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PROCUREMENT PONDERABLE

Focusing on Ourselves in the Right Way

Stephen B. Gordon, PhD, CPPO, FNIGP

With few exceptions, we professional public procurement officials should not call undue attention to ourselves as individuals. One such exception is the need for each of us to ensure that we maintain good mental health. I call attention to this need because the work environment of public procurement is filled with people and other stressors which, if not dealt with properly, can cause serious emotional and psychological discomfort ... discomforts that can only impact not only the execution of functional duties and responsibilities, but other things and people as well, in and outside the workplace.

My purpose here is to encourage you to work with others in and beyond where we work to develop and acquire competencies that will enable all of us to avoid experiencing, or least have fewer bouts with, the anxiety and depression with which some of us "long-timers" have struggled. Public procurement officials, if they are to make the greatest strategic contributions possible must, to paraphrase the great novelist William Faulkner, do more than "merely survive" in their pressure-cooker work environments.

Before I provide you my list of points upon which the needed set of competencies might be based, please allow me to share with you a lesson that one of my mentors shared with me years ago after I had spoken to his engineering class at Vanderbilt University. My mentor told me about a group of men in the temple to which he belonged, who every time the 23rd Psalm was read, would chuckle and mutter something to the effect of, "We're not worried. We're the meanest [so n' so's] in the Valley." His point was that none of us is invincible; we all must exercise sound judgment and make good decisions with regard to our personal well-being.

In closing, here are a few more points for you to consider:

- > You are likelier to experience anxiety and depression than you realize.
- > If you experience anxiety or depression, do not be ashamed; get help immediately.
- > If others around you experience anxiety and depression, continue to treat them with dignity and respect; tell them not to be ashamed; and, encourage and help them to find assistance.
- > You can control your own thoughts and behaviors, if you know what to do.
- > You rarely can control others' thoughts, but you may be able to change their behaviors if, again, you know what to do.
- > Avoid to the extent possible people and situations that create stress and anxiety for you.

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Top 10 Energy Buying Mistakes You Didn't Realize You Were Making (& How to Avoid Them)

NO. 7: USING ONE FIRM FOR 'ALL THINGS ENERGY'

By Bob Wooten



> **A**s we start our next installment in this series, let's recap the mistakes we've covered so far when it comes to savvy energy procurement: not procuring proactively, missing the most competitive rates, developing an inappropriate procurement strategy for your specific needs, not having a pre-determined goal of what you want to achieve, utilizing an aggregation for purchasing energy, and taking a decentralized approach. This article will discuss the importance of "compartmentalizing" your energy savings strategies.

Energy savings come in two general forms: supply-side savings and demand-side savings. Saving on energy supply involves procuring better rates for the energy you use, in addition to achieving efficient bill processing and optimizing the rates under which

your energy accounts are charged. Demand-side saving, on the other hand, has to do with energy efficiency and can include the purchase of capital equipment such as HVAC systems and building insulation. In short, supply-side strategies reduce the cost of the energy you use, whereas demand-side strategies reduce the amount of energy you use.

THE MISTAKE: USING ONE FIRM FOR BOTH SUPPLY-SIDE AND DEMAND-SIDE ENERGY STRATEGY

It wasn't too many years ago that, from an energy management standpoint, there were two types of firms available to commercial consumers. One type was the large energy efficiency firms (sometimes called Energy Services Companies or ESCOs), whose specialty was providing energy conservation projects

that many times amounted to millions of dollars in expenditures. These projects were sometimes even financed out of the savings through 15- to 20-year deals, and they were always viewed in terms of return-on-investment (ROI) – in other words, determining whether the investment will result in positive returns... and how long that will take.

The other type was the “niche” firm that provided consulting and advisory services designed to negotiate and procure better rates for the energy an organization utilized, such as electricity and natural gas. About a decade ago, a movement started whereby many of these larger ESCOs and efficiency companies began to acquire the niche advisory firms in an attempt to become a “one-stop shop” for their customers. Over the years, this then became a popular way for organizations to meet their energy needs – by engaging one company that supplies “all things energy.”

Even though this may have made sense for the energy companies, does it make sense for the energy consumer?

WHY IT HAPPENS: THE NOTION THAT USING ONE FIRM IS MORE EFFICIENT

The same reasoning that led the demand-side energy efficiency companies to acquire supply-side firms became the same rationale for the organizations that engaged them. This was done because it was considered more efficient, and it made addressing a corporate-wide energy strategy easier because there was just one point of contact.

