

I. Purpose and Background

A. Purpose

The Procurement and Contracting Policy is intended to establish guidelines by which OCERS will procure goods and services.

B. Objectives

The objectives of this policy are to ensure that:

1. Contractual arrangements and the purchase of goods and services are made in the best interests of the members and beneficiaries of OCERS;
2. The procurement of goods and services is efficient, diligent, transparent, economical, fair, and in compliance with all applicable laws;
3. A system of internal controls, that includes appropriate segregation of duties, and appropriate approvals, related to the procurement of goods and services is implemented and followed;
4. All contracting activities are performed by qualified individuals specifically delegated the authority, responsibility and accountability for said activities, who use sound business practices in an ethical manner, taking into consideration applicable law and regulations;
5. Contracts for the provision of goods and services are procured from qualified sources that provide best value for each expenditure, taking into consideration the nature of the goods and services and, as appropriate, quality and reliability, competitive price, institutional knowledge, and delivery schedule; and
6. The selection of service providers and vendors reflect a level of rigor that is commensurate with the importance and materiality of the service or purchase of goods in question.

C. Roles and Responsibilities

1. The role of the Board of Retirement is to:
 - i. Establish appropriate policies to ensure selection decisions are prudent and sound;
 - ii. Monitor compliance with such policies; and
 - iii. Approve contracts for which the Board is responsible under this policy.
2. The role of the CEO is to:
 - i. Approve the purchase of goods and services for which the CEO is responsible under the provisions of this policy;
 - ii. Approve the contracts the Board is responsible for under the provisions of this policy; and
 - iii. Keep the Board of Retirement apprised of all material and relevant contract actions as necessary for the Board to carry out its oversight function.

Procurement and Contracting

3. The role of the Responsible Executive is to:
 - i. Approve the purchase of goods and services for which s/he is responsible for procuring;
 - ii. Keep the CEO apprised of all material and relevant contract actions for which the Responsible Executive is responsible;
 - iii. Ensure that budget authority exists within the budget line item from which a contract will be paid;
 - iv. Select the appropriate procurement process to be used and participate in the preparation of the solicitation documents for the goods and services being procured.
 - v. Select, or recommend that the CEO select as the case may be, contract providers in the area for which s/he is responsible;
 - vi. Negotiate, or delegate to an appropriate staff member who will negotiate, terms and conditions of the contract with selected providers.
4. The role of the Contract Administrator is to:
 - i. Manage the vendor files, lifecycle management system, and insure best practices for contract and vendor management;
 - ii. Assemble, manage, and distribute contract solicitations and other contract acquisition efforts;
 - iii. Assist the Responsible Executive with selection of providers and negotiation of contractual terms;
 - iv. Conduct due diligence for potential contracts and providers;
 - v. Serve as the CEO's designee under Section 3.b of the Quiet Period Policy; and
 - vi. Develop (subject to approval of the Responsible Executive) required and preferred terms and conditions to be included in OCERS contracts, and develop and maintain contract templates to be used for OCERS.
 - vii. Ensure all solicitations are reflected in the Quiet Period Report to the Board; and
 - viii. Coordinate to ensure that there is an appropriate level of oversight for investment manager contracts.
5. The role of Legal Counsel is to:
 - i. Review contracts before execution for compliance with legal requirements and to provide assessment of legal risk;
 - ii. Assist the CEO, Responsible Executive, and Contract Administrator in preparing RFPs, IFBs, and other solicitations;
 - iii. Assist the Responsible Executive and Contract Administrator in negotiation of contractual terms and conditions when requested; and

Procurement and Contracting

- iv. Assist the Contract Administrator in developing necessary and preferred terms and conditions and contract templates.
6. The role of the CIO is to comply with the CIO Charter as it pertains to this policy in cases of contract management and acquisition of investment vendors.

II. Provisions Applicable to All Contracts

A. Contracting Policy

1. OCERS will consider as broad a universe of qualified service providers and vendors that is practical and reasonable given budgetary, staffing, time and other relevant constraints and considerations.
2. OCERS will take advantage of available tools, technology or other resources that will allow for efficient screening of potential service providers and/or vendors so as to arrive at a qualified pool of candidates that warrant detailed examination, provided such tools, technology, or resources are consistent with sound and prudent industry practices.
3. All search, selection, monitoring, and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established under the law or within other policies of OCERS, the law and such other policies will control.
4. Consistent with Title 2, Division 6, Chapter 7 of the California Code of Regulations, §§ 18700-18720, no OCERS Board Member or staff shall be directly or indirectly involved in an OCERS contracting decision if the decision will have a material financial effect on an economic interest of the Board Member, staff person, or the immediate family of the Board Member or staff person.

