

# **SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **SERVICE PROVIDER SELECTION POLICY**

### **I. PURPOSE**

This policy is intended to establish guidelines by which the Santa Barbara County Employees' Retirement System and its affiliated entities will identify and select key service providers. As used herein, the term "service provider" shall be construed broadly to include all providers of professional and administrative services as well as equipment and materials vendors.

### **II. POLICY OBJECTIVES**

A. The objectives of the Service Provider Selection Policy are to:

1. Ensure that the acquisition of products and services are made in the best interests of the System, its members and beneficiaries.
2. Ensure that the process of screening and selecting service providers is diligent, fair and open.
3. Ensure that quality services and products are obtained at reasonable cost.

### **III. ASSUMPTIONS AND PRINCIPLES**

- A. The general role of the CEO in the selection of service providers requiring Board approval is to provide sound research and analysis concerning potential service providers, to develop clear and rigorous screening criteria, and to recommend candidates for appointment by the Board, except where the Board directs that a consultant or committee perform these functions. The CEO shall also seek advice and counsel from the Board as required.
- B. In accordance with its fiduciary duty, the general role of the Board in the selection process is to satisfy itself that the recommendations and accompanying analysis provided by the CEO, consultant or committee have been prepared with the requisite level of skill, diligence and care, and reflect the mission and goals of the SBCERS.
- C. Service providers can be divided into three broad categories: Core service providers, non-core service providers, and real property service providers. Core service providers are:
1. actuary;
  2. auditing actuary;
  3. investment custodian;
  4. general investment consultant;
  5. private markets consultants;
  6. public investment managers;
  7. legal counsel;
  8. hearing referees;
  9. insurance brokers;
  10. other services providers providing direct assistance to the Board;
  11. administrative service providers in the non-core service providers or real property services provider categories, where the cost of providing the service in question is

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expected to exceed \$100,000 in a fiscal year or \$300,000 in a five year period.

- D. Examples of non-core service providers, which shall generally include administrative service providers performing services for or providing equipment and materials to SBCERS generally include, but are not limited to:
1. office equipment or supply vendors;
  2. computer software and service providers;
  3. office machine maintenance providers; and
  4. court reporter services.
- E. Examples of real property service providers, which shall generally include service providers associated with the management, maintenance and improvement to real property owned by SBCERS' affiliate 130 Robin Hill Road, LLC.
1. property manager services;
  2. architect;
  3. engineering, archeologic and environmental consultants;
  4. janitorial, security, landscaping and building maintenance vendors; and
  5. general contractors and subcontractors.

#### **IV. POLICY GUIDELINES**

##### **A. GENERAL PROVISIONS**

1. All service providers shall be selected in the best interests of SBCERS, its members and beneficiaries.
2. The selection of all service providers shall be subject to a level of due diligence that is commensurate with the importance and materiality of the service in question.
3. Contracts or similar arrangements clearly defining the terms of engagement and the expectations of SBCERS will be established for all service providers engaged by SBCERS.
4. All service providers hired by SBCERS shall be subject to periodic review in order to ensure that each provider complies with the terms of engagement and continues to meet the needs and expectations of the System. The frequency and depth of such reviews shall be commensurate with the risks presented to SBCERS by each provider.
5. The CEO, in conformance with other applicable board policies, but not less than every five years, will place on the agenda a discussion of Core Service Providers that provides a listing of active Core Service Providers and solicits input from the Board on any necessary due diligence and performance monitoring procedures to be applied.

##### **B. CORE SERVICE PROVIDERS**

1. The procurement of a core service provider, or renewal of an existing contract, shall generally be initiated by an action of the Board, on the recommendation of the CEO, or in the case of public markets investment managers, on the

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recommendation of the Board's general investment consultant. In the case of insurance coverage, the CEO may approve coverage recommendations made by the System's insurance brokers, subject to a budget for insurance coverages approved by the Board. When the Board has delegated discretionary authority to a private market investment consultant to retain private investment managers, that consultant may initiate and conclude the search without Board approval.

2. Where it is deemed that a procurement for a new service provider is required, the Board shall delegate responsibility for overseeing the search process to a committee as appropriate, depending on the nature of the service provider. Alternatively, the Board may elect to oversee the procurement process itself or, delegate responsibility for the procurement to the CEO.
3. The CEO, with the assistance of consultants and advisors as required, shall develop sound and rigorous screening criteria to ensure that all candidates are accorded a fair and thorough review. Screening criteria may include, but are not limited to:
  - a. Company experience and track record;
  - b. Qualifications and experience of people assigned to work with and provide service to SBCERS;
  - c. Client references;
  - d. Costs;
  - e. Sound business and ethical practices, and
  - f. Liability coverage.

Different or additional criteria may apply to a procurement for investment managers as set forth in the Board's Investment Policy Statement.

4. Prior to conducting a procurement, the CEO, in collaboration with the Board's consultants as necessary, shall present the following items to the Board or designated Board committee for approval:
  - a. Screening criteria;
  - b. Timeline for completion of the procurement process;
  - c. Recommendation concerning the use of a procurement consultant;
  - d. Recommendation concerning the need for due diligence visitations; and
  - e. Recommendation concerning the means by which service providers will be invited to participate in the search process (e.g. Request for Proposal, Request for Information, etc.).
5. Trustees shall refrain from involvement in the service-provider selection process until candidates are brought to the Board or a Board committee for approval and shall refrain from suggesting the names of potential service providers to staff or Board consultants while an active search is ongoing or one is being contemplated.
6. The CEO shall provide the Board or committee with periodic reports on the status of all procurement processes.