BUT JUST BECAUSE SOMETHING IS EASIER, DOES THAT ALSO MAKE IT BETTER?

This is precisely the question that each individual organization must answer. Consumers are presented with similar situations in just about every facet of the economy. Sure, it is easier to buy a Big Mac while you are gassing up your car – but is that really the best culinary option available? The problem with hiring one company to handle supply-side and demand-side energy issues is that, all too often, the consumer doesn't get the best out of either role. In fact, in some cases, you may find you are even creating conflicting goals that lead to bad decisions on energy projects.

Consider for a moment that you are looking to undertake a massive energy efficiency retrofit that will cost several million dollars to implement. Your decision to proceed is highly dependent on the expected duration of ROI, and the ROI of any energy efficiency project is a direct result of the future electricity rates you will pay. If your future rates are higher, the ROI is shorter. It would be difficult for an energy firm to promote your energy efficiency project (demand-side) while at the same time reducing your future rates (supply-side) because such a move would raise your ROI and jeopardize said project.

HOW TO FIX IT: USE SEPARATE “BEST-IN-CLASS” FIRMS FOR SUPPLY-SIDE AND DEMAND-SIDE

As we'll see, a better approach is to find and engage the best companies from both the supply side and demand side to craft a comprehensive energy management strategy. The skills and expertise required for creating an energy procurement analysis (supply-side) are very different from those necessary for establishing an energy efficiency project (demand-side). Whereas a background and understanding of the wholesale energy commodity markets is key to a successful supply-side strategy, an engineering background is the heart of any demand-side conservation measure.

Trying to find one company that provides both services typically results in one or both of these aspects lacking the experience and/or resources to make it successful. The result? What you gain in efficiency is lost in quality.

As an example, let's say you determine that a particular demand-side company is the best fit for replacing chillers and upgrading your HVAC system. You may find that this same company also says they can assist with the procurement of your electricity and natural gas contracts. Because their expertise is on the engineering side, they will not also have the financial and commodity background specific to a more specialized supply-side firm. The better route is to politely decline when these services are offered and instead seek out a separate energy procurement advisory firm that best meets your supply-side needs.

CONCLUSION: CHECKS AND BALANCES

Another way to look at this issue is that, by engaging a supply-side advisor that is separate from your demand-side company, you have a system of checks and balances to ensure that your overall energy strategy is optimal and stays on track. Having a separate supply-side firm review any energy efficiency proposals ensures that a second set of eyes has evaluated your future electricity rates and given you further information in evaluating this project with the demand-side firm.

The bottom line is that engaging separate supply-side and demand-side firms as part of your overall energy strategy not only means you can customize the services you receive to match your exact needs.

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FORUM MATTERS: PROCUREMENT JUDGMENT

By Lisa Premo, Stéphanie Dion, Michael Thornton and Victor Leamer

In August 2019, I travelled to my sixth NIGP Annual Forum. I have enjoyed every Forum since the 2014 Forum in Philadelphia, but this year surpassed all previous years in terms of establishing and strengthening relationships, building teams, and gaining knowledge. As an NIGP staff member, I have the privilege of working virtually with procurement professionals, academics, and suppliers throughout the year. Forum presents an opportunity to meet these amazing volunteers in person. Forum is also my opportunity to support task force members who have developed guidance for public procurement practices by attending their sessions.

Attendance at the session by Stéphanie Dion, Victor Leamer, and Michael Thornton on Request for Proposals: Different, but not Difficult was one such session. These procurement professionals, along with Sharon Rothwell and Distinguished Service Award Winner Stacy Gregg formed the NIGP task force that developed the recently published practice on Request for Proposals (RFPs).

Support and camaraderie motivated my attendance. How could I have known that a nuance about procurement policy was about to come my way? At NIGP, I manage the Accreditation Program and conduct the preliminary review for Outstanding Agency Achievement Accreditation Award (OA4)

submissions. With each application review, I had become increasingly convinced of the importance of policies that support and specify the authority and responsibility of Procurement. The Forum presentation threw a wrench into or, more accurately, helped scaffold and deepen that understanding. The team underscored that policies should be general enough to allow for procurement judgment and flexibility.

