



May 6, 2022

TO: Each Trustee,
Board of Retirement
Board of Investments

SUBJECT: Audit Committee Meeting on May 9, 2022 – Agenda item V. A.

Following you will find supplemental information regarding the above-mentioned meeting:

- 1) Request for Proposal for Consulting Review of LACERA's Investment Office Operational Due Diligence Memo (Redlined Revisions)



April 21, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Kathryn Ton 
Senior Internal Auditor

FOR: May 9, 2022 Audit Committee Meeting

SUBJECT: **Request for Proposal for Consulting Review of LACERA's Operational Due Diligence**

RECOMMENDATION

The Audit Committee authorize staff to issue a Request for Proposal to select a qualified investment consulting firm to perform a consulting review of LACERA's Investment Office Operational Due Diligence program and processes.

BACKGROUND

As part of the Fiscal Year 2022 Audit Plan, Internal Audit included an external consulting review of LACERA's Investment Office's Operational Due Diligence (ODD) process across all asset classes, growth, credit-oriented fixed income, real assets and inflation hedges, and risk reduction and mitigation. In December 2021, we solicited proposals from our pre-approved pool of external auditing and consulting services firms. However, in the process of doing so, we recognized that to ensure that we achieve the intent of the review, we need to go outside of our pool and seek consultants with more specific professional experience and expertise in performing operational due diligence on behalf of institutional investors.

ODD is performed both pre- and post-investment. Pre-investment ODD is the process of evaluating whether the investment manager has the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA is considering. Along with investment due diligence (IDD), ODD is an important component of the decision to invest. Post-investment ODD is the process of evaluating whether the investment manager continues to have the necessary operational capabilities, controls, and framework to execute on the investment

mandate that LACERA hired the manager to perform.

As a result, we are requesting Committee approval to issue a Request for Proposal (RFP) (Attachment A) to solicit proposals from qualified external consulting investment firms to evaluate LACERA’s ODD process. We are seeking firms with extensive experience performing, advising, or evaluating ODD on behalf of institutional clients. Refer to Minimum Requirements in the RFP on page 5. The intent of this consulting engagement is to select a qualified firm to provide an assessment and evaluation of LACERA’s ODD program and processes, both pre-investment and post-investment, and provide recommendations to further enhance and improve LACERA’s program and processes.

Internal Audit sought and obtained the Investment Office’s input on the development of the RFP.

Internal Audit anticipates that this RFP process will begin mid-May and take approximately three months to complete. The following table provides the timeline for the RFP, which is subject to change, but we anticipate completing by August 2022.

Event Description	Date
RFP Release Date	May 11, 2022
Written Questions from Respondents Due Date	May 20, 2022
LACERA’s Response to Respondents’ Questions	May 31, 2022
Intent to Respond Closing Date	June 3, 2022
RFP Due Date	June 17, 2022
Finalist Interviews (estimate)	July 2022
Audit Committee Approval of Selected Firm	August 19, 2022
Selection Notification to Firms (estimate)	August 2022
Commencement of Work	Upon contract execution

LEGAL AUTHORITY

Under Section IV.2 of the Audit Committee Charter, the Committee has the authority to “Approve the appointment, compensation, and work of other Professional Service Providers to perform non-financial statement audits, reviews, or investigations, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.” For this reason, the Audit Committee’s engagement of a consultant to perform an ODD review, falls within the Committee’s authority under its Charter.

RFP AND SELECTION PROCESS

We are seeking firms with extensive experience performing, advising, or evaluating ODD on behalf of institutional clients. An evaluation committee consisting of LACERA staff from Internal Audit and the Investment Office will evaluate the proposals. LACERA’s evaluation committee will perform an assessment of each proposal based on the criteria addressed on page [3235](#) of the RFP. The evaluation committee will interview top candidates based on scores from the assessment and select a firm to recommend to the Audit Committee for approval.

CONCLUSION

Overall, the selection of a firm to perform this consulting engagement of ODD processes addresses, at least from an audit perspective, an important risk area that we have not previously reviewed. Staff will be available at the May meeting to answer questions from the Committee.

