

**Procurement Policy – Approved at the October 14, 2008, NHRS Board meeting.**

To comply with the fiduciary duty of prudence and to operate efficiently the Board of Trustees (Board) has developed this procurement policy to obtain the goods and services needed by the System. The Board's overall intention is to promote fairness and competition, and to also be flexible enough to address any unique circumstances that arise during the course of business. This policy does not cover contracts for investment management and custodial services, which are covered in the Statement of Investment Policy.

**Board Responsibilities**

For service agreements over \$25,000, the Board must approve the hiring of service providers except in the circumstances outlined in this policy. The Board, with the assistance of staff, will determine the services necessary to meet the goals of the System; including the hiring of service providers, the number of service providers needed, and the timeframe for the procurement.

The Board may use either a formal Request for Proposal (RFP) or Request for Information (RFI) to solicit proposals. In limited instances the Board may use sole sourcing as provided for in this policy. At the Board's request, the Executive Director will develop the RFP, RFI, or sole sourcing memorandum to initiate the procurement and to ensure that the best possible service provider at the most reasonable fee is engaged.

The Board and staff will develop criteria and candidate sources for the procurement. Staff will perform research and due diligence on behalf of the Board as directed. The Board may elect to meet with service providers, or forego such meetings and select service providers based upon the recommendations from staff. The Board will vote on the firm(s) to be hired during a regularly scheduled Board meeting.

**Executive Director Responsibilities**

The Executive Director has the responsibility to develop and administer procurement procedures that are consistent with the Board's policies. Those procedures shall be fully documented in an Operations Manual and will detail specifics on posting requirements, "quiet periods," documentation, contract negotiation, and contract requirements. The contents of the Operations Manual are available for any Board member to view at any time.

The Board of Trustees authorizes the Executive Director to contract for services for the System up to the amount of \$25,000 per contract, without prior Board approval, with an annual cap on such contracts of \$100,000 per fiscal year. The

Executive Director will inform the Board of such contracts at the next scheduled meeting.

In engaging services for the System, the Executive Director is expected to use competitive pricing and reasonable due diligence, including:

- Investigating alternative service providers
- Ensuring fees are reasonable
- Negotiating the best possible fee
- Checking references of service providers
- Involving the Chief Legal Officer when necessary to review contracts
- Maintaining appropriate documentation of the process used for purchasing goods and services

### **Small Contracts**

A contract for an estimated dollar value of \$5,000 or less may be made without obtaining competitive pricing if the Executive Director deems that to be reasonable. All efforts will be made to ensure small contracts are awarded in an equitable and fair manner. The Board will be apprised of such contracts in the regular budget reports.

### **Sole Sourcing**

There may be some instances where a sole source procurement is optimal for contracts over \$10,000. Sole sourcing is appropriate when it can be demonstrated that the services or goods being sought are unique in nature and there is only one capable firm to provide the services or goods. In these instances, the Executive Director will document for the Board the reasons for the sole source procurement. This documentation will include a description of the services or goods, the estimated cost, an explanation of the unique nature of the services or goods, and a determination that the estimated costs are fair and reasonable. The Board shall approve any sole source procurements over \$10,000 at the next regularly scheduled meeting.

### **Emergency Procurement**

The Executive Director is authorized to make emergency procurements of up to \$25,000 to address emergency conditions. Emergency conditions are those that if not immediately addressed could negatively affect the continuation of the Board's functions, the preservation and protection of persons or property, or the best interests of members and beneficiaries. For emergency procurements of over \$25,000, the Board Chair must approve the contract. The Board shall ratify any such emergency procurements at the next regularly scheduled meeting. In both instances, the Executive Director shall prepare written justification for the emergency procurement to the Board.

Emergency procurement is not included in the Executive Director's \$25,000 per contract cap or the \$100,000 cumulative annual contract cap.

**Policy Compliance**

As part of the Executive Director's annual performance evaluation, the Board will assess the Executive Director's compliance with this policy.