B. Authority for Entering Into Contracts.

1. Before entering into any contract for goods or services, OCERS must have available funds in the current year's approved budget, including any Board approved amendments to the budget, to fund the current year's expense or cost.
2. Only the Responsible Executive or his/her designee may bind or commit OCERS for the purchase of goods or services as set forth in this policy, except in emergencies and as may be otherwise authorized by the Board of Retirement.
3. The CEO may delegate his/her authority to execute documents to an Executive.
4. A Responsible Executive may delegate his/her authority to approve check requests and/or purchase requisitions.
5. All delegations will be documented in writing, identifying the individual to whom the authority is delegated and any dollar restriction or budget account restrictions associated therewith.

C. Definitions

1. “Executive”: The CEO, the Assistant CEOs, the Chief Investment Officer, and the General Counsel.
2. “Responsible Executive”: The Executive who manages the budget line item for the funds being committed under the contract.
3. Value of a contract. For the purposes of the dollar thresholds in this policy, the value of a contract shall be determined based on the annual expected value of the contract.
4. “Contracted Supplier”: A vendor of goods or services which has previously been selected through a competitive bidding process and may be used for procuring additional goods and services, as set forth below in Section III.B.
5. “Invitation for Bid (IFB)”: A procurement process whereby multiple bidders are solicited for the procurement of goods or services where the requirements can be stated in detail, with precision. Typically, an IFB is used for commodities that are easily defined. See also below section III.A.
6. “Request for Proposal (RFP)”: A procurement process whereby a product or service to be acquired cannot be stated with specificity (such as consulting services) or where OCERS may seek to evaluate a number of different types of professional services or products. See also below section III.A.
7. “Request for Qualifications (RFQ)”: A process whereby OCERS seeks to validate qualifications from various vendors for a product or service. This is not a procurement process and would not lead to the execution of a contract unless followed by an appropriate procurement process.
8. “Request for Information (RFI)”: A process whereby OCERS is gathering information from various vendors as a way to determine appropriate bidders and/or details about a product or service for an RFP. This is not a procurement process and would not lead to the execution of a contract unless followed by an appropriate procurement process.
9. “Routine items”: are those expenses that are budgeted on an annual basis:
 - i. Must have available funds in the approved budget, including any Board approved amendments to the budget.
 - ii. Can be approved by the Executive responsible for the budget item
 - iii. These items include but are not limited to the following:
 1. Office supplies, postage, furniture, office equipment, subscriptions, temporary services, professional and consulting services engaged to supplement or support staff, and
 2. General services contracts and agreements such as hearing officers, medical panel reviewers, property management, maintenance and repair of landscaping, building and equipment, printing, board of retirement

Procurement and Contracting

member elections, computer consulting, software licenses, messenger services, catering etc.

10. "Non-Routine items": are those expenses that are not Routine:
 - i. Must have available funds in the approved budget, including any Board approved amendments to the budget.
 - ii. Valued under \$100,000 can be purchased with the approval of the Executive responsible for the budget in which the goods are to be paid from,
 - iii. Valued over \$100,000 must be approved by the CEO and the Board as either part of the annual budget or a specific Board approval
11. "Named Service Providers": Are those vendors recommended by the CEO and approved by the Board of Retirement where such providers are retained primarily to fulfill an independent audit or advisory role for the Board of Retirement. See also below section V.
12. "Small Purchase Procedure": This process is used for an expenditure of minimal cost. This process must document that the procurement was fair, ethical and transparent. A minimum of three oral or written price or rate quotes from qualified sources must be obtained. Documentation of all quotes received will be retained and provided to the Responsible Executive upon request.

D. Performance Reviews

1. *The performance of every contracted provider will be reviewed at least every three years.*
2. The performance review will be coordinated by the Contracts Administrator who will solicit performance opinions from various staff and Board members as deemed appropriate.
3. Performance for Investment Managers will be reviewed based on the guidelines and timelines as outlined within the Investment Policy Statement and the CIO Charter.

III. Search and Selection Process

A. Competitive Search and Selection Process

Where a competitive search and selection process is required under this policy, the Responsible Executive shall use one of the following procurement methods.

1. Invitation for Bid (IFB):
 - i. This method will be used when multiple bidders are available and willing to bid, and procurement needs can be stated in detail, with precision, or where services or products are standardized.
 - ii. The IFB process requires the evaluation of price, delivery and payment terms, and compliance with technical standards. The bid that provides the best pricing and delivery and payment terms will be selected.

