

# POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

## POLICY REGARDING ROLES IN VENDOR SELECTION

### Background

- 1) The Plan retains many different types of vendors to assist with the investment and administration functions. Given the different services involved and their relative importance to the Plan, the role of the Board and staff in selecting, appointing, and terminating vendors may differ for each. This policy is intended to provide general guidance concerning these roles.

### Guidelines

- 2) As a general guideline, the roles involved in the procurement of vendors will be allocated in the manner illustrated in Table I.
- 3) In general, the Board or its committees will play a relatively more active role in the selection of those vendors that:
  - a) Advise or work with the Board directly; e.g. the actuary and general counsel.
  - b) Serve as an independent check on the operations of the Plan; e.g. the financial auditor.
  - c) May have a material impact on the performance of the System; e.g. investment managers.
- 4) In the interest of organizational efficiency and effectiveness, the Board recognizes that the Director should be allowed relatively more autonomy or authority to select vendors that do not meet the criteria in paragraph 4 above, provided the Director complies with applicable laws, policies, controls, and procedures.
- 5) The Board or any committee of the Board may depart from the prescribed allocation of roles (set out in Table 1) by formal motion when it determines that it is in the best interests of the Plan to do so.
- 6) In cases when the Board or a board committee appoints a vendor, staff will normally be expected to provide the Board or committee with a recommendation. Staff may employ the services of consultants and advisors to assist staff in any due diligence supporting its recommendations.
- 7) Before approving a recommendation of staff, the Board or a board committee shall require that staff provide adequate background information and analysis to demonstrate that sufficient due diligence was performed, consistent with applicable policies, procedures, and fiduciary standards.
- 8) Where staff has the authority to appoint a vendor without the approval of the Board or a committee of the Board, staff shall nevertheless be responsible for ensuring all reasonable due diligence is performed reflecting the materiality of the services in question, and that all applicable policies and procedures were followed. Staff shall provide a written report to the Board or its committees following each such procurement, when material.

### Policy Review & History

- 10) This policy will be reviewed at least every three years.
- 11) This policy was approved by the Board on ~~May 3, 2012~~, amended and adopted on \_\_\_\_\_.

<b>TABLE I: ROLES IN VENDOR SELECTION</b>					
<b>VENDOR</b>	<b>CONDUCT DUE DILIGENCE</b>	<b>IDENTIFY INTERVIEW CANDIDATES</b>	<b>INTERVIEW FINALISTS</b>	<b>RECOMMEND (APPOINTMENT &amp; TERMINATION)</b>	<b>APPOINT/ TERMINATE</b>
<b>AUDIT &amp; ACTUARIAL</b>					
<b>General Counsel &amp; other Legal Counsel</b>	Staff &/or Joint Ad Hoc	Staff &/or Joint Ad Hoc	Staff &/or Joint Ad Hoc	Staff &/or Joint Ad Hoc	Board
<b>Financial Auditor</b>	City Auditor	City Auditor & Audit Committee	City Auditor & Audit Committee	City Auditor & Audit Committee	Board
<b>Plan Actuary</b>	Staff	Staff	Board or ad hoc committee	Staff to ad hoc comm Ad hoc comm. to Board	Board
<b>Actuarial auditor</b>	Staff	Staff	Staff	Staff	Board
<b>Accountants for special investigations by Audit Committee</b>	Audit Committee	Audit Committee	Audit Committee	Audit Committee	Audit Committee
<b>INVESTMENTS</b>					
<b>Custodian (incl. securities lending)</b>	Staff/Inv. Consultant	Staff/ Inv. Consultant	Staff/Inv. Consultant	Staff to IC IC to Board	Board
<b>Investment Consultants (incl. proxy voting advisors)</b>	Staff	Staff	Staff & Inv. Committee	Staff to IC IC to Board	Board
<b>Investment Mgrs.</b>	Staff/ Inv. Consultant	Staff/Inv. Consultant	Staff/Inv. Consultant	Investment Committee	Board
<b>HUMAN RESOURCES &amp; LEGAL</b>					
<b>HR Consultant (CEO-related projects)</b>	Staff	Staff	Board	Board	Board
<b>HR Consultant (Other projects)</b>	Staff	Staff	CEO	CEO	CEO
<b>OPERATIONS</b>					
<b>IT Consultants (material projects)</b>	Staff	Staff	Staff (option: ad hoc comm)	Staff	Board
<b>IT Consultants (other)</b>	Staff	Staff	Staff	Staff	CEO
<b>Other Vendors</b>	Staff	Staff	Staff	Staff	CEO

Definitions: Investment Managers include external private companies that manage public or privately traded assets, transition managers, hedge fund managers, and fund-of-funds managers.