (Plans, pension), 525110 (Retirement pension plans), 523 (Securities, Commodity contracts, and other financial investments and related activities). The search yielded zero responses.

- What considerations were given to unbundling the goods and/or services in this contract, which would provide opportunities for Washington small, diverse, and/or veteran-owned businesses. Provide a summary of your agency's unbundling analysis for this contract.

An unbundling analysis was completed, the nature of this contract doesn't lend itself to unbundling.

- Provide a detailed and compelling description that includes quantification of the costs and risks mitigated by contracting with this contractor (i.e. learning curve, follow-up nature).

Since no other firm currently provides this service, there's no option of going with a different contractor and therefore no risk to be mitigated at this time. However, if a competitor were to enter this field in the future, the largest risk would be persuading enough other pension administrators to participate. Without an appropriately sized database of true peers (that is, comparably sized U.S. public pension administrators), the resulting analysis would be statistically invalid. Other risks associated with new competitors would be their lack of experience benchmarking the public pension sector, and potentially larger costs.



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- Is the agency proposing this sole source contract because of special circumstances such as confidential investigations, copyright restrictions, etc.? If so, please describe.

No. The agency is proposing this sole source because this is the only contractor (in the world) that provides this service.

- Is the agency proposing this sole source contract because of unavoidable, critical time delays or issues that prevented the agency from completing this acquisition using a competitive process? If so, please describe. *For example, if time constraints are applicable, identify when the agency was on notice of the need for the goods and/or service, the entity that imposed the constraints, explain the authority of that entity to impose them, and provide the timelines within which work must be accomplished.*

No. The sole source contracting process is being employed due to the lack of competitors for this service.

What are the consequences of not having this sole source filing approved? Describe in detail the impact to the agency and to services it provides if this sole source filing is not approved.

If this sole source filing is not approved, DRS will have to expend/redirect additional resources to competitively procure public pension administration benchmarking services, achieving the same result because the contractor is the only existing resource.

Sole Source Posting

- Sole Source Posting on Agency Website - Provide the date in which the sole source posting, the draft contract, and a copy of the Sole Source Contract Justification Template were published on your agency's website.
 - If failed to post, please explain why.
- Provide the date in which the sole source posting, the draft contract, and a copy of the Sole Source Contract Justification Template were published in WEBS.
 - If failed to post, please explain why.
- Were responses received to the sole source posting in WEBS?



- If one or more responses are received, list name of entities responding and explain how the agency concluded the contract is appropriate for sole source award.

Reasonableness of Cost

- Since competition was not used as a means for procurement, how did the agency conclude that the costs, fees, or rates negotiated are fair and reasonable? Please make a comparison with comparable contracts, use the results of a market survey, or employ some other appropriate means calculated to make such a determination.

The fees are \$63,000 for the first fiscal year and \$65,000 for the second fiscal year, which are relatively low. DRS couldn't replicate the services and deliverables (e.g., a 300-page analytical benchmarking report, peer-based research papers, access to a web-based peer network service, participation in an annual conference with our peers, etc.) for that amount using internal resources.