For these reasons, staff recommends that the Audit Committee authorize staff to issue an RFP to select a qualified investment consulting firm to perform a consulting review of LACERA's Investment Office ODD program and processes.

Attachments:

- A. Draft Request for Proposal - Investments Operational Due Diligence Review

May 2022

LACERA

REQUEST FOR PROPOSAL

Investments Operational Due Diligence Review

DRAFT

Kathryn Ton, Senior Internal Auditor
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**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR PROPOSAL (RFP)
INVESTMENTS OPERATIONAL DUE DILIGENCE REVIEW
ISSUED: MAY 2022**

1. INTRODUCTION

1.1. Purpose of Request

The Los Angeles County Employees Retirement Association (LACERA), a \$74 Billion public pension fund, is seeking proposals from qualified external consulting investment firms to evaluate LACERA's Investment Office's Operational Due Diligence (ODD) process (as defined in Section 1.2 below). We are seeking firms with extensive experience performing, advising, or evaluating ODD on behalf of institutional clients. The intent of this consulting engagement is to obtain an assessment and evaluation of LACERA's ODD processes, both pre-investment and post-investment (ongoing). LACERA invites qualified firms to respond to this RFP (Respondent).

1.2. Background Information

LACERA is a public pension fund established pursuant to the County Employees Retirement Law of 1937. LACERA operates as an independent governmental entity separate and distinct from Los Angeles County and the other participating agencies. LACERA has approximately 186,300 members, including 100,000 active members, 16,600 deferred and inactive members that are eligible for future retirement benefits, 60,200 retired members, and 9,500 survivors. In addition to benefits administration, the fund invests in assets to support payment of the promised pension benefits as well as additional sums to support the retiree healthcare program. In addition to providing service to its members, LACERA acts as fiduciary agent and manager of the portfolio. LACERA administers a pension fund of approximately \$2.3 billion 74 Billion in assets.

LACERA is governed by two nine-member Boards: the Board of Retirement ("BOR") and the Board of Investments ("BOI"). The BOR is responsible for the administration of the retirement system. The BOI is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the fund. The day-to-day management of LACERA is delegated to a Chief Executive Officer appointed by both Boards. The day-to-day management of LACERA's investment portfolio is delegated to a Chief Investment Officer appointed by the BOI.

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. Internal Audit helps LACERA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Chief Audit Executive (CAE) reports directly to LACERA's Board of Retirement and Board of Investments through the Audit Committee for functional purposes and administratively to LACERA's Chief Executive Officer (CEO). Internal Audit consists of ten staff members.

LACERA's Investment Office is responsible for all aspects of the pension fund and OPEB Trust including asset allocation, liability analysis, investment program structure, and implementation and monitoring of the fund. Internal Audit is looking to hire a firm to assess LACERA's internal ODD procedures over a broad range of functional categories including growth, credit-oriented fixed income, real assets and inflation hedges, and risk reduction and mitigation. While LACERA participates in co-investment programs for certain asset classes, trading securities within LACERA's investment portfolio is 100% outsourced to external investment managers. LACERA does not have internal trading operations.

ODD is performed both pre- and post-investment. Pre-investment ODD is the process of evaluating whether the investment manager has the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA is considering. Along with investment due diligence (IDD), ODD is an important component of the decision to invest. Post-investment ODD is the process of evaluating whether the investment manager continues to have the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA hired the manager to perform.

In 2020, the Investment Office formed an internal ODD working group comprised of team members from all asset classes to evaluate and potentially identify enhancements to LACERA's ODD processes across the portfolio with the goal of elevating the strategic importance of ODD. In November 2020, the ODD working group presented their analysis to the Board of Investments with staff action plans of identified improvements to be implemented by the Investment Office. The ODD working group meets on a regular basis to assess the Investment Office's progress towards completing the ODD staff action plans and continues to evaluate LACERA's ODD framework.

Within the IPS (linked below), page 16 of the IPS shows LACERA's asset allocation to various categories and the target weights.

2. SCOPE OF SERVICES

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. The scope of work should include but is not limited to assessing the following:

Review of the effectiveness of ODD in the execution of LACERA's investment program.

- Pre-investment ODD.
- Post-investment/ongoing ODD.