Procurement and Contracting

- iii. The bids may be reviewed by a minimum of three OCERS staff members to identify the bidder who provides the best value to OCERS.
2. Request for Proposal (RFP)
 - i. This method will be used where the product or service to be acquired cannot be stated with specificity (such as consulting services) or where OCERS may seek to evaluate a number of different types of professional services or products.
 - ii. The RFP process requires evaluation of the technical and price competition between vendors and service providers. The proposal that best meets OCERS' needs, with consideration for price, qualifications and other relevant factors set forth in the RFP, will be selected.
 - iii. This method shall be used in most circumstances where the value of the products or services procured exceeds \$50,000 in value. In those cases where the Responsible Executive deems an RFP will not be of benefit, the Responsible Executive or designee shall provide a report to the CEO detailing the reasons why an RFP would not be beneficial. The report shall be provided prior to purchase or contracting with the selected third party service provider.
 3. Small Purchase Procedure
 - i. Where the procurement of goods and services requires an expenditure of less than \$50,000, a minimum of three oral or written price or rate quotes from qualified sources must be obtained. If three qualified sources cannot be reasonably identified, then the Responsible Executive may authorize the use of a sole source process, as set forth below in Section III.B.
 - ii. Documentation of all quotes received will be retained.
 - iii. The Small Purchase Procedure process must include documentation that the procurement was fair, ethical and transparent.
 4. Process for Receiving Bids in Response to an RFP or IFB
 - i. Upon issuance of the RFP or IFB, the period for receiving bids shall be open for at least fifteen (15) days. All such proposals shall be posted on the OCERS website as well as distributed to entities that OCERS identifies as likely to be interested.
 - ii. The OCERS Contact Administrator or his/her designee shall be available to answer questions from any bidder or potential bidder, and all answers provided to any bidder shall be made available to all bidders by posting on the OCERS website and by e-mailing any person who has submitted a bid.
 - iii. Except for Investment Manager Agreements, best efforts will be made to have at least three (3) OCERS personnel review the bids and recommend finalists. Best efforts will be made to include at least one (1) representative from a department other than the one that has authority over the vendor contract. In the case where external expertise is used, at least one (1) decision maker must be an OCERS employee.

B. Contracted Suppliers

Where a provider of goods or services has been selected through a competitive bidding process, that supplier may be used as a Contracted Supplier in certain circumstances set forth in this policy. The Contracted Supplier may be selected directly by OCERS pursuant to a competitive search and selection process or by the County of Orange or other governmental agency, and OCERS may leverage the other agency's procurement process to obtain similar goods and services. Such Contracted Suppliers may include, by way of example, retail sellers of off the shelf office supplies contracted either through the County of Orange or directly by OCERS.

C. Sole Source

A sole source approach may be permitted under the following circumstances:

1. In cases where a competitive search and selection process will not likely yield a viable alternative to a known service provider; or
2. Where legal services are urgently needed, a competitive search and selection process will not be timely, and a known service provider exists.

The Responsible Executive must provide to the CEO a report describing the unique characteristics of the situation, the known service provider and sound justification for a sole source approach; and the CEO (and the Board, if it is a contract subject to Board approval) must approve the sole-source approach. When the CEO is the responsible Executive the report will be provided to the Board Chair and Vice-Chair.

D. Exclusions

Notwithstanding any other provision in this policy, Contractor back-fill or temporary help for staff augmentation does not require the Board of Retirement approval or compliance with this policy as long as budgetary amounts are available for individual contractor positions.

E. Due Diligence

1. Before awarding a contract, the Contract Administrator shall conduct due diligence of any bidder selected to ensure that the contractor is qualified. A qualified contractor must:
 - i. meet any minimum qualifications set forth in the solicitation document, established by the Board or by the CEO or his or her designee, or required by law,
 - ii. not have any conflicts of interest that pose substantial legal or operational risks, and
 - iii. Meet any other standards which, in the exercise of sound business judgment, are required of the contractor.
2. If any selected bidder is disqualified as a result of a failure to be a qualified contractor for the contract, the reason shall be documented and approved by the Responsible Executive.
3. A failure of a bidder to be a qualified contractor for one contract shall not prevent the bidder from being a qualified contractor for another contract.

Procurement and Contracting

IV. Contract Guidelines Summary

Contract Value	Approver	Signatory	Procurement Requirements
Named Service Provider	Board of Retirement or represented committee	CEO (or CIO on Investment-related contracts) +1 Executive	IFB or RFP
\$100,000 or More	CEO	CEO (or CIO on Investment-related contracts) +1 Executive	IFB or RFP
\$1,000 to \$99,999.99	Responsible Executive	Responsible Executive + 1 Director or Manager From Another Department	IFB, RFP, Small Purchase Procedure, or Contracted Supplier
Under \$1,000	Responsible Executive	Responsible Executive + 1 Director or Manager From Another Department	Contracted Supplier, Small Purchase Procedure, Contracted Supplier
Investment Managers	CEO / CIO	CEO or CIO +1 Executive	In accordance with CIO Charter and IC Charter and IPS

V. Contracts with Named Service Providers

All contracting with Named Service Providers shall be carried out in accordance with this section.