Procurement judgment refers to the values, education, expertise, and experience of procurement professionals that are applied to decisions and actions. Public procurement values, i.e., accountability, ethics, impartiality, professionalism, service, and transparency, were developed from the public procurement pillars of public service, public trust, and justice. Procurement expertise includes performance of specialized skills, knowledge, and competencies. Examples include market, cost, price, value and spend analysis; enabling regulations and compliance; sourcing and solicitation methods; contract management and performance; and relationship management with internal clients and suppliers.

The American Bar Association's Model Procurement Code §3-203 Competitive Sealed Proposals, (1) Conditions for Use, provides an example of flexible wording that allows for the use of an RFP and defers to the judgment of the Chief Procurement Office

or head of Procurement to decide when to use it.

A contract may be entered into by competitive sealed proposals when the Chief Procurement Officer, the head of a Purchasing Agency, or a designee of either officer above the level of the Procurement Officer determines in writing, pursuant to regulations, that the use of competitive sealed bidding is either not practicable or not advantageous to the [State].

In a profession that is moving swiftly from a reactive, transactional function to a proactive, strategic function, the more flexibility and latitude provided in policies, the better and more often procurement professionals can apply their judgment. How many of us have been stuck in the loop of an automated call or spoken to an employee with a script? Progress is impossible. Perhaps we press zero multiple times until we are connected to a real person or we ask to speak to a supervisor. Either way, we want to interact with someone with authority and professional judgment who can understand our situation and resolve it.

Judgment is necessary, too, as not every situation can be predicted. Nor do we want to be suffocated in infinite numbers of “Dolores Umbridge Decrees” to cover every known condition or circumstance. For scenarios that we can and do plan for, there still may be unintended consequences. Policies can guide us, but each situation is unique. Judgment informed by values, education, expertise, and experience is crucial.

Policies should enable, not restrict. They should state the overarching principles guiding procurement operations and allow for professional judgment. Judgment may direct procurement professionals to consult with other stakeholders and experts, for example, when providing technical advice and interpreting the intent of legislation. Judgment plays a role, too, in the analysis of situations and procurements, which require consideration of multiple factor such as policies and procedures, precedents, trade agreements, historical practice, risk tolerance, and operational requirements.

The more that procurement professionals successfully apply judgment, the more likely they may be regarded as trusted strategic partners. The ever-increasing demands of procurement are best served through flexible policies applied through professional judgment. Decisions and actions can then align with public procurement values and guiding principles to respond to entity needs and fulfill Procurement’s responsibility to achieve public service, public trust, and justice.

LISA PREMO is NIGP Global Practices Manager, and Stéphanie Dion, Michael Thornton and Victor Leamer are NIGP RFP Task Force members.

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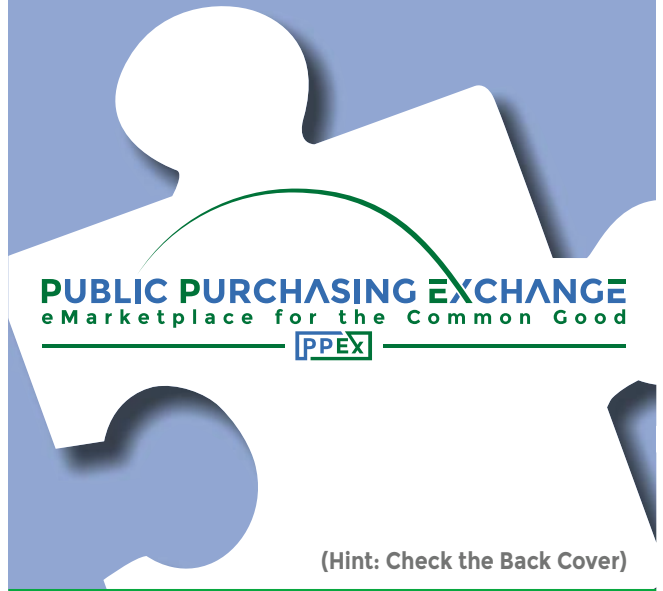
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FORM A PARTNERSHIP OR JUST FOLLOW THE LEADER? PUBLIC PROCUREMENT'S DIGITAL AGE STRATEGIC CONUNDRUM

By Jean Clark

> **P**ublic procurement has long been viewed as a profession of “doers.” We do what it takes to ensure our customers have exactly what they need, exactly when they need it, to complete their mission. In the simplest of terms, what we do enables them to do what they do best. But therein lies the problem.