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7. Based on the approved screening criteria, a short list of potential candidates will be selected. Depending on the service-provider, the short list will be prepared by the CEO, a designated consultant or a Board committee. Interviews of the short-listed candidates shall be conducted, as well as due diligence visits, as directed by the Board or Board committee in order to identify the most suitable candidate or, in the case of investment consultants, in a manner otherwise in accordance with the Board's Investment Policy Statement.
8. The CEO, consultant or Board Committee shall prepare a report and presentation for the Board or Board committee which report will include:
  - a. The criteria used to screen potential candidates;
  - b. A list of candidates that were considered; and
  - c. A recommendation as to the candidate who would best fulfill the needs identified by SBCERS, and the rationale behind the recommendation.
9. The Board or Board committee shall consider the analysis and recommendation. In reviewing the recommendation, the Board or Board committee shall satisfy itself that the rationale behind the recommendation is sound and that a diligent procurement process was conducted in accordance with the agreed upon criteria. The Board or Board committee may, at its option, interview the recommended candidate or other selected finalists if they have not already done so.
10. If the Board is reviewing a procurement recommendation, it may accept the recommendation and direct the CEO to enter into a written contract with the selected service provider on terms it may direct, or, if the Board is not satisfied with the analysis or the procurement process undertaken, the Board shall make such direction as appropriate regarding further procurement efforts or due diligence and the Board Committee, CEO or consultant shall resubmit a revised recommendation.

**C. GUIDELINES FOR THE USE OF REQUESTS FOR PROPOSAL**

1. A request for proposal (RFP) process shall be considered by the Board in evaluating and determining the appropriate procurement process for core service providers, other than those identified through a search by the Board's investment consultants, and in the case of non-core service providers where the project is significant in scope or financial costs.
2. All SBCERS Requests for Proposal shall clearly state that contracts will not necessarily be awarded to the lowest bidder.
3. When an RFP is issued, SBCERS shall ensure that all candidates are provided with identical information and service or product requirements. Additional information requested by a particular candidate shall be shared with all respondents to the RFP.

**D. NON-CORE SERVICE AND REAL PROPERTY SERVICE PROVIDERS**

The CEO may approve the hiring of non-core service providers and real property

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service providers up to a contract value of \$100,000 in one fiscal year or \$300,000 over a period of five fiscal years.

E. SERVICES OF SANTA BARBARA COUNTY

It is the intention of the Board of Retirement that when seeking particular service providers the County of Santa Barbara will be considered as a potential supplier if they are capable of providing necessary services. In the event that the County is considered as a service provider, the County will be invited to propose services and staff will measure such services using the same criteria applied to other potential vendors.

F. QUIET PERIODS

1. The Board, through the CEO, will initiate a "quiet" period when:
  - a. The earlier of (i) when the Board is presented with a list of potential candidate firms for consideration in a search process, or (ii) when an RFP or RFI is released to potential candidates in a search process; or
  - b. A current service provider is placed on an official "watch status" signifying that the service provider's performance has fallen below expectations or other issues have arisen that warrant closer scrutiny; or
  - c. The Board deems it is in the best interest of SBCERS to require that, for a limited period of time, substantive communications between trustees and specified service providers be restricted to Board and committee meetings only.
2. The CEO or designated staff will normally report to the Board at a regularly scheduled meeting that a quiet period is to be instituted. Should urgent action be required, the CEO may institute a quiet period between meetings of the Board, in which case the CEO will notify all trustees immediately and report to the Board on the matter at its next regularly scheduled meeting.
3. During quiet periods, Board members shall not communicate with the specified service providers on matters pertaining to SBCERS, except (i) during Board or committee meetings, (ii) as part of scheduled due diligence meetings, or (iii) within the regular course of business with respect to incumbent service-providers. Furthermore, during quiet periods, individual Board members or groups of Board members will not meet with specified service providers for entertainment or social purposes. Exceptions may be made in the case of industry conferences such as SACRS, where SBCERS Board members may socialize with specified service providers during open social events that are also attended by trustees or staff of other systems, provided SBCERS Board members do not discuss matters pertaining to SBCERS business.
4. Board members who need to communicate with such service providers for reasons unrelated to SBCERS business agree to disclose such need in writing to the CEO 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 Board member shall then also provide disclosure of the intended communication to the Chair, or to the Vice-Chair if the Board member in question is the Chair.

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5. For the purpose of quiet period provisions, communications include, but are not limited to, in person interaction, telephone conversations, letters, text messages, social media and e-mail.
6. Quiet periods will cease when:
  - a. The Board authorizes staff or the investment consultant to negotiate a contractual arrangement with a successful bidder, or the search process is otherwise ended by the Board; or
  - b. When the service provider is removed from watch-status or, when the quiet period is otherwise ended by the Board or CEO.
7. All SBCERS service providers shall be provided with a copy of the Quiet Period policy provisions and shall be asked to agree in writing to comply with its provisions.
8. All RFPs shall include the Quiet Period policy provisions and require that prospective service providers comply with its provisions during the selection process.
9. At the time a Board committee or the full Board meet to deliberate regarding the selection or retention of a service provider, or a decision materially effecting the compensation of a service provider, all Board members shall disclose any material contacts or communications with any of the service providers being considered, other than in the normal course of SBCERS' business with its current service providers, that have occurred in the preceding 12 months, irrespective of whether such contacts occurred before, during or after a quiet period.

**V. POLICY REVIEW**

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

**VI. POLICY HISTORY**

The Board adopted this policy on May 23, 2012 and revised the policy on September 26, 2018 and September 22, 2021.