

**POLICY NUMBER:** 2.00.230**EFFECTIVE DATE:** 6/15/23**TITLE:** Service Provider**SUPERSEDES:** 11/19/20**BOARD ADOPTED:** 6/15/23**REVIEWED:**

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**INTRODUCTION**

This policy is intended to establish general guidelines and authorities for the selection and retention of Washington State Investment Board (WSIB) service providers. Specific and detailed selection criteria will be established in investment and other policies of the Board or at the time a search or procurement process is initiated.

**ROLES AND RESPONSIBILITIES**

The role of the Board or designated Committees with respect to the selection of service providers is to:

1. Establish appropriate policies to help ensure prudent and sound selection decisions are made.
2. Monitor compliance with established policies.
3. Approve, in consultation with the Chief Executive Officer (CEO) and where appropriate consultants, the appointment of the following service providers ("Named Service Providers"):
  - a) The custodian bank (for both the appointment by the Board and the Board's recommendation to the Office of the State Treasurer).
  - b) Investment managers.
  - c) Investment consultants.
  - d) The financial auditor, external quality assessment provider, and comprehensive information technology vulnerability and security auditor.

Unless the Board determines otherwise, the CEO will be responsible for appointing other service providers and for informing the Board of such appointments when they are material or significant.

The CEO will coordinate all search, procurement and due diligence activities, in conjunction with staff, consultants, and other external experts.

For Named Service Providers, the CEO will provide the Board or designated Committee with, at a minimum:

1. A description of the due diligence activities undertaken.
2. The recommended candidate or a list of recommended candidates, as well as an analysis of each candidate.
3. A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider in question throughout the term of the engagement.

**Named Service Providers**

The Board or a Committee may interview recommended candidates prior to the Board making a final selection decision. Unless otherwise directed, the Board delegates the responsibility to conduct interviews to the CEO, who will recommend a candidate for approval by the Board.

**Board Member Protocol During a Procurement**

Board members must not discuss any matters pertaining to a procurement with potential service providers or with an existing service provider, except during Board or Committee meetings. Board members must exercise discretion in all other communications with possible service providers.

The CEO will provide the Board or appropriate Committee with periodic reports on the status of all search and procurements. Staff will notify the Board upon initiation of a quiet period and will provide a description of the service providers or types of service providers to which it applies.

A quiet period will begin:

1. Upon the issuance of a formal search or procurement that may result in the appointment of a new service provider.
2. When the Board determines it is in the best interest of the WSIB that communications between Board members and service providers be restricted to Board and Committee meetings only.

During quiet periods, Board members should generally not meet with specified service providers in their WSIB Board member capacity. Exceptions may be made in the case of conferences or other industry events, during which Board members may socialize with affected service providers in open, group social settings such as receptions and luncheons, provided they do not discuss matters pertaining to the procurement process.

A quiet period will cease:

1. When a service provider has been appointed by the Board or the procurement process has otherwise ended.
2. When the quiet period has ended by action of the Board.
3. When otherwise determined by action of the Board.

The WSIB's Public Equity Unit conducts an ongoing open rolling procurement for active global and active emerging market equities managers (Public Equity Active Managers). Therefore, the quiet period for this search is indefinite. Board members should consider the legal and reputational risks and carefully evaluate the circumstances when meeting with any possible service providers.

If a Public Equity Active Manager is communicating with a Board member and mentions seeking business with the WSIB or references the WSIB's search process, the Board member should inform the Public Equity Active Manager that the WSIB has an ongoing open rolling search process and all communications related to a search must be directed to the WSIB's Legal, Risk, and Compliance (LRC) Unit.

All Board members and staff will receive regular training on the WSIB's procurement procedures.

### **Contracts**

The CEO will negotiate and execute all contracts for service providers, subject to review by the LRC Unit.

The CEO is authorized to act on behalf of the Board to terminate contracts upon notification to the Board Chair (or Vice Chair if the Chair's absence, or Committee Chair if neither the Board Chair or Vice Chair are available) and will report any action to the Board.

### **Monitoring and Reporting**

All service providers will be subject to regular and appropriate performance monitoring and periodic reviews by staff, as appropriate, throughout the terms of their contracts. Each contract will ensure the WSIB has the information necessary to conduct its monitoring and review activities.

The CEO will report regularly to the Board on monitoring efforts and significant developments involving Named Service Providers, identifying and reporting, in a timely manner, any material issues or actions taken.

All monitoring and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established within other policies of the WSIB, such requirements will prevail.

The CEO or consultant, as appropriate, will report in a timely manner to the Board any material failures by Named Service Providers to comply with the terms of their contracts.

### **POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

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