For decades, the procurement model has been one of top-down delegation. A “follow the leader” flow of requirements, if you will, with very little strategic input from procurement. The customer tells us what they want and we go out and find it. Which works if you’re buying simple commodities where the specifications are clear-cut and quality is comparable. However, simply serving as a middleman between the customer and the supplier – executing a straightforward solicitation task list and, later, just managing the contract lifecycle – is doing a disservice to the customer. Particularly when it comes to complex procurements or large spend solicitations, such as technology buys, construction projects or even professional service contracts.

PROCUREMENTS SHOULD NOT BE CONDUCTED IN CUSTOMER-BUYER-SUPPLIER SILOS

It is becoming abundantly clear to government leaders (not just procurement leaders) that the central role we play in every public-private sector transaction has strategic value. Not after the purchase requirements are passed down to us, but before. And our value doesn’t stop after the solicitation is complete. Our strategic value extends far beyond the contract award.

Why?

Procurement has a deep understanding of what customers need and what the market can deliver. We know if a requirement is reasonable or restrictive or neither.

Think of it in terms of who, what, when, where and how: customers tell you “what” they need to meet their customers’ (i.e. community/taxpayer) needs. Customers may even be the ones to decide “when” something needs to be delivered. But it is procurement that knows “where” to look to determine what’s actually feasible, “who” can provide the desired

solution (if anyone); and ultimately how to achieve the desired outcome. It is procurement that also confirms whether or not the timeline (i.e. “when”) is reasonable.

That is why procurement should be engaged early and often by those in charge of modernizing government services and systems or driving infrastructure development and upgrades.

As procurement professionals, we are familiar with the all-too-common-compromise that customers often make when their ambitious requests are unattainable based on available solutions or, in some cases, funding. We are the ones doing the market research, negotiating with suppliers and monitoring performance of the project and the people involved. We’re not just paying attention to supplier performance, though. We’re also analyzing customer behaviors and searching for maverick spend that could be working counter to our organization’s mission. That’s because our mission as procurement professionals is to make sure customers are able to complete theirs. Procurement is the function that enables every other government function. Overly-ambitious goals often lead to overspending and less-than-desirable outcomes – and we are often the only ones who can bring that to customers attention.

Let me be clear, though. Procurement should not be asked to police customers’ decisions or actions. We should be embraced as solution providers.

WHEN – AND HOW – TO ENGAGE WITH CUSTOMERS TO ENABLE BETTER OUTCOMES

As procurement professionals, you are expected to provide a certain level of “customer service” to your internal agency customers. Though you may not always be a subject matter expert on the goods and services you are asked to buy, you are the expert on how best they can be acquired.

Whether or not you are officially invited to join the “core project team”, procurement officials should be proactively recommending the solicitation strategies, contract vehicles and negotiating tactics, especially for high-stakes procurements. You know what is going to work best for certain types of procurements and, just as importantly, what won’t work. You are responsible for ensuring compliance with government policy and regulations. And you will be the one who is ultimately charged with providing the resources and expertise to execute the sourcing strategy. So, it is your responsibility to help customers understand why a certain sourcing strategy should be utilized and come up with creative procurement solutions when needed to support complex requirements.

At the same time, you should be sharing market research insights related to pricing, specifications and delivery timelines with customers during the requirements development phase – not after the customer has delivered that document. One of the biggest pain points for procurement remains to be the

discrepancy between agency customers’ “wants and needs” and available solutions. Telling the customer that you can’t fulfill their requirements is never a fun conversation. It certainly doesn’t bode well for customer service. But this is the consequence of the long-employed “delegation” model. One of many.

THE TAKEAWAY

With government hyper-focused on modernization, procurement modernization has never been more mission critical. Or, should I say, procurement’s elevation and acceptance as a “strategic” partner has never been more critical.

I know I talk a lot about procurement technology modernization and the reasons why you need the right eProcurement system in place to effectively facilitate large-scale technology and system procurements. But eProcurement technology doesn’t miraculously deliver the outcomes that your customers want or need. It simply makes it easier to manage the solicitation, contract award and performance monitoring processes by providing a more collaborative and data-driven environment from which to operate. Technology increases efficiency in the “execution” phase, keeping you and your customers accountable for your decisions.

But, if you don’t have the right procurement strategy in place to begin with, technology won’t do anything for you but let you know that you need to correct course and then facilitate such actions when you’re ready to resolicit or renegotiate the contract.

