

**SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION**  
**VENDOR SELECTION POLICY**

**I. PURPOSE**

The Vendor Selection Policy is intended to establish general guidelines and authorities for the selection and retention of vendors by SDCERA. Specific and detailed selection criteria will be established in investment and other policies of the Board or at the time a search process is initiated.

**II. ROLES AND RESPONSIBILITIES**

A. The role of the Board with respect to the selection of vendors is to:

1. Establish appropriate policies to help ensure prudent and sound selection decisions are made;
2. Monitor compliance with such policies; and
3. Appoint the following Named Vendors:
  - a) Actuarial firm(s);
  - b) The independent auditor;
  - c) Fiduciary counsel;
  - d) Investment consultant(s);
  - e) Human resource consultant(s) retained to assist the Board with issues pertaining to the position of Chief Executive Officer; and
  - f) Other Named Vendors determined by the Board.
4. Ratify the appointment of the following Named Vendors based on the recommendation of the Chief Executive Officer or his designee:
  - a) The investment custodian;
  - b) Investment managers;
  - c) Securities lending managers; and
  - d) Other Named Vendors determined by the Board.

B. The Chief Executive Officer will be solely responsible for appointing vendors other than Named Vendors and for informing the Board of such appointments as an information item at the next Board meeting. The Chief Executive Officer will appoint outside legal counsel, other than the Fiduciary counsel, with the concurrence of the Chief Legal Officer. Details to be provided to the Board include the name of the firm or individual hired, the general scope of their contracts, and the fee arrangements.

- C. The Chief Executive Officer will coordinate all search and due diligence activities, in conjunction with staff, consultants and other external experts, as required.
- D. The Chief Executive Officer will be responsible for the day-to-day supervision of all vendors except outside counsel. The Chief Legal Officer will be responsible for the day-to-day supervision of outside counsel, including Fiduciary counsel.

### **III. SELECTION PROCESS - NAMED VENDORS**

- A. Prior to conducting a search for a Named Vendor, the Chief Executive Officer, or his or her designee, will present a work plan to the Board or a designated committee of the Board, containing at a minimum the following:
  - 1. The type of vendor being sought and supporting rationale;
  - 2. A projected timeline for completion of the search process;
  - 3. A description of the search process deemed most appropriate and cost effective in the circumstances, including:
    - a) Whether a search consultant is to be used in the process;
    - b) The due diligence efforts to be undertaken (for example, site visits and reference checks);
    - c) Evaluation criteria to be used;
    - d) Whether a Request for Proposal (RFP), or a variation thereof, is to be used. In determining the appropriateness of using an RFP, or a variation thereof, staff will consider the criteria set forth in Section IV of this Policy; and
    - e) Other pertinent information that the Chief Executive Officer believes may assist the Board in better understanding the search process.
- B. Individual trustees are free to refer names of firms to staff for consideration in any search process. Such firms shall be subjected to the same due diligence and analysis as any other firm under consideration. If staff presents any such firm to the Board as a finalist candidate, staff shall specify the trustees who initially referred the firm to staff.
- C. The Chief Executive Officer will provide the Board or a designated committee of the Board with periodic reports on the status of all search processes.
- D. Upon completion of the analysis and due diligence involved in the search process for Named Vendors, the Chief Executive Officer or his designee will provide the Board or a designated committee of the Board with, at a minimum, the following:
  - 1. A description of the due diligence activities undertaken;
  - 2. Finalist candidate(s) to be interviewed and an analysis of each candidate; and
  - 3. A recommendation as to the candidate to be selected and accompanying rationale;

4. 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.
- E. It is expected that in the case of Named Vendors appointed by the Board, staff will evaluate the candidate pool and generally present 2-3 candidates to be interviewed by the Board. In the case of Named Vendors requiring board ratification, it is expected that the Board will not interview any candidates. Deviations from these expectations will be discussed and agreed upon at the time that staff presents a work plan for each search process for a Named Vendor.
- F. When the Board conducts interviews, the Chief Executive Officer will provide the trustees with a scoring tool and an interview guide containing suggested questions trustees may wish to ask finalist candidates.
- G. The Chief Executive Officer will instruct all finalist candidates to disclose in writing prior to interviews occurring any personal or business relationship with any Board or staff members, or with any other SDCERA vendor, or confirm in writing that no such relationship exists. Finalist candidates shall also disclose the existence and amount of any compensation paid or expected to be paid, directly or indirectly, by the candidate to any SDCERA Board or staff member or any third party for purposes of obtaining the engagement with SDCERA. In accordance with Government Code section 84308, all finalist candidates shall disclose any campaign contributions in excess of \$250 made to any member of the Board of Retirement within the previous 12 months. Under section 84208, a “campaign contribution” does not include a contribution for a Retirement Board election.

#### **IV. SELECTION PROCESS – REQUESTS FOR PROPOSALS**

- A. Named Vendors Requiring Board Appointment: A Request for Proposal will be issued for all Named Vendors appointed by the Board.
- B. Other Vendors: When conducting a search for a vendor other than Named Vendors appointed by the Board, the vendor will be selected and contracted with as follows:
  1. If the estimated annual cost of the contract is \$100,000 or less, the Chief Executive Officer may determine whether to sole source, select from a list of candidates pre-qualified by staff or issue an RFP , or a variation thereof;
  2. If the estimated annual cost of the contract is over \$100,000, the Chief Executive Officer must issue an RFP and conduct interviews before selecting the vendor;
  3. Notwithstanding any other provision of this Policy, services provided by the County of San Diego (“County”), any County agency, services procured through contracts between the County and an outside vendor and services procured through other participating government agency contract terms, services or master pricing agreements may be approved by the Chief Executive Officer without the necessity of issuing an RFP.
- C. Where an RFP is issued, a copy of the RFP will be made available to trustees upon request.

