

II. Governance

Section 8 – Acquisition and Retention of Services

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8.1 Purpose

The purpose of this policy is four fold. The policy provides:

- Guidance regarding the acquisition and disposition of services by the Public Employees Benefits Agency (PEBA) as specified in the Commission’s contract with PEBA;
- Guidance regarding the acquisition and disposition of services required by the Commission in order for it to fulfill its responsibilities under *The Municipal Employees’ Pension Act* (the Act);
- Requirement for contracts entered into by or on behalf of the Commission; and
- Requirement for the evaluation of service providers.

8.2 Rationale

As the body responsible for the administration of *The Municipal Employees’ Pension Act* and as Trustee of the Municipal Employees’ Pension Fund, the Commission has the responsibility to ensure that expenditures paid by the Fund are appropriate and acquired in an appropriate manner. This policy assists the Commission in carrying out its responsibilities appropriately.

8.3 Policy

Services Acquired by PEBA

While PEBA is designated by Order in Council as administrator of the Plan, there is an agreement in place between the Commission and PEBA outlining the parameters of the services provided by PEBA. The contract provides:

“Subject to the prior approval of the Commission, and in compliance with the Commission’s Acquisition of Services Policy, PEBA may engage consultants or advisors or enter into contracts with other parties for the provision of services that it is obliged to provide under this agreement.”

With respect to any initiative regarding the acquisition of individual services that has an estimated cost of over \$50,000, PEBA is to provide the Commission with reasons why a party other than PEBA would better provide the service(s).

If the Commission agrees to PEBA retaining a service provider, upon selection of the service provider, PEBA is to provide the Commission with the following:

- A description of the request for proposal process and the criteria for awarding the contract;
- A description of the proposed project deliverables and the scheduling for the deliverables;
- The performance measures and the consequences of not meeting the performance standards; and
- A description of the responsibilities of the contractor and PEBA.

PEBA must report to the Commission on the performance of the supplier of services.

Any services to be acquired by PEBA that are unbudgeted and are \$20,000 or more must be brought to the Commission for approval. If an unbudgeted expenditure would cause PEBA to be over-budget, the Commission must authorize the expenditure.

Services Acquired by the Commission

The Commission has appointed the Associate Deputy Minister of the Public Employees Benefits Agency as the Executive Secretary.

For the purposes of this policy, the delegation to PEBA will be referred to as being performed by the senior executive officer. The senior executive officer is the Associate Deputy Minister of the Public Employees Benefits Agency.

Services Estimated to Cost \$24,999 or Less

The Senior Executive Officer may authorize, on behalf of the Commission, the acquisition of services that have an estimated cost of \$24,999 or less, if such expenditure has been budgeted or can be managed within PEBA's current annual budget allotment.

In the event such expenditure would cause PEBA to be over-budget, the Commission must authorize the acquisition of services.

To obtain Commission authorization, the Senior Executive Officer is to provide the Commission with:

- A description of the services to be acquired;
- The reasons why the services are necessary; and
- The reasons why the provider of services was recommended.

When applying the decision authority levels specified below, the total estimated cost of a project is to be used rather than the estimated cost of individual modules.

Request for Proposal Process

A request for proposal process or approved alternative process must be undertaken at least every six years for any services acquired by the Commission except for:

- Senior Executive Officer services;
- Executive Secretary services;
- Administration services;
- Investment management services; and
- Custody services.

Any services, excluding investment management services, which have an estimated cost of \$25,000 or more, should be acquired through a request for proposal process involving at least three firms qualified to perform the services required. If the services are not to be acquired through a request for proposal process, the Senior Executive Officer is to provide the Commission with the reasons why an alternative process is appropriate.

The acquisition of investment management services may vary depending on the investment mandate. The acquisition may be by way of:

- Direct source selection; or
- Request for proposal; or
- Request for quotation.

Prior to the acquisition of any services, including investment management services, the Senior Executive Officer is to provide the Commission with:

- A description of the services to be acquired;
- Reasons why the services are necessary; and
- A description of the proposed request for proposal process and selection process.

Service Provider Selection Criteria

Within the selection process, the following criteria will be taken into account with respect to choosing a service provider as required:

- Experience providing similar services to other clients;
- Training of key staff within the organization;
- Access to special services or technology;
- Cost of services;
- Quality of past service delivery;
- Continuity of services, in terms of both operation of the organization and provision of the applicable services;
- Knowledge and understanding of the pension industry; and,
- Recommendations and feedback from other clients.