In other words, the key to government modernization is modernize procurement’s role in government.

NOT SURE WHERE TO START?

I highly recommend that you advocate for customers (and other government leaders) to engage a multi-function team comprised of resource advisors and contracting officers as well as technical experts and end users – at a minimum – for every project. Engagement should start with the project ideation and planning phases and continue through the procurement process and entire contract lifecycle.

You can also reach out to the NIGP Consulting Team for guidance on how to demonstrate procurement’s value as a partner, gather supplier feedback on processes, elevate procurement into a more strategic role or design an “enablement team” to support your customers or even local governments looking to modernize their procurement function.

JEAN CLARK, FNIGP, CPPO, C.P.M., CPM is President of NIGP Code and Consulting Services at Periscope Holdings, Inc. She is an NIGP Past President and former State of Arizona Procurement Administrator.

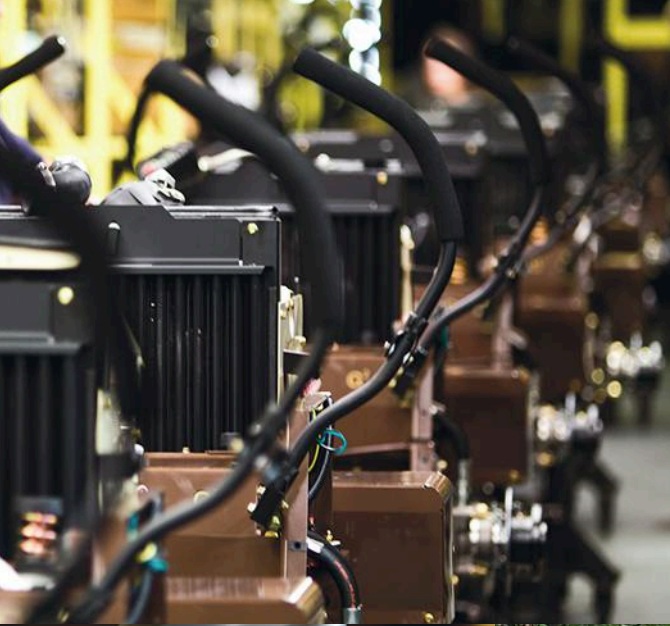


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PROCUREMENT DATA: THE KEY TO UNLOCKING STRATEGIC SOURCING

By Lindsay Kroes

> Now more than ever, procurement is gaining recognition as a strategic contributor to the organization, rather than simply an administrative or support department. After all, procurement teams play a crucial role in ensuring that internal departments get the goods and services they need to put organizational plans in action.

Along with the shift in perception, the role of procurement teams is shifting. Technology is reducing the amount of transactional administrative tasks in a procurement manager's day, providing more capacity for strategic sourcing.

Data collection and analysis is necessary to inform a strategic approach to sourcing. After all, to fuel continuous improvement, you need to understand where you are now, where you want to be, and how you are tracking against those goals over time. As the adage goes, we cannot manage what we do not measure. Collecting and monitoring key metrics around your process helps your team identify shortcomings and allocate the time and resources to improve these areas, fueling better performance in the long run. Once you are tracking your own process, you can also benchmark against other public sector organizations to find further opportunities for improvement.

For example, the State of the RFP, a benchmarking study of public sector RFP processes, finds that the average disqualification rate for proposal

submissions is 4 percent. If your disqualification rate is significantly higher than that, it's worth investigating the obstacles that vendors are facing in preparing successful submissions to your projects.

When considered alongside other metrics, such as the number of questions asked during the Q&A period and frequency of cancelled RFPs, disqualification rate can give you a sense of the quality of the RFPs your organization is putting out, providing a path forward for future improvements.

Given that half of every municipal tax dollar is spent on procurement of goods and services, prudent management of funding is a chief concern of procurement teams.

Data on cost savings (on an overall as well as per-project basis) makes it possible for procurement teams to identify and optimize cost savings opportunities.

The State of the RFP finds that the average public sector RFP saves between 20 and 22 percent (calculated as the difference between the winning vendor's price and the average proposal price for that RFP). Being able to report on this metric gives procurement teams concrete evidence of their impact on the organization — as well as the ability to set and monitor goals for further cost savings. In the public sector, it's not all about the bottom line.