A. Designation of Named Service Providers

The following service providers are designated as Named Service Providers:

1. Consulting actuary;
2. Actuarial auditor;
3. General investment consultant;
4. Alternative investments consultant;
5. Fiduciary counsel;
6. Custodian;

OCERS Board Policy

Procurement and Contracting

7. Securities lending manager;
8. Financial auditor;
9. Pension Administration Software Provider; and
10. Any additional consultant not named above but which the Board may, from time to time, designate.

B. Term

All contracts with Named Service Providers shall be for an initial term of three years and may be extended by the Board for up to three additional years, for a total maximum term of six years.

C. Review and Renewal

1. At least six months before the expiration of the initial term of any contract with a Named Service Provider, the CEO and the pertinent committee(s) of the Board shall assess the continued appropriateness and cost-effectiveness of the Named Service Provider in question
2. Performance reviews of Named Service Providers will include opinions solicited from Board of Retirement or designated sub-committee members, and/or selected staff members. The results of the review will be summarized and reported to the Board of Retirement.
3. The CEO will report regularly and in a timely fashion to the Board of Retirement on all monitoring efforts involving Named Services Providers, identifying any material issues or actions taken.
4. Upon recommendation of the CEO and the pertinent committee(s), the Board shall either extend the initial term of the contract or direct the CEO to conduct a new search and selection process.
5. The CEO will report promptly to the Board any failures by Named Service Providers to comply with the terms of their contract.
6. At least annually, the CEO will provide the Board of Retirement a schedule of the contracts with Named Service Providers due for renewal and those whose terms will expire in the coming year.

D. Search and Selection Process

1. At least six months before the expiration of the final extension of a contract with a Named Service Provider, or upon direction of the Board as set forth in Part C, above, the CEO shall conduct a competitive search and selection process for the Named Service Provider.
2. Prior to conducting a search for a Named Service Provider, the CEO or his designee will present a written summary to the Board, which shall include:
 - i. The type of service provider being sought and the supporting rationale;
 - ii. The objectives and selection criteria to be met and their relative importance;

Procurement and Contracting

- iii. An estimated timeline for completion of the search process; and
- iv. A description of the search methodology that is deemed most appropriate and cost effective in the particular circumstances, and that addresses such issues as:
 - a. What method of competitive search and selection process will be used, a copy of the proposed IFB or RFP will be attached for information purposes;
 - b. Whether a consultant is to be used to assist with the search process,;
 - c. The due diligence efforts to be undertaken, including such efforts as site visits, and reference checks;
 - d. Such other information that the CEO believes may assist the Board of Retirement in better understanding the search process.
3. The CEO will provide the Board of Retirement (or a designated committee of the Board of Retirement) with periodic reports on the status of all search processes involving Named Service Providers.
4. Upon completion of the analysis and due diligence involved in a search process for a Named Service Provider, the CEO will provide the Board of Retirement (or a designated committee of the Board of Retirement) with a written report containing, at a minimum:
 - i. A description of the due diligence activities undertaken;
 - i. The recommended finalist or a list of finalist candidates and analysis concerning the candidates;
 - ii. Confirmation of compliance with the objectives, selection criteria and search methodology presented to the Board of Retirement prior to the commencement of the search, or an explanation of any deviations that occurred;
 - iii. A description of performance expectations and the proper time horizon for evaluation of results;
 - iv. A Bid (pricing) summary with annotations regarding differentiating features; and
 - v. A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider throughout the term of the contract, including the reporting to be provided to the Board of Retirement.
5. The Board of Retirement (or a designated committee of the Board of Retirement) will interview the candidate or candidates recommended for appointment as Named Service Providers. If a committee reviews the candidates, the committee shall recommend to the Board the appointment of the Named Service Providers. If the Board interviews the candidates, the Board itself shall choose from amongst the candidates.
6. Upon selection of the candidate, the CEO (or his/her designee) shall negotiate a final contract with the selected Named Service Provider, consistent with the terms of the contract solicitation (e.g. IFB or RFP), this policy, and any other direction from the Board. If, at any time during the negotiations, the CEO determines that there is an impasse in

Procurement and Contracting

negotiations, s/he may recommend to the Board that the Board select an alternate bidder for the Named Service Provider.