Consideration in both pre-investment and post-investment ODD should be given to:

- Evaluating the effectiveness, frequency, and degree/comprehensiveness of ODD performed.
- Assessing the effectiveness of reliance by LACERA staff on investment consultants and third parties for the performance of ODD in asset classes where those resources are available.
- Completeness and comprehensiveness of ODD documentation.
- Assessing whether the ODD Program covers all appropriate risk factors. Examples may include internal controls over operational processes, investment

operations, infrastructure and business continuity, compliance, risk management, disclosures, manager organization, fund terms, custody and counterparties, valuation policies, financial statements, and Form ADV's.

- Evaluation of ODD for internal investment operations.
- Communication of ODD efforts to the Board of Investments and utilization of data in managing portfolio.

Input of best practices in managing an effective ODD program.

Within the Investment Policy Statement (IPS), page 16 of the IPS provides additional background, specifically a breakdown of LACERA's asset allocation to various categories and the target weights. Please reference LACERA's Investment Policy Statement at https://www.lacera.com/sites/default/files/assets/documents/general/invest_policy_stmt_0319_21.pdf

3. **MINIMUM QUALIFICATIONS**

All respondents must clearly show and document in the proposal the following minimum qualifications:

- A. The proposing firm must have provided investment-related consulting or auditing services, including ODD-related work, for a minimum of ten (10) years.
- B. The proposed team should have extensive experience performing ODD on behalf of institutional clients. The team leader must have performed ODD-related work within the past ten (10) years and each team member must have at least five (5) years of experience.
- C. Key Personnel (Director, Manager/Supervisor) with planning and supervisory responsibilities must have at least ten (10) years of experience in the applied for specialty areas set forth in this RFP.

LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

4. **INSTRUCTIONS TO RESPONDENTS**

4.1. RFP Important Dates

The following table provides a tentative schedule of important dates and deadlines for this RFP. All dates are subject to modification by LACERA without notice.

Event Description	Date
RFP release date	May 11, 2022
Written questions from Respondents due date	May 20, 2022

LACERA's response to Respondents' questions	May 31, 2022
Intent to Respond closing date	June 3, 2022
RFP due date	June 17, 2022
Finalist interviews (estimate)	July 2022
Selection notification (estimate)	August 2022
Commencement of work	Upon contract execution

4.2. Response Requirements and Formatting

4.2.1. Respondents to this RFP must submit the following for delivery no later than **5:00 PM PDT** on June 17, 2022, to the Project Manager specified in Section 4.3. below. Responses received after the specified deadline may be considered for evaluation solely at the discretion of LACERA. In addition, LACERA reserves the right to request additional information or clarifications from respondents, or to allow corrections of errors or omissions.

4.2.2. Send an electronic copy in PDF or Microsoft Word format of the original and redacted responses, if applicable. If Respondent requires any confidential information to be exempt from public disclosure, then submissions should also include one **electronic copy** marked "**REDACTED**". The redacted copy should redact all material from the proposal that the respondent believes in good faith is exempt from disclosure under the California Public Records Act, (California Government Code section 6250 et seq. the "Act"). Individual redactions should appear as blacked out material. Large sections, tables, or entire blank page(s) shall include the word "REDACTED" or "PROPRIETARY" inserted. Each respondent must indicate the basis for each redaction under the Act (defined below) with a citation to the code section and subsection relied upon. LACERA cannot guarantee that redacted information will not be publicly available, and LACERA reserves the right in its sole discretion to produce the entire RFP without redaction. Please see the **Section 5** below "*Notice to Respondents Regarding the Public Records Act AND RALPH M. BROWN ACT*" for further information. An electronic copy of both the original and the redacted response in PDF format saved on separate DVDs, each labeled accordingly.

4.2.3. Submittals shall be double-sided with text in at least 10-point font, but no larger than 12-point font, including Exhibits. Submittals shall address all RFP sections in the same order presented and be responsive to each section.

