

**FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**  
**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 CEO should be allowed relatively more autonomy or authority to select vendors that do not meet the criteria in paragraph 3 above, provided the CEO 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:
  - a) Staff shall nevertheless be responsible for ensuring that all reasonable due diligence is performed reflecting the materiality of the services in question, and that all applicable policies and procedures were followed.
  - b) Subject to board policies, rules, directions, and budgets, the CEO is authorized to enter into any contract up to \$50,000 in value over the term of the contract. Any contract in excess of this amount shall require Board approval.

- c) Board approval is also required for any contracts that would result in a cumulative contract value with a single vendor in excess of \$50,000 over two consecutive fiscal years.<sup>1</sup>
- d) All contracts entered into by the CEO shall be reported to the Board in a timely manner<sup>2</sup>

### **Policy Review & History**

- 9) This policy will be reviewed at least every three years.
- 10) This policy was approved by the Board on May 17, 2012. Reviewed and amended April 21, 2016.

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

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<sup>1</sup> As per CEO Charter, paragraph 37

<sup>2</sup> *ibid*

**TABLE I: ROLES IN VENDOR SELECTION**

<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	Staff &/or Joint Ad Hoc	Staff &/or Joint Ad Hoc	Staff &/or Joint Ad Hoc	Board
<b>Financial Auditor</b>	City Auditor &/or Staff	City Auditor & Audit Committee or Staff	City Auditor & Audit Committee or Staff	City Auditor & Audit Committee or Staff	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	Board or Ad Hoc Committee [could the interviews be delegated to Staff?]	Staff to ad hoc comm. Ad Hoc Com. to Board [could staff make the recommendation directly to the Board?]	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	CIO to IC IC to Board	Board
<b>General Investment Consultant</b>	Staff	Staff and Investment Committee	Staff & Investment Committee	CIO to advise IC IC to recommend to Board	Board
<b>Investment consultants for manager research/ purposes<sup>3</sup></b>	Staff	Staff	Staff	Staff	CIO (contracts to be approved by the Board)
<b>Proxy voting advisors</b>	Staff	Staff	Staff & Investment Committee	CIO to IC IC to Board	Board

<sup>3</sup> As per the IPS, the CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services are unbundled, the CIO may select another consultant to carry out manager research that otherwise would have been included in the general investment consultant scope of services.

<b>Investment Mgrs.</b> Subject to constraints/limitations in IPS	Staff/ Inv. Consultant	Staff/Inv. Consultant	Staff/Inv. Consultant	Staff	CIO with concurrence of investment consultant
<b>HUMAN RESOURCES &amp; LEGAL</b>					
<b>HR Consultant (CEO-related projects)</b>	Staff	Staff	Joint Personnel Committee	Joint Personnel Committee	Board
<b>HR Consultant (Other projects; up to \$50,000)</b>	Staff	Staff	CEO/CIO (for inv. Matters)	CEO/CIO (for inv. Matters)	CEO
<b>OPERATIONS</b>					
<b>IT Consultants ( for contracts with a value over \$50,000)</b>	Staff	Staff	Staff (option: ad hoc comm)	CEO	Board
<b>IT Consultants</b> Up to \$50,000	Staff	Staff	Staff	Staff	CEO
<b>Other Vendors</b> (up to \$50,000)	Staff	Staff	Staff	Staff	CEO

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