Procurement acts as a critical interface between internal departments and the business community. As such, internal customer

service and contract outcomes are other key measures of success alongside cost savings.

Many public organizations are adopting the Net Promoter Score (NPS), a common customer satisfaction metric for software companies, to take the pulse of their internal department satisfaction. The simple one-question survey asks respondents how likely they are to recommend your service to a colleague.

However, to truly ensure end user satisfaction, procurement teams must go beyond satisfaction surveys. In order to ensure that procurement outcomes are being delivered and priorities are aligned, procurement teams must stay engaged with their contracts and vendors even after the award is made.

By collecting data on supplier performance, contract term and change orders, and total contract value, procurement teams are able to close the loop on their bid and RFP decisions with clear visibility into how well suppliers are fulfilling their contract. They can also provide more proactive and insightful service to stakeholders by using supplier performance data to correct issues before they escalate, or even to inform future sourcing decisions.

When it comes to the impact of data on public procurement, we are just scratching the surface.

Fortunately, procurement technology is evolving to make it easier for procurement

teams to capture and analyse their own data—without spending hours in Excel.

“Software providers should offer easy-to-use and easy-to-understand dashboards and reporting capabilities to give you the information you need, at your fingertips,” notes Corry Flatt, CEO of Bonfire Strategic Sourcing Platform.

“Once the procurement process is digitized, you can harness that massive amount of data and leverage it to make better procurement decisions. Technologists have two names for this: ‘Big Data’ and ‘predictive analytics’. They’re fancy terms for taking large amounts of data and making a process better.”

For instance, teams can make more informed decisions about approaching the market for a particular category when they are aware of trends in pricing over the last five years. However, it’s almost impossible to extract and identify this information when the data is spread out across paper and digital files and ERP systems. Once procurement processes are centralized in a data-rich SaaS application, insights like these will be readily accessible.

The power of cloud software and ‘big data’ will transform how public agencies buy,” notes Flatt. “It’s an exciting time for public procurement technology.”

LINDSAY KROES IS a senior writer for Bonfire Interactive.



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PENSION TENSION

When altering pension plans to relieve financial pressure, cities must balance realistic funding with satisfying employees

By Jason Axelrod

For decades, state and local government employees across the U.S. knew that they could safely retire without becoming destitute. These days, however, receiving a fully-funded pension upon retirement isn't necessarily a guarantee.

In fact, it's tough to overstate just how underfunded public pensions in the United States are. Last year, Moody's Investors Service estimated that public pensions were underfunded by \$4.4 trillion, according to an article from

The Wharton School at the University of Pennsylvania.

Clearly, many pension plans cannot continue to be administered as they have been. But modifying them involves a tug-of-war between satisfying employees and realistically maintaining city coffers and taxpayer obligations.

"Pensions are complicated, no question about it," says Olivia Mitchell, the International Foundation of Employee Benefit Plans professor at the University of Pennsylvania's Wharton School. "But it's a very simple matter to say, if you want \$1,000 a month for the rest of your life, from



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the time you hit 65, that's very, very expensive.”

Pensions aren't universally underfunded, though. Jean-Pierre Aubry, associate director of state and local research at Boston College's Center for Retirement Research, even hesitates to call underfunded pensions a wholesale crisis per se.

Aubry's reasoning is that many cities and states have instituted pension reforms. These various reforms and strategies will take time to work through the system, but they will ultimately fulfill costs.

One of these strategies involves combining the two major pension plan types — defined benefit plans (DBs) traditional to government and defined contribution plans (DCs) more akin to 401(k) plans — to form hybrid pension plans that contain elements of both, Mitchell says. Because of the DC component, these better accommodate employees who don't spend their entire careers in government.

Other reforms include increasing employer or employee contributions, reducing or eliminating cost-of-living adjustments (COLAs), reducing disability pensions, re-examining a pension plan's investment portfolio and increasing requirements for retirement plans' eligibility, according to Josh Franzel, president/CEO of the Center for State and Local Government Excellence (SLGE) and SLGE Senior Research Associate Gerald Young.

Because the pension issues that cities face can vary widely, no one-size-fits-all solution truly exists for pension woes. What's more, these solutions may be conceptually plausible, but implementing any of them isn't necessarily straightforward.

“You're dealing with people's money, you're dealing with people's retirement, it gets to be an emotional issue,” says Fort Worth, Texas, City Manager David Cooke, whose city successfully changed its pension plans in February to address underfunding. “You can think it's all about facts and math, but not necessarily all the time.”

