

# **SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **INVESTMENT CONSULTANT OVERSIGHT POLICY**

### **I. PURPOSE**

This policy is intended to establish guidelines by which the Santa Barbara County Employees' Retirement System ("SBCERS") will periodically review the performance of its retained investment consultants. As used herein, the term "investment consultant" shall be construed broadly to include SBCERS' general investment consultant as well as specialty consultants retained to advise the board and/or exercise discretion to invest SBCERS' assets in such areas as private equity, private real estate and private real return.

### **II. POLICY OBJECTIVES**

A. The objectives of this policy are to:

1. Ensure that investment consultant professionals render service in the best interests of the System, its members and beneficiaries, and in compliance with the SBCERS Investment Policy Statement.
2. Ensure that SBCERS receives complete and accurate information regarding investment consultants, including verification of compliance with contractual and regulatory requirements.

### **III. ASSUMPTIONS AND PRINCIPLES**

- A. The general role of the investment consultant in the review process is to provide information, reports and access to its operations as SBCERS may request in order to facilitate the review process and to confirm compliance with the SBCERS Investment Policy Statement.
- B. The general role of the CEO and Investment Staff in the review process is to ensure that timely reports and other required information is received from each investment consultant, to summarize and provide to the Board sound research and analysis of the information provided by each investment consultant, and to conduct further due diligence activities as required by this policy or as the Board may further direct.
- C. In accordance with its fiduciary duty, the general role of the Board in the review process is to satisfy itself that the recommendations and accompanying analysis provided by the CEO and investment staff have been prepared with the requisite level of skill, diligence and care, and reflect the mission and goals of SBCERS, to participate in the review process as further specified in this policy and to make decisions regarding the adoption and implementation of any modifications to the consultant's relationship with SBCERS as deemed appropriate following the conclusion of the review process.
- D. Although the standards contained in the policy guidelines below apply both to SBCERS' general investment consultant and to specialty consultants, their focus in practice may be distinct. Evaluation and oversight regarding SBCERS' general consultant shall be primarily focused on its provision of advice and information to the Board, while evaluation and oversight of specialty consultants shall, in addition, encompass a review of the discretionary investment decisions made by those consultants on behalf of SBCERS.

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**IV. POLICY GUIDELINES**

**A. GENERAL PROVISIONS**

1. When investment consultants are initially selected, they are subject to considerable scrutiny and due diligence in such areas as their investment/investment manager selection process, research capacity, personnel, legal compliance procedures, procedures to avoid conflicts of interest and other key functions.
2. A primary purpose of this policy is to continually update such due diligence in a manner that insures its continued relevance and accuracy.
3. It is recognized that certain due diligence functions should be performed at least annually, while a fuller review process is more appropriately conducted at less frequent intervals.
4. Annually, staff, in cooperation with each consultant, shall conduct a summary due diligence review described in Section B below, and shall report to the Board as to material matters disclosed by that review.
5. No less frequently than every five years, but at more frequent intervals as the Board may direct, the Board shall consider a full RFP process, the purpose of which is to review the consultant and compare them to their peers, as described in Section C below.

**B. ANNUAL DUE DILIGENCE**

1. No later than September of each year, for the prior fiscal year, the CEO and Investment Staff shall ensure that each investment consultant provides a response to a questionnaire. The questionnaire responses will include:
  - a. Any changes with respect to personnel assigned to SBCERS or any other material change in investment consultant personnel, including but not limited to their respective investment committee/decision making members;
  - b. Confirmation that the investment consultant has been and continues to be in compliance with (i) the SBCERS Investment Policy Statement and any additional policies applicable to investment consultant's services, (ii) its contract with SBCERS, and (iii) its own internal guidelines and policies pertaining to risk management, ethics and conflict of interest, with a detailed explanation of any exceptions;
  - c. Confirmation of the investment consultant's good standing as a registered investment advisor or other regulated role;
  - d. Disclosure of any material financial relationship or relationships between the investment consultant or its staff and any investment manager, general partner or co-investor in an investment opportunity recommended or selected by the investment consultant;
  - e. Disclosure of any pending or threatened litigation or governmental regulatory proceedings involving the investment consultant;
  - f. Confirmation of compliance by the investment consultant and personnel assigned to the SBCERS account with respect to all required regulatory filings,

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including but not limited to SEC filings, California Fair Political Practices Commission Form 700 filings and disclosures required by SBCERS' Placement Agent Policy.

- g. A copy of the investment consultant's most recent ADV filing and/or any other required regulatory filings and disclosures;
  - h. An updated response to key due diligence questions originally posed to the consultant as part of the procurement process and any other information deemed to be relevant to ongoing due diligence as matters arise;
  - i. Disclosure of any other material changes in the Investment Consultant's business, including but not limited to any business line acquisitions and/or dispositions.
  - j. A summary of significant work product or transactions that took place under the consultant's allocation during the fiscal year.
2. Following completion of the foregoing steps, the CEO and Investment Staff shall prepare a report to be presented to the Board no later than the December meeting of each year summarizing the results of its review and making recommendations for further action if appropriate.

**C. REQUEST FOR PROPOSAL**

- 1. The Board shall consider the issuance of an RFP for investment consulting services no less frequently than once every five years, but at lesser intervals as the Board may direct. The RFP process will follow the procedures laid out in SBCERS Service Provider Selection Policy.

**V. POLICY REVIEW**

The Board shall review this policy at least every five (5) years to ensure that it remains relevant and appropriate.

**VI. POLICY HISTORY**

The Board adopted this policy on January 21, 2015; revised on August 23, 2017; reviewed on April 28, 2021; and revised on June 26, 2024.