All responses to this RFP should follow the outline of the RFP requirements and should fully respond to each section as appropriate and to all questions in Exhibit C and should contain at a minimum:

4.2.3.1. Cover Letter. A cover letter (1 page) shall be signed by the individual(s) who is (are) authorized to bind the respondent contractually. The letter shall contain a statement to the effect that the respondent is not currently under investigation by any regulatory agency, state or federal, for any reason. The letter should identify your firm's competitive advantage, the specific team that will be working on the LACERA account, and the reasons why the firm should be selected.

4.2.3.2. Minimum Qualifications Certification. You must certify, by completing and signing EXHIBIT B, that your firm meets the minimum qualifications required.

4.2.3.3. Table of Contents. The response must contain a Table of Contents that identifies the major sub-sections.

4.2.3.4. Fee Schedule.

4.2.3.5. Attachments. Optional material such as brochures or company information may be included as an attachment but will not be counted as responsive to this RFP and will not be used in scoring.

4.2.4. All proposals made in response to this RFP must remain open and in effect for a period of not less than 180 days after the submission deadline. Responses to this RFP may be changed or withdrawn in writing if modifications are received prior to the submission deadline. Modification to or withdrawal of a proposal received after the submission deadline will not be considered. Responses received after the specified deadline may be considered for evaluation solely at the discretion of LACERA. In addition, LACERA reserves the right to request more information or clarifications from respondents, or to allow corrections of errors or omissions.

4.2.5. Proposals not following these instructions or not including complete information as requested may result in a lower evaluation score or the proposal being declared non-responsive. For each part of the response, restate the RFP item immediately above the response. Pages in the proposal shall be numbered. When asked, please provide details and state all qualifications or exceptions. All information supplied should be concise and relevant to qualifications.

4.3. Contacts with LACERA Personnel

Contacts with LACERA personnel about this RFP, and all inquiries and requests for information shall be directed to the Point of Contact identified below:

Kathryn Ton
Senior Internal Auditor
LACERA

Gateway Plaza
300 North Lake Avenue, Suite 840
Pasadena, CA 91101-4199

Email: kton@lacera.com
Phone: 626-564-6000 ext. 3525

4.4. Quiet Period

To ensure that prospective Respondents to this RFP have equal access to information about the RFP and communications related to the RFP are consistent and accurate so that the selection process is efficient and fair, a quiet period will be in effect from the date of issuance of this RFP until the selection of one or more respondents is completed and announced.

This RFP and other relevant information related to the RFP, including addenda, modifications, answers to questions, and other updates, will be available to the public at lacera.com. Each respondent to this RFP will be subject to the same terms and conditions and will receive the same information.

During the quiet period, respondents are not allowed to communicate with any LACERA staff member or Board member regarding this RFP except through the point of contact named herein. Respondents violating the quiet period may be disqualified at LACERA's discretion.

Respondents who have existing relationships with LACERA must limit their communications between LACERA staff and Board members to the subject of the existing services provided by them.

4.5. Questions relating to this RFP

All questions, inquiries, and requests for additional information concerning this RFP should be received no later than 5:00 PM PDT, May 20, 2022, and should be emailed to Kathryn Ton. All questions received and responses thereto will be posted on LACERA's website (www.lacera.com) under the "Business Opportunities" section that relates to this RFP (<https://www.lacera.com/who-we-are/business-opportunities>) on or about 5:00 PM PDT, May 31, 2022.

4.6. RFP Scoring and Selection Criteria

RFPs will be scored according to Exhibit E, *Selection Criteria*. LACERA staff may select Respondents based upon the selection criteria or using a combination of onsite interviews and reference verification based on LACERA's judgment as to the best qualifications and fit for the project. The highest scoring firm may not be selected.

Selected Respondents may be invited to an interview by LACERA's Board(s). At LACERA's discretion, selected Respondents may be offered the opportunity to present their materials to the Board(s).

4.7. Intent to Respond

Each firm that intends to respond to this RFP must send the Intent to Respond, Exhibit A, via email to Kathryn Ton, by 5:00 p.m. PDT, June 3, 2022. Failure to send an Intent to Respond will disqualify your firm from submitting a response to this RFP.