E. Approval and Execution

Upon completion of negotiations, the CEO or his/her designee shall inform the Board the contract has been executed. Any contract with a Named Service Provider must be executed by the CEO and one other Executive.

VI. Contracts for Goods and Services of \$100,000 or More

All contracting for contracts over \$100,000 shall be carried out in accordance with this section.

A. Term

All Contracts of this provision of services shall be for an initial term not to exceed three years and may be renewed by the CEO for no more than a total of three additional years for a total maximum term of six years.

B. Review and Renewal

1. At least six months before the expiration of the term of a contract over \$100,000 annually, the CEO (or his/her designee) shall assess the continued appropriateness and cost-effectiveness of the contract provider in question.
2. Upon recommendation of the Responsible Executive (or his/her designee), the CEO shall either: 1) extend the contract up to the maximum total term of six years; 2) direct the Responsible Executive (or his/her designee) to conduct a new search and selection process; 3) determine that the services provided are no longer necessary.

C. Search and Selection Process

1. Any time that OCERS plans to enter into a contract exceeding \$100,000, the Responsible Executive (or his/her designee) shall conduct a competitive search and selection process for an appropriate provider.
2. Upon completion of a competitive search and selection process, a written report will be provided to the CEO or his/her designee and will include at a minimum:
 - i. Purpose and need for the goods or services being procured;
 - ii. A description of the procurement process and due diligence activities undertaken;
 - iii. The recommended finalist and analysis concerning the candidates;
3. Upon the CEO's, or his/her designee's approval of the candidate, the Responsible Executive (or his/her designee) shall negotiate a final contract, consistent with the terms of the contract solicitation (e.g. IFB or RFP), this policy, and any other direction from the CEO. If, at any time during the negotiations, the Responsible Executive determines that there is an

Procurement and Contracting

impasse in negotiations, s/he may recommend to the CEO that the CEO select an alternate candidate.

D. Approval and Execution

1. Any contract exceeding \$100,000 must be executed by the CEO and one other Executive.
2. Contract approval from Board will be acquired for non-routine expenses.
3. For contracts relating to routine expenses, Board approval of the expenditure will be acquired through the budgeting process.

VII. Contracts for Goods and Services From \$1,000-\$99,999.99

All contracting for Agreements having a value of \$1,000 to \$99,999.99 shall be carried out in accordance with this section, excluding Named Service Providers.

A. Term

All contracts for this provision of services may be for an initial term of not more than three years and may be renewed for a term of not more than three years (provided that any such original term or extension may be for a shorter period if the Responsible Executive determines it is appropriate).

B. Search and Selection Process

1. Any time that OCERS is to enter into a contract for a value greater than \$50,000, the Executive Responsible shall direct an RFP or IFB search and selection process.
2. If the value of the contract is less than \$50,000, the Executive Responsible may recommend using the Small Purchase Procedure acquisition procedure in order to select the appropriate vendor.
3. Upon selection of the candidate, the Responsible Executive (or his/her designee) shall negotiate a final contract, consistent with the terms of the contract solicitation (e.g. IFB or RFP), this policy, and any other direction from the CEO. If, at any time during the negotiations, the Responsible Executive determines that there is an impasse in negotiations, s/he may select an alternate candidate.

C. Approval and Execution

1. Upon completion of negotiations, the Responsible Executive shall approve the contract.
2. Any contract under this provision must be executed by at least two Responsible Executives.

VIII. Contracts for Goods and Services Less than \$1,000

All contracting for Agreements having a value less than \$1,000 shall be carried out in accordance with this section, excluding Named Service Providers.

A. Term

All contracts for this provision of services may be for an initial term of not more than three years and may be renewed for a term of not more than three years (provided that any such original term or extension may be for a shorter period if the Responsible Executive determines it is appropriate).

OCERS Board Policy Procurement and Contracting

B. Search and Selection Process

Any time that OCERS is to enter into a contract valued less than \$1,000, the Executive Responsible may enter into a contract with any qualified contractor that the Executive Responsible determines is in the best interest of OCERS. The Executive Responsible may also choose to use the Small Purchase Procedures, a Contracted Supplier, or a Competitive Search and selection process if s/he determines it is in the best interest of OCERS.

Policy Review And History

- A. The Board of Retirement will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.
- B. The Board of Retirement adopted this policy on Monday, November 18, 2002.
- C. This policy was revised May 19, 2008, March 22, 2010, May 20, 2013, January 20, 2015, and October 15, 2018.

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.



Steve Delaney
Secretary of the Board

10/15/18

Date