

NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS

Vendor Selection Policy

I. **Background and Application**

The North Carolina Supplemental Retirement Board of Trustees (the “Board”) and the North Carolina Department of State Treasurer (the “Department”) administer, and are charged with a fiduciary responsibility to manage all aspects of, the Supplemental Retirement Income Plan of North Carolina (the “NC 401(k) Plan”) and the North Carolina Public Employee Deferred Compensation Plan (the “NC 457 Plan”). The NC 401(k) and NC 457 Plans are referred to as the “Plans” or “SRP”. The Board has the responsibility and authority to hire, or cause to be hired, vendors to provide services for the Plans, including recordkeeping, communications, custodial, investment consulting, and auditing services.

This Policy describes how the Board selects vendors other than investment managers. A separate policy, *Policy and Procedures for Investment Transactions and Investment Manager Selection*, applies to the selection of investment managers for investment transactions.

II. **Major Vendors**

This section applies to vendors of the following services: recordkeeping and communications, investment consulting, auditing, and custodial services.

The initiation of the procurement process shall be approved by the Board. Services shall be procured using a request for proposals, invitation to bid, or similar process (the “Vendor Solicitation Document”). SRP staff, working alone or with a consultant, shall draft the Vendor Solicitation Document and manage the evaluation and recommendation process, including the timeline. The Vendor Solicitation Document shall include technical requirements, cost solicitation, and standard contractual provisions.

Responses from vendors shall be evaluated by a committee consisting of the following people (the “Evaluation Committee”):

1. Executive Director, Retirement Systems Division;
2. Director, Supplemental Savings Programs;
3. 1-2 Board members;
4. 1-2 members of the Financial Operations Division, as appointed by the Chief Financial Officer (auditor and custodian contracts only);
5. Chief Investment Officer (investment consultant and custodian contracts only);
6. Portfolio Manager, SRP Investments (investment consultant and custodian contracts only); and
7. One additional member of the Department’s staff, as appointed by the Executive Director, Retirement Systems Division, if the Executive Director deems such appointment in the best interests of the Plans.

Other SRP or DST staff members may be utilized to assist with the administrative duties associated with the procurement.

The Evaluation Committee's duties include the following:

1. Evaluate each vendor's technical and cost proposals, including the response to any best and final offer issued by the Evaluation Committee;
2. Select vendors for finalist presentations if such presentations are necessary for effectively evaluating the vendors;
3. Select a vendor to recommend to the Board for contracting; and
4. Provide a written recommendation to the Board that documents the Evaluation Committee's process and the support for its recommendation.

Each member of the Evaluation Committee shall sign a copy of the Vendor Selection Conflict of Interest and Confidentiality Certification in Attachment 1 and submit the signed form to the Assistant General Counsel for SRP.

After a vendor has been approved by the Board, the Department shall attempt to negotiate and execute a contract with the approved vendor on terms that are consistent with the Vendor Solicitation Document and the vendor's response.

During the evaluation and contracting process, SRP staff shall provide updates to the Board at its regularly scheduled meetings.

The Board's approval is required to renew or extend the term of a contract.

The Department may amend a contract, provided that such amendment does not increase the fees, expenses, or other compensation paid to the vendor or otherwise substantively and negatively change the Board's and the Department's rights or obligations.

III. Other Vendors

This section applies to contracts that are not covered by Section II.

Contracts up to \$25,000 per year

Contracts with an expected annual cost of up to \$25,000 do not require the Board's approval, provided that the Plans' budget includes sufficient funds to cover the cost of the contract. The Board delegates to the Department the right to act on the Board's behalf in selecting and contracting with vendors, including renewing or extending the term of a contract or amending a contract. However, the Department shall provide an update to the Board at its regularly scheduled meetings on any contract (including a renewal or term extension or a substantive amendment) entered into, or expected to be entered into, by the Department.

Contracts over \$25,000 per year

Contracts with an expected annual cost of more than \$25,000 per year require the Board's approval. The Department may act on the Board's behalf in evaluating potential vendors and recommending a vendor to the Board unless the Board elects to use the contracting process described in Section II. The Department or the Evaluation Committee shall provide

a written recommendation to the Board that documents the evaluation process and the support for the recommendation.

After a vendor has been approved by the Board, the Department shall attempt to negotiate and execute a contract with the approved vendor on terms that are consistent with the terms in the written recommendation to the Board and, if applicable, the Vendor Solicitation Document and the vendor's response.

