

# Service Provider Evaluation and Interaction Policy

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Adopted April 22, 2011

Amended December 4, 2017

## **Service Provider Interaction and Evaluation Policy**

### **Purpose**

This Service Provider Interaction and Evaluation Policy establishes the guidelines within which the TVARS Board and staff will communicate and interact with current and potential service providers, including the actuary, investment consultant(s), custodian, record keeper, auditor, outside legal counsel, and investment managers. Any other service provider that directly reports to the Board, or that influences the Board's decisions, is also covered under this Policy. This Policy also outlines the process and frequency by which service providers will be evaluated.

### **Policy Objectives:**

The objectives of the policy are to ensure that:

- 1 The process of selecting service providers is efficient and fair,
- 2 There is equal opportunity and access for all potential service providers, including minority and women-owned (MWO) firms,
- 3 Communication between the Board and service providers is transparent and consistent,
- 4 The opportunity for an actual or perceived conflict of interest is mitigated, and
- 5 Service providers are periodically evaluated.

### **Policy Requirements:**

This Policy should be read in conjunction with the TVARS Rules and Regulations. In the event of a conflict between this Policy and the Rules and Regulations, the latter shall control.

The Board has adopted the following guidelines to govern service provider interaction and evaluation:

1. In order to protect the fairness and integrity of the decision making process, and to avoid any and all appearances of conflict, whenever TVARS commences a procurement/search process for the retention of an outside service provider, the TVARS Board of Directors and TVARS staff shall refrain from having any intentional, unauthorized contact, direct or indirect, with prospective service providers. Communication for ordinary and necessary purposes (e.g., administration of an existing contract), or unintended incidental interaction, is allowed. For the purposes of this Policy, incidental interactions include those that are entirely social in nature, or which clearly pertain to matters not related to the procurement/search process.
2. A TVARS staff person or Director, as designated by the Board, will coordinate interaction and communication with service providers related to the search. Requests for technical clarification regarding the procurement/search process itself are permissible and must be directed to the System's designated representative. Incumbent service providers are not precluded from carrying out their normal responsibilities for the System and may interact with the Board and staff in that regard.
3. If a service provider contacts a Director or staff member who is not the designated contact during a search, the individual contacted will immediately refer that service provider to the Executive Secretary and report to the Executive Secretary the nature of the contact. The Executive

Secretary may share this information with the full Board if the Executive Secretary determines after consultation with Legal Counsel that the information is relevant to the full Board or could pose a potential conflict of interest involving the service provider.

- 4 Directors may solicit or initiate meetings with service providers, if they are directed to do so by the Board. Directors that meet individually with current or potential service providers shall report to the full Board the outcomes and findings of the meeting at the next Board meeting.
- 5 Service providers that have contacted a Director when a search is not underway should be referred to the Executive Secretary. Investment managers that have contacted a Director in order to provide information on new investment strategies or vehicles should be referred to the Executive Secretary, investment staff or investment consultant.
- 6 Interaction with service providers is allowed during the normal course of business (Board meetings and TVARS sponsored educational forums). When Directors attend conferences, general interaction with service providers is permitted. Directors should adhere to all appropriate ethics and code of conduct requirements.
- 7 The Executive Secretary will provide the Board a quarterly report on all due diligence meetings, visits, and teleconferences between TVARS investment staff and current or potential service providers. Directors may attend up to two service provider due diligence trips per year for educational and/or oversight purposes. Attendance at additional due diligence trips may be approved by the Board.
- 8 Investment managers will be reviewed and evaluated on an on-going basis by the staff and investment consultant based on investment manager evaluation criteria developed by the staff with the investment consultant that is consistent with the Investment Policy Statement. The process for the selection of investment managers will be inclusive and include MWO firms in manager searches where feasible. Whenever the Board conducts a search for a new investment or mandate, the staff will work with the investment consultant to include potential MWO firms on the list of qualified investment managers for further evaluation and consideration. The Board will be informed as to whether there are any developments that would impact the ongoing retention of any of the System's current investment managers.
- 9 All other service providers will be reviewed on at least an annual basis. These reviews, which may be formal or informal, will provide an opportunity for the Board and/or staff to give feedback to the service provider regarding its performance under its contract with TVARS. At least every five to seven years, a formal procurement/search process within each non-investment service area will be conducted by the Board and/or staff, as appropriate to ensure services, capabilities, and fees remain competitive and consistent with market standards.

**Policy Review:**

The TVARS Board will review this Policy on a periodic or as-needed basis to ensure it remains appropriate. The Board may amend the Policy at any time.