

# **VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

## **SERVICE PROVIDER SELECTION POLICY**

### **I. Background and Objectives**

- 1) The Service Provider Selection Policy is intended to establish guidelines by which service providers will be selected and retained by VCERA.
- 2) The objective of this policy is to ensure that the process of selecting service providers is diligent, efficient and fair.

### **II. Roles and Responsibilities**

- 3) The role of the Board with respect to the selection of service providers is to:
  - a) Establish appropriate policies to help ensure prudent and sound selection decisions are made;
  - b) To monitor compliance with such policies; and
  - c) To approve, in consultation with the Retirement Administrator and, where appropriate, Board Counsel, the Chief Investment Officer (CIO) and/or consultants, the appointment of the following retained service providers:
    - i. The actuary;
    - ii. The actuarial auditor;
    - iii. The independent financial auditor;
    - iv. The master trust/plan custodian;
    - v. Additional legal counsel retained to advise the Board;
    - vi. Investment consultants;
    - vii. Investment managers;
    - viii. Human resource consultants;
    - ix. Information systems technology providers; and
    - x. Hearing Officers.
- 4) Unless the Board determines otherwise, the Retirement Administrator and/or designee will be responsible for appointing, and procuring and/or executing contracts with, service providers other than the retained service providers listed above and for informing the Board of such appointments, and will be responsible for seeking Board approval, where the services are publicly or politically sensitive, or the contract exceeds \$100,000 or as part of the private equity full-discretion consultant mandate.

- 5) The Chair will execute contracts with the retained service providers listed on the previous page, and all other professional service contracts exceeding \$100,000, unless signature authority is delegated by the Board to the Retirement Administrator and/or designee or as part of the private equity full-discretion consultant mandate in an open meeting.
- 6) The Chief Investment Officer (CIO), in consultation with the Retirement Administrator, will coordinate all investment-related search and due diligence activities, in conjunction with staff, investment consultants and other external experts, as required. When deemed necessary by the Board, members of the Board will participate in due diligence activities in order to oversee the due diligence activities of staff and consultants, and the performance of retained service providers.

### **III. The Search Process**

#### General Guidelines

- 7) The appointment of all service providers will be made in the best interests of the members and beneficiaries of VCERA, in keeping with the fiduciary responsibilities of the Board and staff.

#### Retained Service Providers

- 8) Unless an alternate selection process is approved, prior to conducting a search for a retained service provider requiring Board approval, the Retirement Administrator, CIO, or consultant, as appropriate, will present the following information to the Board:
  - a) The type of service provider being sought and the supporting rationale;
  - b) The objectives and selection criteria to be met and their relative importance;
  - c) A projected timeline for the search process; and
  - d) A description of the search process deemed most appropriate and cost effective in the circumstances, and including:
    - i. Whether a search consultant is to be used in the process;
    - ii. The due diligence efforts to be undertaken (for example, site visits and reference checks);
    - iii. Evaluation criteria to be used;
    - iv. Whether a Request for Proposal (RFP), or a variation thereof, is to be used with supporting rationale;
    - v. Whether a sole source approach is to be used, with supporting rationale; and

- vi. Other pertinent information that the Retirement Administrator believes may assist the Board in better understanding the search process.
- 9) The Board, or a committee of the Board, may interview the candidates prior to the Board making a final selection decision. The exact number of candidates to be interviewed will be determined by the Board. The Board may delegate this responsibility to conduct interviews to the Retirement Administrator and request that the Retirement Administrator recommend a candidate for ratification by the Board.
- 10) The Retirement Administrator, or CIO with the consultant, will provide the Board or a designated committee of the Board with periodic reports on the status of all search processes.
- 11) Upon completion of the analysis and due diligence involved in the search process, the Retirement Administrator, or CIO with the consultant will provide the Board or a designated committee of the Board with, at a minimum:
  - a) A description of the due diligence activities undertaken;
  - b) A list of finalist candidates to be interviewed and a detailed analysis of each candidate;
  - c) Confirmation of compliance with the selection criteria and search process presented to the Board prior to the commencement of the search, or an explanation of any deviations that occurred; and
  - d) A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider in question throughout the term of the engagement.
- 12) The Board may institute a “quiet period” when
  - a) the Board initiates a search process that may result in the appointment of a new service provider or in the expansion of its relationship with an existing service provider;
  - b) a current service provider is placed on an official “watch list” signifying that the service provider’s performance has fallen below expectations and warrants closer scrutiny; or
  - c) the Board deems it is in the best interest of VCERA to require that, for a limited period of time, communications between trustees and specified service providers be restricted to Board and committee meetings only.
- 13) The initiation of a quiet period will be recorded in the minutes of the Board meeting at which it occurred.

- 14) During quiet periods, in conjunction with the Service Provider Policy, trustees shall neither communicate with the specified service providers, except during Board or committee meetings, nor accept meals, travel, hotel, or other gifts from the specified service providers.
- 15) A quiet period will cease:
  - a) when a service provider has been appointed by the Board or the search process is otherwise ended; or
  - b) when a service provider on an official “watch list,” which has had a quiet period implemented, is subsequently removed from the watch list; or
  - c) when the quiet period is ended by action of the Board; or
  - d) when otherwise determined by action of the Board.

#### **IV. Contract Review**

- 16) All contracts entered into by VCERA, and the Retirement Administrator, will be subject to review by Board Counsel prior to contract execution.

#### **V. Monitoring and Reporting**

- 17) All service providers will be subject to regular and appropriate performance monitoring by staff, and periodic reviews, as appropriate, throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, quality of reporting, and accuracy of assumptions and forecasts.
- 18) The Retirement Administrator will report as needed to the Board on all monitoring efforts involving non-investment retained service providers, identifying in a timely manner any material issues or actions taken. The CIO will have the same responsibility for investment-related retained service providers.
- 19) All monitoring and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established within other policies of VCERA, such requirements will prevail.
- 20) The Retirement Administrator, CIO, or investment consultant(s), as appropriate, will report in a timely manner to the Board any failures by retained service providers to comply with the terms of their contract.

## **VI. Policy Review**

- 21) The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

## **VII. Policy History**

- 22) This policy was last reviewed and approved on October 3, 2022. This policy was originally adopted by the Board on June 2, 2003, and amended on September 12, 2016 and September 9, 2019.