The Department may exercise a renewal right for a contract and shall notify the Board of such renewal. The Board's approval is required to extend the term of a contract.

The Department may amend a contract, provided that such amendment does not increase the fees, expenses, or other compensation paid to the vendor or otherwise substantively and negatively change the Board's and the Department's rights or obligations.

IV. Oversight and Monitoring

The Department shall be primarily responsible for monitoring the performance of vendors and shall notify the Board of any material contractual breaches or other concerns identified by the Department. At each regularly scheduled meeting of the Board, the Department shall provide contractual compliance updates on the recordkeeper, custodian, and investment consultant and any other vendor requested by the Board.

V. Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	February 27, 2020	Original version
2.0	February 23, 2023	Clarify Department's role in contract negotiations. Clarify Board's role in contract renewals and extensions. Remove reference to NC 403(b) Program.
3.0	February 22, 2024	Clarify the roles of the Department and the Board in contract amendments, renewals, and extensions. Make other clarifications and minor changes.

Approved by the North Carolina Supplemental Retirement Board of Trustees:

Secretary of the Board

Attachment 1 to the Vendor Selection Policy for the North Carolina Supplemental Retirement Plans

The Conflict of Interest and Confidentiality Certification is on the following page.

**North Carolina Supplemental Retirement Plans
Vendor Selection Conflict of Interest and Confidentiality Certification**

Application

This form applies to the Vendor Selection Policy for the North Carolina Supplemental Retirement Plans (the “Policy”). Each member of the Evaluation Committee shall read and complete following the selection of a Recommended Vendor.

Definitions

Terms in this form have the same meaning as in the Policy unless otherwise defined in this form. In addition, the following definitions apply to this form:

1. “Conflict of Interest” shall mean circumstances that create a material risk that professional judgment or actions regarding the Recommended Vendor's evaluation or recommendation have been or will be unduly influenced by a direct or indirect personal interest.
2. “Family” shall mean immediate family (*i.e.*, mother, father, brother, sister, wife, husband, or child), either by birth, by marriage, by engagement to be married, or through a live-in domestic partnership that is similar to marriage; lineal ascendants (*e.g.*, grandparents); and lineal descendants (*e.g.*, grandchildren).
3. “Recommended Vendor” shall mean the vendor recommended to the Board pursuant to the Policy.

Transaction

Name of Recommended Vendor: _____

Type of Services: _____

Certification

In regards to my work on the evaluation and recommendation of the Recommended Vendor, I understand and have adhered to the following: (A) Department of State Treasurer’s *Code of Ethics and Conduct* (Investment Management Division staff only); (B) *Ethics and Conduct Policy* (Departmental staff only); (C) *Supplemental Ethics Policy* (Departmental staff only); (C) vendor gift ban in N.C.G.S. § 133-32; (D) State Government Ethics Act, N.C.G.S. § 138A; and (E) any other applicable laws and policies.

Furthermore, I certify the following to the best of my knowledge:

1. I have not disclosed any information regarding the vendors’ responses to the Vendor Solicitation Document and shall not disclose any such information that is not subject to release pursuant to N.C.G.S. § 132 (Public Records Act) or for which disclosure is prohibited pursuant to applicable law;
2. I have not discussed any vendor’s proposal to the Vendor Solicitation Document, except with other members of the Evaluation Committee and Departmental staff who have supported the Evaluation Committee;
3. My Family and I have NO material financial interest in the Recommended Vendor and will not receive a financial benefit derived from the compensation provided to the Recommended Vendor;
4. My Family and I are NOT employees or directors of the Recommended Vendor;
5. I have NOT been employed with the Recommended Vendor within the past five years;
6. I have NOT sought employment NOR discussed potential employment with the Recommended Vendor;
7. I have NO Conflicts of Interest in the evaluation or recommendation of the Recommended Vendor;
8. I voluntarily choose to disclose the following facts, which I believe do not constitute a Conflict of Interest and do not preclude my unbiased participation in the evaluation and/or recommendation of the Recommended Vendor. If so, initial in the left margin and make any disclosure on attached sheets; and
9. I understand that I have an ongoing obligation to update any changes to this form prior to the execution of a contract with the Recommended Vendor.

Signature: _____ Title: _____

Name: _____ Date: _____

The completed form must be sent to the Assistant General Counsel for SRP.