5. NOTICE TO RESPONDENTS REGARDING THE PUBLIC RECORDS ACT AND THE RALPH M. BROWN ACT

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq., the "Act"). The Act provides generally that all records relating to a public agency's business are open to public inspection and copying unless specifically exempted under one of several

exemptions set forth in the Act. If a respondent believes that any portion of its proposal is exempt from public disclosure or discussion under the Act, the respondent must provide a full explanation and mark such portion "TRADE SECRETS," "CONFIDENTIAL" or "PROPRIETARY," and make it readily separable from the balance of the response. Proposals marked "TRADE SECRETS," "CONFIDENTIAL" or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked "TRADE SECRETS," "CONFIDENTIAL" or "PROPRIETARY," a respondent represents it has a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by LACERA under the Act. Fee and pricing proposals are not considered "TRADE SECRET," "CONFIDENTIAL" or "PROPRIETARY".

If LACERA receives a request pursuant to the Act for materials that a respondent has marked "TRADE SECRET," "CONFIDENTIAL" or "PROPRIETARY," and if LACERA agrees that the material requested is not subject to disclosure under the Act, LACERA will deny disclosure of those materials. LACERA will not be held liable, however, for inadvertent disclosure of such materials, data, and information or for disclosure of such materials if deemed appropriate in LACERA's sole discretion. LACERA retains the right to disclose all information provided by a respondent.

The final report will be a public document and cannot be redacted or marked as confidential, except with LACERA's advance written approval in its sole discretion.

If LACERA denies public disclosure of any materials designated as "TRADE SECRETS," "CONFIDENTIAL" or "PROPRIETARY", the respondent agrees to reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its Boards, officers, fiduciaries, employees, and agents from and against:

1. All claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses, including without limitation attorneys' fees, expenses, and court costs of any nature whatsoever (collectively, Claims) arising from or relating to LACERA's non-disclosure of any such designated portions of a proposal; and
2. All Claims arising from or relating to LACERA's public disclosure of any such designated portions of a proposal if LACERA determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

If LACERA staff recommends any respondent to the Boards for hiring, such recommendation, the reasons for the recommendation, and the relevant proposal(s) will appear on a publicly posted agenda and in supporting materials for public meetings of the Boards.

Nothing in this RFP requires LACERA to withhold any documents from production under the Act. LACERA has the authority in its sole discretion as to what is publicly released, including whether or not redactions are made.

6. NOTICE TO RESPONDENTS REGARDING LACERA DATA PROTECTION

LACERA, its consultants, vendors, and contractors have a duty to protect all LACERA data, including without limitation, information related to members and beneficiaries, finances, systems, and operations.

The finalist selected through this procurement will have access to sensitive information protected by LACERA's internal policies, State, and Federal law. In such a case, by submitting a proposal, respondent agrees to subject itself to certain contractual terms designed to protect such information, including without limitation SOC-2 reports (or, in the alternative, a Security Controls Assessment as per Exhibit G) – used when vendor might have access to or use of LACERA systems or information. Respondents shall inform LACERA in their response if they have any limitations to agreeing to such terms. Respondents that do not make reservations shall lose their right to do so at the contracting phase.

7. CONTRACT NEGOTIATIONS

Upon Board approval, staff will enter contract negotiations with the approved Respondent(s). LACERA may end negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services to be provided, fees, etc.) during contract negotiations.

The final contract must allow LACERA to terminate a) for its convenience, and b) for default.

The general form of the contract LACERA intends to use for this engagement is attached as **Exhibit D**. By sending a proposal without comment on the general form contract, Respondent agrees to each term in the contract, and will not seek any modifications to the contract. LACERA has the right to change or negotiate contract terms different than those in Exhibit E in our sole discretion.

Respondents are required in their response to identify and explain any exception that it desires to take to any of the terms and conditions of this RFP. In addition, a respondent will be deemed to have agreed to each clause in the agreement (and not to seek inclusion of additional clauses), unless the respondent identifies an objection or inclusion, sets forth the basis for the objection or inclusion, and provides substitute language to make the clause acceptable to the respondent or to address an issue the respondent feels is not addressed by the agreement in its response to this RFP. If a satisfactory agreement cannot be negotiated with one or more of the firms, LACERA may, at its sole discretion, terminate such negotiations. LACERA, may then, at its option, initiate fee negotiations with another firm, and so on. LACERA reserves the final authority in its sole discretion to accept or reject, in whole or in part, requested modifications to the template form attached as Exhibit D.

