

Section 2.0 CONTRACT ADMINISTRATION

2.3 CONTRACT RENEWAL POLICY

Adopted: January 12, 1999; Revised: September 9, 2025

Purpose

The purpose of this policy is to ensure a thorough and consistent review process for the renewal of contracts with active managers of publicly traded securities, index managers, consultants, auditors, actuaries, custodians, and other service providers. This policy aims to maintain high standards of service and performance while considering factors such as investment performance, key personnel changes, and organizational changes. To ensure compliance with the Board's Fiduciary responsibilities and to engage in a prudent delegation of its duties and powers, LACERS facilitates a competitive bidding process for contractual services, which aims to identify the best services, vendors, and pricing. In limited circumstances, a competitive process is impracticable or impossible.

I. Contracts Under LACERS' Plenary Authority

Charter Section 1106 and Section 17 of Article XVI of the California Constitution grant the Board plenary authority and fiduciary responsibility for the investment of LACERS' assets. Investment contracts, contracts for investment managers and consultants, custodial banking services, and actuarial services must comport with the Board's fiduciary principles, but because they fall under the Board's plenary authority, they are not subject to the City's contracting requirements for competitive bidding, contract term limits, contract amounts, or required approvals by City Council.

Additionally, the Board has plenary authority and fiduciary responsibility for the administration of benefits to system participants and their beneficiaries to assure the prompt delivery of LACERS benefits and related services, including Disability Medical Evaluation Services and certain health consultant services (i.e. services that are specific to benefits administration, such as claims processing for the self-funded program, health plan premium renewal underwriting and negotiations, and other services upon concurrence with legal counsel). General service contracts that do not have a direct connection to the administration of benefits do not fall under the Board's plenary authority and are subject to the City's contracting requirements. Determining whether a service falls under the Board's plenary authority requires consultation with counsel.

The determination to exercise plenary authority rests solely with the Board and exercise of that authority requires a fiduciary analysis. Expiring contracts shall be brought to the Board with sufficient advanced time to allow for a competitive bid process should the Board direct.

A. Active Managers of Publicly Traded Securities

Active managers apply proprietary models or decision-making strategies to investment products. Replacement of these managers may involve a costly unwinding and liquidation of their portfolios. Contract renewal requires careful review of each manager's investment performance and consideration of other factors such as key personnel changes or changes in investment style or process. Subject to successful review, contracts are renewed. Active investment management relationships are normally terminated due to long-term investment underperformance, significant changes in management, changes in investment style or process, or in response to changes in the Board's asset allocation.

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B. Index Managers, Consultants, Auditors, Actuaries, and Custodians

These contractors play crucial roles in supporting LACERS' operations and investment strategies. As with active managers, contract renewal requires a review of the contractor's services and consideration of factors such as key personnel changes or changes in ownership or organizational structure. If the Board is satisfied following its review, it may renew the contract after the initial contract period for an additional period of one to five years. Upon conclusion of the renewal period, the Board re-examines the marketplace by issuing a Request for Proposal (RFP) or Request for Information (RFI). The Board may initiate the RFP or RFI process at any time.

II. Requirements for All Other Contracts

Consistent with the requirements provided in the Charter and Administrative Code, contracts for general services are awarded to contractors following a competitive process, unless the total dollar amount for the contract falls below a certain threshold or the services fall under an exception, such as highly technical services that have a single supplier (sole source). Other contracts for specialized professional services can only be renewed without conducting a new competitive process if (a) the Board determines that the contractor has provided satisfactory service, (b) an exception applies to limitations on contract renewals provided in the Charter and Administrative Code, and (c) a separate fiduciary analysis supports renewal.

All contracts or documents committing LACERS resources must be approved by the Board and/or the General Manager (or designee) as outlined in the annual delegation of authority that is approved by the Board and consistent with Charter and Administrative Code requirements.