FORT WORTH, TEXAS: A PREEMPTIVE STRIKE

Around 2015, poor investment returns had ensured a growing unfunded liability for Fort Worth's pension program. Though pension funding wasn't an immediate issue, Fort Worth's elected officials began addressing the problem around this time to avoid a future financial catastrophe.

The city was especially spurred into action when rating agencies downgraded the city or put it on a negative outlook, Cooke says. Officials assembled a pension task force comprised of public union members, a financial advisor, representatives of the employee retirement fund and community members, and they hired a consulting firm to work with the task force.

“The first two years of that group meeting was just trying to convince everybody that we had a problem that needed to be solved,” Cooke says.

The chief part of the debate occurred between August and

December 2018 and concerned strategy. Ultimately, the task force decided on a solution that involved the city contributing more money, employees contributing more money and the city making changes to the actual benefit, Cooke says.

The city council voted in favor of the new plan in December 2018, and the task force then spent four to six weeks meeting with employees to explain the pension plan's changes and encourage them to vote. Cooke estimates that 40 meetings — in-person and online — were held across a three-week period on the subject.

“I do think we did a good job educating the employees that, either we can solve it, or it's going to get solved by the [Texas state] legislature in Austin, and they'll be able to control that outcome,” Cooke says.

In February, 74.47 percent of Fort Worth's 6,589 employees cast their votes, with over 50 percent voting in favor of the changes, according to numbers given by the city.

For Cooke, being clear on the problem to be solved, identifying the decision-making criteria and not letting people believe the process would be easy were key in implementing these sustainable pension reforms in Fort Worth.

Young echoes this point, noting that when he's encountered pension reform scenarios that go well, effective communication among all stakeholders has been universally valued in the process.

It indeed proved essential to Cranston, Ri., whose police and fire pension reforms withstood a full legal challenge in June. Unlike Fort Worth, Cranston, was already in extremely hot financial water when it began enacting pension solutions.

CRANSTON, R.I.: A CRISIS AVERTED

When Allan Fung became mayor of Cranston in 2009, he inherited a city that, was “a fiscal nightmare,” he says. Cranston was financially distressed on many fronts, and Fung's administration took multiple steps to relieve the city's condition.

However, a municipal analysis of the city's pensions revealed that by 2012, the pension plans were funded at just 16.9 percent.

After meetings with stakeholders and running numerous actuarial scenarios with outside help, Fung's solution manifested as two ordinances in 2013 that enacted 10-year COLA freezes for the city's police and fire pensions, court documents show. Two local retiree associations promptly sued Fung and the city.

Fung's administration had to then figure out how to fully fund obligations to actuaries, the pension and other post-employment benefits (OPEB) while doing right by retirees and union members, he says.

Fung says that many public safety union members and retirees came forward, and officials were able to compromise with many members of the associations in December 2013, according to court documents. The settlement specified that

COLAs would instead be frozen in alternate years during the initial 10-year period, among other stipulations.

However, 72 police and fire retirees refused to settle, and they continued to push the lawsuit, which ultimately reached the Supreme Court of Rhode Island, Fung says. In a historic decision, the court ruled in June that the city's narrowly-tailored solution served a significant and legitimate public purpose to remedy the city's dire financial straits and problematic pension plan, following the consideration of many other options, Fung says. Because of this, the city was able to modify contractually-vested benefits, and the plaintiffs were given the original 10-year COLA freeze, Fung says.

Cranston also moved new non-public safety city employees from traditional, costly DB plans to DC plans, Fung says. That deal too, was hammered out with unions at the bargaining table, which helped Fung's administration maintain good relationships with the unions.

WHAT LIES AHEAD?

Cranston general employees' move from DBs to DCs underscores a belief of Fung's that governments should "get out of the pension business going forward." He adds that DC plans give employees more control over their retirement dollars, which he sees new employees wanting.

Concerning pensions' place in modern government as a whole, Cooke muses, "if we were sitting around a table today deciding how to recruit and retain employees, we wouldn't even be having that conversation."

Mitchell believes the DB model itself might be outmoded, as it doesn't take rising life expectancies into account. Given this, she believes that pensions of today don't recognize the inability to provide enough money for people to retire young and live several more decades. However, fixing that may require a redefinition of retirement as a whole.