LACERA reserves the right to make changes to the contract, including the template contract attached as Exhibit D, prior to execution, including material changes.

8. RESERVATIONS BY LACERA

In addition to the other provisions of this RFP, LACERA reserves the right to:

- 8.1. Cancel or modify this RFP, in whole or in part, at any time.
- 8.2. Make such investigation as it deems necessary to determine the respondent's ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as LACERA may request.
- 8.3. Reject the proposal of any respondent who has failed to comply with the requirements of this RFP, or who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner or for any other reason in LACERA's sole discretion.
- 8.4. Waive irregularities to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.
- 8.5. Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of LACERA in LACERA's sole discretion, which may not be the proposal offering the lowest fees or achieving the highest score.
- 8.6. Request additional documentation or information from respondents. Requested information may vary by respondent. LACERA may ask questions of any respondent to seek clarification of a proposal or to ensure the respondent understands the scope of the work or other terms of the RFP.
- 8.7. The right to choose to not enter into an agreement with any of the respondents to this RFP or negotiate for the services described in this RFP with a party that did not submit a proposal.
- 8.8. Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.
- 8.9. Defer selection of a winning bidder to a time of LACERA's choosing.
- 8.10. Consider information about a respondent in addition to the information submitted in the response or interview.
- 8.11. Add terms and conditions during contract negotiations.
- 8.12. The information that a respondent submits in response to this RFP becomes the exclusive property of LACERA. LACERA will not return any proposal or reimburse proposal preparation expenses.

LACERA shall not be liable for any costs respondents incur in connection with the preparation or submission of a proposal.

(The rest of this page is left intentionally blank)

DRAFT

EXHIBIT A

**PROPOSAL COVER PAGE AND CHECKLIST
(TO BE SUBMITTED ON RESPONDENT'S LETTERHEAD)**

Respondent Name:

Respondent Address:

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to follow all requirements.

Respondent specifically acknowledges the following facts:

1. Respondent has the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions about the RFP and believes that there are no ambiguities in the scope of work.
3. The fee schedule or price proposal sent in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.
4. Respondent has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of LACERA, or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in proposals and all correspondence and written questions sent during the RFP process may be subject to disclosure pursuant to the Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. The signatory below is authorized to bind the respondent contractually.

A. Proposal Contents

Your response to this RFP must be prepared and submitted according to the specifications set forth below, both for content and sequence. The proposal must provide a straightforward and concise description of the Proposer's capabilities to satisfy the requirements indicated in this RFP. Failure to adhere to these specifications may be cause for rejection of the proposal.

<u>Section</u>	<u>Title</u>
1.	Cover Letter
2.	Table of Contents
3.	Organization and Key Personnel
4.	Qualifications and Experience
5.	Assigned Professionals
6.	Client References (3)
7.	Project Planning/Approach
8.	Sample Reports
9.	Potential Conflict
10.	Legal Situations
11.	Fee Schedules

Each required section is listed below with a description of information that must be included in the proposal.

1. Cover Letter

- a) Introduction and background of the Proposer.
- b) Name, title, telephone number, and email address of the Proposer's representative(s) who is/are designated as the primary liaison(s) to LACERA.
- c) Name, title, telephone number, and email address of the representative who is authorized to legally bind the Proposer.
- d) A Statement indicating the Proposer's understanding and commitment to providing LACERA with the audit consulting services as described in the Scope of Work in this RFP.
- e) A Statement that the Proposer's proposal is an irrevocable offer, including proposed fees and proposed assigned staff, for 120 days following the date of proposal.

2. Table of Contents

Your proposal must include a table of contents identifying the proposal sections and corresponding page numbers.

3. Organization and Key Personnel

Please include the following information in this section:

- a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.
- b) Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.
- c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.
- d) Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries for negligent acts or omissions. Attach proof of coverage (e.g., a certificate of insurance) for such insurance that apply to proposer's actions under the contract.