The selection criteria for investment management services also include:

- Investment performance

Service Provider Selection

The Senior Executive Officer shall ensure that sufficient and appropriate due diligence is carried out in the service provider selection process.

The Senior Executive Officer shall provide the Commission with a recommendation of a service provider to be selected. The recommendation is to include a description of the due diligence process, the reasons and the circumstances that were considered for the recommendation.

Services Acquired by the Private Markets Committee

The Private Markets Committee may retain service providers required to assist in the investment disposition process within its delegated authority.

Approval of Contracts

Written contracts with providers of services may include:

- a) A statement of work requirements which describes:
 - i. The deliverables and the scheduling of the deliverables; and
 - ii. The performance measures and the consequences of not meeting the performance standard, if applicable;
- b) The price (including, where appropriate, fees and expenses) agreed to;
- c) The billing and receipt requirements;
- d) The responsibilities of all the parties of the contract;
- e) Where appropriate, details of the Commission's operational and policy constraints (for example protection of privacy); and
- f) Other applicable terms considered appropriate in the circumstances.

Except as noted below, the Commission may enter into a contract with a service provider that does not exceed three years. The contract may be extended for an additional three years.

- For the following service providers, the six-year contract limit without retendering is not appropriate:
 - Senior Executive Officer services;
 - Executive Secretary services;
 - Administration services;
 - Investment management services; and
 - Custody services.

Senior Executive Officer services, Executive Secretary services and Administration services are governed by an Order in Council and not subject to tender. It would be impractical, costly, and undesirable to change investment managers or the custodian every six years, however investment managers and the Plan custodian may be replaced when necessary.

Recognizing the nature of the relationship with PEBA as the Commission's administrator, the Commission may enter into contracts for administrative services not to exceed a period of three years with PEBA; however, there is no limitation to the number of times the contract may be extended or re-negotiated.

In the case of investment managers, given the nature of the services provided and that a manager can be terminated at any time, it is appropriate to enter into contracts that do not have expiry dates.

In the case of the Plan custodian, because of the nature of the services provided and the stability of custody fees, as well as the cost and complexity of transitioning between custodians, it is appropriate to enter into a contract that does not have an expiry date.

The Commission Chair may approve all contracts for services acquired by the Commission that are in excess of \$24,999. To provide approval, the Senior Executive Officer is to provide the Chair with a recommendation and a description of the due diligence process.

Once approved, the Chair, Vice-Chair, Senior Executive Officer or any other individual designated by the Commission, may sign a contract.

Commission members may request to review contracts for services acquired by the Commission that are in excess of \$24,999 as Information Items.

Contracts for Private Markets

In the case of investments approved for acquisition or disposal, the Senior Executive Officer, or a designate may execute fund agreements or documents.

The Senior Executive Officer will inform the Chair once an agreement has been executed.

The Senior Executive Officer will report to the Commission on the due diligence process carried out for each executed agreement.

Evaluation of Service Providers to the Commission

Performance of each service provider will be reviewed at least annually. Service providers will be contacted at least every two years to ensure that they continue to maintain a code of conduct/conflict of interest policy. The results of each performance review will be reported to the Commission. In reviewing service provider performance, each service provider will be rated in the following areas:

- Overall quality of services;
- Overall timeliness of the provision of services;
- Overall service satisfaction; and
- Achievement of the deliverables specified in the contract.

The selection and review criteria specified are applicable to all service providers, with the exception of legal counsel provided by the Ministry of Justice and investment managers. Legal counsel provided by the Ministry of Justice is subject to any performance objectives defined by the Government of Saskatchewan. Performance review criteria for investment managers are specified in the Commission's Statement of Investment Policies and Procedures.

Actions to be taken in the event a service provider does not perform at a satisfactory level in any of these areas are determined on a case-by-case basis and are specified in all service provider contracts.

If the Senior Executive Officer is of the view that a service provider should be terminated, the Senior Executive Officer is to provide the Commission with a recommendation regarding the termination of the service provider. The recommendation is to include a description of the due diligence process, the reasons and the circumstances that were considered for the recommendation.

8.4 History

Approval date:	June 20, 2012; November 21, 2003; April 17, 2009; February 17, 2011; June 20, 2012; November 20, 2015; March 16, 2018; and October 19, 2018.
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