

# Service Provider Evaluation and Interaction Policy

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Adopted April 22, 2011

## **Service Providers Interaction and Evaluation Policy**

### **Purpose**

This Service Provider Interaction and Evaluation Policy establishes the guidelines within which the Board 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. Communication between the Board and service providers is transparent and consistent,
3. The opportunity for an actual or perceived conflict of interest is mitigated, and
4. 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 in writing the nature of the contact. The Executive Secretary will share this information with the full Board.

4. Directors may solicit or initiate meetings with service providers, if they are directed to do so by the Board. Directors that meet 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. Directors will be informed of due diligence visits scheduled with TVARS' service providers. Directors may attend 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. All Directors and TVARS staff are allowed to attend due diligence trips as they relate to non-TVARS responsibilities. However, these due diligence trips will not be paid for with Trust assets.
8. The Executive Secretary will provide the Board a quarterly summary of Director attendance at TVARS due diligence meetings.
9. Investment managers will be reviewed and evaluated on an on-going basis by the staff and investment consultant. The staff will develop investment manager evaluation criteria, consistent with the Investment Policy Statement, for the Board's review and approval. The Board will be informed as to whether there are any developments that would impact their ongoing retention.
10. All other service providers will be reviewed on at least an annual basis. The staff will develop evaluation criteria for each service provider for the Board's review and approval. The evaluation will provide an opportunity for the Board and staff to give feedback to the service provider regarding their performance. At least every five to seven years, a formal procurement/search process will be initiated to ensure services, capabilities, and fees remain competitive and consistent with market standards.
11. All current service providers will be notified of this Policy and asked to confirm acknowledgement of the Policy in writing. The Policy shall also be included with all procurement/search information so that prospective service providers are also aware of the Policy.

**Policy Review**

The TVARS Board will review this Policy at least every three years to ensure it remains appropriate. The Board may adjust the Policy at any time.