4. Qualifications and Experience

- a) Provide a detailed resume for each member of the professional staff who will provide services under this LACERA contract, including their experience in audits and reviews with large retirement systems and other relevant institutions. For key personnel (Partner, Manager/Supervisor) who will have planning and on-site supervisory responsibilities include a description of audit experience and services provided within the last five (5) years.
- b) Provide a schedule of audit and consulting services completed by your firm within the last (5) five years for each of the areas listed in this RFP your firm will submit a proposal. Please indicate the size of investment portfolios reviewed and describe the nature of compliance reviews or consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

5. Assigned Professionals

The proposal must state the name of the lead consultant and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with LACERA's Boards and staff in performing the scope of services. Diversity is a core LACERA value, and therefore the proposal must specifically address the

diversity of the proposed team members in meaningful roles across levels of seniority to support the firm's work for LACERA. LACERA expects that this section of the response will only include those persons committed to supporting LACERA and investing in a relationship with LACERA on a regular and long-term basis. The proposal should include a commitment by the lead consultant to be reasonably available to LACERA on an ongoing basis.

With respect to diversity, the response must include:

- description of diversity policies, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination based on gender, race, ethnicity, sexual orientation, age, veteran's status, and other legally protected categories, and prohibition of sexual harassment in the workplace. If the respondent has written policies, a copy should be provided with the response to this RFP.
- the oversight, monitoring, and other compliance processes for implementation and enforcement of the firm's diversity policies, practices, and procedures, including the name of the individual who is responsible for oversight the firm's method to measure the effectiveness of the policies, and conclusions as to effectiveness.
- any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past ten (10) years.

6. Client References

The Proposer shall provide three clients for whom it has provided investments-related audit/consulting services relating to ODD in the past five (5) years. For each client reference listed, please include:

- Entity name, address, and key contact person
- Date of service(s)
- Nature of business
- Fund asset size and annual revenue
- Primary contact name, title, telephone number, and email address
- Nature and length of Proposer's relationship with said entity
- Description of services provided by Proposer

LACERA reserves the right to contact any of the individuals/agencies provided above.

7. Project Planning and Approach

Describe the specific methodology and services necessary to accomplish the scope of work set forth in this RFP for LACERA.

8. Sample Reports

Submit sample reports performing similar services to the scope in this RFP.

9. Potential Conflicts

- a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.
- b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.
- c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.
- d) Provide details of any other affiliates offering services to LACERA that could represent conflicts of interest. Briefly describe your firm's policies and procedures for doing business with these affiliates, while safeguarding against conflicts of interest.
- e) Describe any known relationship your Firm or any staff have with any member of LACERA's Boards, management, staff, or plan sponsors (including, but not limited to, Los Angeles County).
- f) Describe the purpose and monetary value of any gifts, travel, expenses, entertainment, or meals given to any member of the LACERA Boards, management, or staff in the last two (2) years.
- g) Describe your firm's approach to resolving potential conflict issues that may be encountered during the performance of audit or consulting services for LACERA and any special assistance that will be requested from LACERA.

10. Legal Matters

- a) Describe the circumstances and status of any investigation, non-routine examination, complaint, disciplinary action, or other proceeding against your firm or any officer or principal of your firm commenced by any state or federal regulatory body or professional organization during the past five (5) years.
- b) Describe any situation whereby your firm or any officer or principal of your firm was censured or fined by any regulatory body within the last five (5) years.
- c) Describe any claims or litigation brought against your firm or any officer or principal of your firm by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action within the last five (5) years.
- d) Describe each audit engagement with other clients, involving any member of the team that would be assigned to the LACERA, which has been the subject of litigation, arbitration, mediation, or other dispute resolution mechanisms within the

past five (5) years. Identify the individual(s) involved, and provide the case name and number, the damages sought, and the outcome.

- e) Describe any situation within the last five (5) years, when your firm was notified, by any actuarial consulting or actuarial auditing client, that your firm is in default of its contract, or that conditions exist jeopardizing the continuation of that contract. State the client's name, the year the notice was received, reasons for the notice, and resolutions or current status of the relationship.