Mitchell's argument echoes Aubry's belief that reforms too often focus more on the pension yield rather than the age at which the employee begins receiving that benefit. But while shifting to DCs will stop the accrual of future promises, Aubry adds

that it cannot do anything about existing liabilities, which will drive governments' costs for the next 25 to 30 years.

"DB or DC at the end of the day is the selection of the public employer, but it needs to be well-funded, and it needs to provide adequate retirement benefits once the individual decides to retire," Franzel says.

JASON AXELROD is the Associate Editor of American City & County magazine.



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The Product Expo was bustling with activity as 335 exhibitors showcased their latest products and services presenting a great opportunity to meet existing or potential suppliers firsthand.



LIFELONG LEARNING

A common theme throughout the event was lifelong learning. As technology evolves, we must continue to challenge

ourselves and our practices. Pathways, NIGP's new learning and credentialing program was the main attraction (Pathways place) and source of interest and inspiration during the conference. A key takeaway is that Pathways provides multiple paths to get recognition for all your learning achievements with content delivered using a mix of learning methods from in-person, virtual, or on-demand. Pathways includes digital competency badges, core certificates, designations, specializations and the new NIGP-CPP certification.

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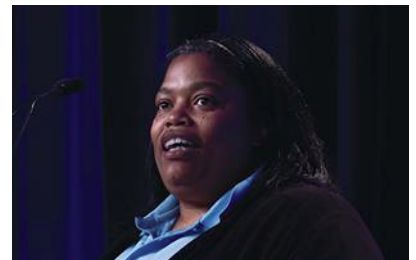
Albert H. Hall Memorial Award

Marcheta Gillespie, CPPO,
CPPB, C.P.M., CPM Retired



Distinguished Service Award

Jack Adger, CPPO, CPPB, Assistant
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Stacy Gregg, CPPO, CPPB, State
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Ann Deatherage Meritorious Service Award

Keith Glatz, CPPO, Purchasing &
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Who's the Boss?

> **T**his past month I taught an NIGP class at the University of Illinois-Chicago and met a great group of procurement professionals. Prior to talking about world class procurement practices, we did self-introductions and I heard a gentleman in the back of the room use the term “boss.”

At first, I thought he was referring to his role as chief procurement officer, but then realized that he worked for the Bureau of Strategic Sourcing. BOSS, what a great acronym!

It reminded me of a job earlier in my career when I worked for a local government. Since we handled a variety of business functions for the agency, our department was called Contracting, Receiving and Purchasing (not the greatest acronym for a central service provider).

The field of procurement has a lot of great terms for sure. This so called “language of purchasing” can be a bit confusing for those working in other business units or who are new to procurement. I can only imagine a new buyer attending an NIGP conference for the first time and overhearing in the coffee line:

“After we did the RFP to select our ERP system, we found that the ROI wasn't what we expected, so we drafted an MOU to track the KPIs.”

We must also find the time to be playful with our procurement activities. We really can't afford to do otherwise if we want to deliver real value to our organizations.



Let's get back to the BOSS though. What I like about this name for the State of Illinois central procurement authority is that it clearly conveys what they are all about. They don't just help departments buy stuff they need today, but BOSS works to partner with its customers to determine the best way to buy things they need in the future. This is a great example of what I call proactive procurement, and it is so much more effective than operating in a reactive manner.

It is easy to think that we don't have the time to be strategic. You might have several RFPs on the street, a few in development, a sole source justification, and two emergency purchases on your plate. Sure, we need to get the work out the door, but we must also find the time to be playful with our procurement activities. We really can't afford to do otherwise if we want to deliver real value to our organizations.

Strategic sourcing often starts with spend analysis, which is really just taking a look at what you are spending your money on. What type of goods and services are you buying? How much are you spending? Who are the suppliers getting your business? Who are your customers? Whatever procurement or financial system you are using, find a way to have it help you answer these questions.

While spend data is absolutely our friend, so are the people involved. This includes your procurement team, your end users, and even your suppliers. There is undoubtedly a ton of expertise among them that can help set a direction for your procurement work ahead.

The last question I will pose is this: who's the BOSS when it comes to strategic procurement? You are.

DARIN MATTHEWS, FNIGP, CPPO, CPSM, is the director of procurement for the University of California, Santa Cruz. He has extensive management experience, speaks throughout the world on procurement issues, and has published several books and articles on supply chain management. Contact Matthews at darin@ucsc.edu

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