

Vendor Selection Policy Board Governance 5.0

Approved: March 23, 2007
Revised Date: April 23, 2010
Review Date: March 28, 2014

A. POLICY:

1. This policy is to establish general guidelines and authorities for the selection and retention of service providers (“vendors”) of LASERS.

B. ROLES AND RESPONSIBILITIES:

1. The role of the board is to:
 - a. establish appropriate policies to ensure prudent and sound selection decisions are made and monitor compliance with such policies and
 - b. approve, in consultation with the executive director and where appropriate, the consultant, “named vendors” as described in the following:
 - i Investment related vendors
 - Investment managers
 - Investment consultants
 - Custodians
 - Securities lending managers
 - ii Non-investment related vendors
 - System actuary
 - Others vendors designated by the board
2. Role of the executive director is to:
 - a. appoint vendors other than the named vendors above and report to the board pertinent due diligence conducted and vendor appointed, unless the board determines otherwise;
 - b. coordinate all search and due diligence activities, in conjunction with staff, consultants, and other external experts as needed;
 - c. provide appropriate supervision of all vendors; and
 - d. negotiate and execute all contracts for named vendors upon the direction of the board and subject to review by legal counsel.

C. SELECTION OF NAMED VENDORS

Non investment related vendors

1. Prior to conducting the search, the executive director or designee will present a work plan to the board or management committee containing at a minimum:
 - a. the type of vendor sought and supporting rationale;
 - b. the objectives and selection criteria and their relative importance;
 - c. a projected timeline for the search process; and
 - d. a description of the most appropriate and cost effective search process including:
 - i whether a search consultant will be used in the process,
 - ii due diligence efforts to be undertaken during the search,
 - iii evaluation criteria to be used and their relative weights,
 - iv whether a request for proposal (RFP) or similar document will be used and supporting rationale, and
 - v disclosures of campaign contributions and business relationships by vendor and any family member as defined by the Louisiana Code of Ethics (R.S. 42:1102) and any other information the executive director believes may assist the board in better understanding the search process.
2. The executive director will provide the board or management committee with periodic status reports of all search processes.
3. Upon completion of the search process the executive director will provide the board or management committee with:
 - a. a description of the due diligence activities undertaken;
 - b. a list of finalist candidates to be interviewed and an analysis of each ; and
 - c. confirmation of compliance with the selection criteria and search process presented to the board prior to the search, or an explanation of any deviations that occurred.
4. Following the due diligence process, the selection process will begin.
 - a. Executive director will recommend to the board a finalist list for the interview process.
 - b. The board will vote on the recommended finalist list. If the motion fails then substitute motions for an alternate list will be voted on until selection is made.
 - c. The board will interview the finalist candidates after giving appropriate public notice of such a meeting.
 - d. Upon completion of the interviews, the executive director will recommend a final candidate for selection by the board.
 - e. The board will vote on the recommended final candidate. If the motion fails then substitute motions for an alternate final selection will be voted on until selection is made.

Investment related vendors

1. Following a preliminary due diligence process, the selection process will begin.
 - a. The chief investment officer and pension consultant will each independently recommend to the board the number of managers to be selected for the investment mandate. The executive director may make a recommendation as well.
 - b. The board will determine by voice vote and majority of the members present the number of managers to be selected for the investment mandate.
 - c. The chief investment officer and pension consultant will each independently recommend to the board the number of finalists to be interviewed. The executive director may make a recommendation as well.
 - d. The board will determine by voice vote and majority of the members present the number of finalists to be interviewed.
 - e. The chief investment officer and pension consultant will each independently recommend to the board a list of finalists to be interviewed. Each will discuss the strengths and weaknesses of the managers included in their list. The executive director may make a recommendation as well.
 - f. Each trustee shall submit in writing a list of the pre-determined number of finalists to be interviewed. Those managers appearing on a majority of the lists of the trustees present shall become finalists. If no majority is achieved or the number of pre-determined finalists is not reached, the trustees, by written ballot, shall vote on those managers who did not achieve a plurality until the pre-determined number of finalists is selected. A majority will be determined from the number of votes cast.
 - g. Following the finalist interviews, the chief investment officer and pension consultant will each independently state their choice for the final manager(s) selection from the finalist list. The executive director may make a recommendation as well.
 - h. Each trustee shall submit in writing the name of the manager(s) they wish to be awarded the mandate. The manager(s) receiving the majority of the votes cast shall be deemed to be awarded the contract by resolution of the board. If no one manager receives such a majority then those receiving plurality will run off by written ballot until a majority is achieved. At the discretion of the Board, a voice vote may be used in lieu of a written ballot.

D. VOTING PROCEDURES

1. All written ballots will be read aloud in accordance with State open meeting laws. (R.S. 11:42:4.1 et seq.) This includes announcing each trustee and for whom he or she voted.
2. All approvals under the above procedures shall be done by a majority vote of the members present, but in no case shall a decision be approved with less than four votes. (R.S. 11:513(C))
3. All trustees choosing to abstain from voting will be counted as a member present when determining if a quorum vote was present.

E. BLACKOUT PERIODS

1. The initiation of a blackout period, and the types of vendors to which it applies, will be specified in the minutes of the board meeting at which it occurred.
2. During blackout periods trustees shall not communicate with the specified vendors regarding LASERS business, the selection process or search, except during board or committee meetings or formal due diligence approved by the board.
3. A blackout period will begin when:
 - a. the board selects a finalist list for the appointment of a new vendor or in the expansion of the relationship with a current vendor;
 - b. the current vendor is placed on an official "watch list" signifying that the vendor's performance has fallen below expectations or other issues warranting scrutiny have occurred; or
 - c. the board deems it appropriate to temporarily limit communication with a specific vendor to board and committee meetings only.
4. A blackout period will cease when:
 - a. a vendor has been appointed by the board or the search process has otherwise ended;
 - b. a vendor is removed from the watch list; or
 - c. the blackout period is ended by action of the board.

F. MONITORING AND REPORTING

1. All vendors will be subject to regular and performance monitoring by staff, and periodic reviews throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, and/or quality of reporting.
2. The executive director and Chief Investment Officer (CIO) will report regularly to the board on all monitoring efforts involving named vendors, identifying in a timely manner any material issues or action taken.
3. If more stringent monitoring and reporting requirements are established within other policies of LASERS, such requirements will prevail.
4. The executive director or consultant, as appropriate, will report timely to the board any failures by named vendors to comply with the terms of their contract

G. REVIEW

The board will review this charter at least every three (3) years to ensure that it remains relevant and appropriate.

H. HISTORY

This policy was adopted by the board on March 23, 2007.

This policy was revised by the board on April 28, 2008.

This policy was revised by the board on April 23, 2010.

This policy was reviewed by the board on March 28, 2014.