

II. Governance

Section 8 – Acquisition and Retention of Services

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8.01 Purpose

The purpose of this policy is fourfold. The policy provides:

- Guidance regarding the acquisition and disposition of services by the Public Employees Benefits Agency (PEBA) under paragraph 2.7 of the Board’s contract with PEBA.
- Guidance regarding the acquisition and disposition of services required by the Board in order for it to fulfill its responsibilities under *The Public Employees Pension Plan Act* (the Act).
- Requirement for contracts entered into by or on behalf of the Board.
- Requirement for the evaluation of service providers.

8.02 Rationale

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

8.03 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 Board and PEBA outlining the parameters of the services provided by PEBA. The Board has retained PEBA, by contract, to provide administrative, senior executive officer and executive secretary services. Paragraph 2.6 of the contract provides:

“Subject to the prior approval of the Board and in compliance with the Board’s Acquisition and Retention 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 requiring the acquisition of services included in a single contract having an estimated cost of over \$50,000, PEBA is to provide the Board with reasons why a party other than PEBA is better able to provide the services.

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

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

PEBA must report to the Board 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 Board for approval. If an unbudgeted expenditure would cause PEBA to be over-budget, the Board must authorize the expenditure.

Services Acquired by the Board

Paragraph 2.3 of the contract between the Board and PEBA provides:

“PEBA shall provide the services, which would be required of a senior executive officer to the Board,”

For the purposes of this policy, the Senior Executive Officer is the Associate Deputy Minister of PEBA.

Services Estimated to Cost \$24,999 or Less

The Senior Executive Officer may authorize, on behalf of the Board, the acquisition of services that have an estimated cost of \$24,999 or less, if such an 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 Board must authorize the acquisition of services.

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

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

When applying this decision authority, 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 proposal process or approved alternative process must be undertaken at least every six years for any services acquired by the Board 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 Board 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 Board 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 may be taken into account with respect to choosing a service provider:

- 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 Board 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 Investments Committee

The Private Investments Committee may retain service providers required to assist in the investment disposition process within the Committee's 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 Board'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 Board 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 Board's administrator, the Board may enter into contracts with PEBA for administrative services not to exceed a period of five years, 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 Board Chair may approve all contracts for services acquired by the Board 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 Board, may sign a contract.

Board members may request to review contracts for services acquired by the Board that are in excess of \$24,999 as information items.

Contracts for Private Markets

In the case of investments approved for acquisition or disposition or investment managers approved for retention or termination, the Board Chair, Vice-Chair, 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 Board on the due diligence process carried out for each executed agreement.

Evaluation of Service Providers to the Board

Performance of each service provider will be reviewed at least annually except for an outgoing service provider in situations where a new service provider has been selected unless an evaluation is requested by the Board. Service provider evaluation will resume within the annual cycle once the new service provider has provided a length of service appropriate to be evaluated. The results of each performance review will be reported to the Board. 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 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 Board's Statement of Investment Policies and Goals.

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 Board 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.

PEBA will contact all service providers at least every two years to ensure that they continue to maintain a code of conduct and conflict of interest policy. PEBA will report the results of the review to the Board.

8.04 History

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