## V. QUIET PERIODS

- A. The Board will institute a “quiet period” when:
1. The Board initiates a search process that may result in the appointment of a Named Vendor or in the expansion of its relationship with an existing Named Vendor;
  2. A current vendor is placed on an official “watch list” signifying that the vendor’s performance has fallen below expectations or other issues have arisen that warrant closer scrutiny; or
  3. The Board deems it is in the best interest of SDCERA to require that, for a limited period of time, communications between trustees and specified vendors be restricted to board and committee meetings only.
- B. Quiet periods will be instituted at a board meeting, and written notification will be issued to all trustees not present at said meeting. A quiet period may also be instituted between board meetings at the discretion of the Chief Executive Officer, subject to ratification by the Board at its next meeting. The Chief Executive Officer will provide written notification to all trustees of all quiet periods instituted by him as soon as possible, and trustees will comply with the quiet period restrictions upon receipt of the Chief Executive Officer’s notification.
- C. The initiation of a quiet period, and the vendors or types of vendors to which it applies, will be specified in the minutes of the board meeting at which it was approved or ratified by the Board.
- D. During quiet periods, trustees shall not communicate with the specified vendors on matters pertaining to SDCERA, except during board or committee meetings. Trustees who need to communicate with such vendors for reasons unrelated to SDCERA business agree to disclose such need in writing to the Chief Executive Officer and the Board prior to undertaking such communications. Disclosure to the Board shall be made in writing at a meeting of the Board. If time does not permit timely disclosure to the Board, the trustee shall then also provide disclosure of the intended communication to the Board Chair, or Vice-Chair if the trustee in question is the Chair.
- E. The prohibition against contact with a vendor shall not apply to normal social interactions at a conference or other gathering unrelated to SDCERA business.
- F. A quiet period will cease:
1. When a vendor has been appointed by the Board or the search process is otherwise ended; or
  2. When a vendor is removed from the watch list; or
  3. When the quiet period is ended by action of the Board.

## VI. CONFLICTS OF INTEREST

- A. Trustees, senior management, and investment staff shall not make personal investments that could reasonably be expected to create a conflict, as defined by State law, (Gov. Code §1090, §81000 et. seq.) between their private interests and their official duties or a conflict with their

fiduciary duties as set forth in Proposition 162.

- B. Trustees shall disclose to the Board any investment they make with an investment manager of SDCERA, on behalf of themselves, a family member, business partner, or client. Such disclosure shall be made at the next board meeting after the investment is made.
- C. Senior management and investment staff shall disclose to the Internal Auditor any investment they make with an investment manager of SDCERA on behalf of themselves, a family member, business partner, or client. Such disclosure shall be made within 48 hours of making the investment. The Internal Auditor shall report such disclosures to the Board at its next meeting.
- D. Trustees shall disclose to the Board any relationship with an existing or proposed vendor of SDCERA in which the trustee, a family member, business partner, or client has received, currently receives, or expects to receive, directly or indirectly, any financial remuneration from the vendor. Such disclosures are to be made at the next regularly scheduled board meeting after which the relationship is established. Similarly, senior management shall disclose any such relationships they may have with a vendor of SDCERA to the Internal Auditor within 48 hours of the relationship being established; the Internal Auditor shall report such disclosures to the Board at its next regularly scheduled meeting.
- E. In appointing vendors, SDCERA will not retain for a period of 12 months following their separation from SDCERA service:
  - 1. Former SDCERA trustees;
  - 2. The Chief Executive Officer, Chief Investment Officer, or Assistant Administrators (i.e. senior management);
  - 3. Firms employing former SDCERA trustees or senior management; or
  - 4. Firms in which former SDCERA trustees or senior management directly or indirectly own a controlling interest.

## **VII. CONTRACTS**

- A. The Chief Executive Officer shall negotiate and execute all contracts for all vendors, subject to review by legal counsel. Contracts or amended contracts with an initial fixed cost in excess of \$100,000 require approval by the Board.
- B. If immediate action is required on a contract of \$100,000 or less and the Chief Executive Officer is unable or unavailable to act for any reason, the Chief Financial Officer or the Board President may act in place of the Chief Executive Officer.
- C. With the exception of investment managers, contracts with Named Vendors shall be for a term of three years, with an option to extend the contract for up to two additional years. Contracts with investment managers shall be for an indefinite term, but must provide that the contract may be terminated by SDCERA with 30 days' notice.

**VIII. MONITORING AND REPORTING**

- A. All Named Vendors will be subject to regular performance monitoring by staff, and periodic reviews throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, and/or quality of reporting.
- B. All other vendors will be subject to performance reviews by staff, as necessary and appropriate.
- C. The Chief Executive Officer will report regularly to the Board on all monitoring efforts involving Named Vendors, identifying in a timely manner any material failures by Named Vendors to comply with the terms of their contract or applicable guidelines, along with any actions taken by staff.
- D. All Named Vendors shall be issued a letter each year by the Chief Executive Officer requiring that they inform the Retirement Board in writing of all meetings and communications they have had with any member of the Board outside board or committee meetings during the year. Named Vendors shall not be required to disclose normal social meetings or communications that may occur at conferences.
- E. All monitoring and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established within other policies of SDCERA, such requirements will prevail.

**REVIEW**

This policy shall be reviewed by the Board at least every three (3) years and may be amended at any time.

**HISTORY**

April 1, 2004	Adopted, effective July 1, 2004
April 6, 2006	Revised, effective immediately
December 3, 2009	Reviewed
April 5, 2012	Revised, effective immediately
December 3, 2015	Revised, effective immediately