11. Terms and Conditions

Once a firm is selected for an engagement, the CAE will authorize staff to enter into negotiations with the approved firm(s) which will result in a formal Contract between the parties. An Audit Engagement Letter, approved by LACERA, will serve as the formal contract of services. LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services to be provided, fees, etc.) during contract negotiations.

The final contract must allow LACERA to terminate (a) for its convenience upon not more than 30 days' notice and (b) for default. The contract must also include indemnity by your firm to LACERA from third party claims.

12. Fee Schedules

The Proposer must submit a Fee Proposal in the format prescribed in Exhibit D.

{/s}

EXHIBIT B

**MINIMUM QUALIFICATIONS CERTIFICATION
(TO BE SUBMITTED ON RESPONDENT'S LETTERHEAD)**

All Respondents must sign and return this attachment, along with written evidence of how you meet each qualification. The undersigned hereby certifies that the Respondent submitting this response fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

Auditor Minimum Qualifications*	Yes	No
The proposing firm must have provided investment-related consulting or auditing services, including ODD-related work, for a minimum of ten (10) years.		
The proposed team should have extensive experience performing ODD on behalf of institutional clients. The team leader must have performed ODD-related work within the past ten (10) years and each team member must have at least five (5) years of experience.		
Key Personnel (Director, Manager/Supervisor) with planning and supervisory responsibilities must have at least ten (10) years of experience in the applied for specialty areas set forth in this RFP.		

* LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

Authorized Signature

Date

Name and Title (please print)

Name of Firm

EXHIBIT C

STATEMENT OF WORK

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee.

ODD is performed both pre- and post-investment. Pre-investment ODD is the process of evaluating whether the investment manager has the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA is considering. Along with investment due diligence (IDD), ODD is an important component of the decision to invest. Post-investment ODD is the process of evaluating whether the investment manager continues to have the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA hired the manager to perform.

The scope of work should include but is not limited to assessing the following:

Review of the effectiveness of ODD in the execution of LACERA's investment program.

- Pre-investment ODD.
- Post-investment/ongoing ODD.

Consideration in both pre-investment and post-investment ODD should be given to:

- Evaluating the effectiveness, frequency, and degree/comprehensiveness of ODD performed.
- Assessing the effectiveness of reliance by LACERA staff on investment consultants and third parties for the performance of ODD in asset classes where those resources are available.
- Completeness and comprehensiveness of ODD documentation.
- Assessing whether the ODD Program covers all appropriate risk factors. Examples may include internal controls over operational processes, investment operations, infrastructure and business continuity, compliance, risk management, disclosures, manager organization, fund terms, custody and counterparties, valuation policies, financial statements, and Form ADVs.
- Evaluation of ODD for internal investment operations.
- Communication of ODD efforts to the Board of Investments and utilization of data in managing portfolio.

Input of best practices in managing an effective ODD program.

Within the Investment Policy Statement (IPS), page 16 of the IPS provides additional background, specifically a breakdown of LACERA's asset allocation to various categories and the target weights. Please reference LACERA's Investment Policy Statement at https://www.lacera.com/sites/default/files/assets/documents/general/invest_policy_stmt_03_1921.pdf

EXHIBIT D

FEE SCHEDULE

Proposer must complete the following table with maximum hourly rates for all relevant staff levels. Travel and per diem will be in accordance with LACERA's Education and Travel Policy. Proposer must complete all boxes for the proposing work area(s).

Proposed Fee Schedule

Firm Name

Position/Hourly Rate	Partner \$		Manager \$		Senior \$		Staff \$		Subtotal	
	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
Engagement										
Other Fees	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Estimated Travel										
Travel Costs		\$0		\$0		\$0		\$0	Total	\$0

DRAFT

EXHIBIT E

AGREEMENT FOR SERVICES

THIS IS THE GENERAL FORM AND CONTENT OF THE CONTRACT LACERA INTENDS TO USE. IN SUBMITTING A PROPOSAL WITHOUT COMMENT ON THE CONTRACT, THE BIDDER WILL BE DEEMED TO HAVE AGREED TO EACH CLAUSE IN THE AGREEMENT BELOW (AND TO NOT SEEK ANY MODIFICATIONS TO THE AGREEMENT), UNLESS BIDDER'S PROPOSAL IDENTIFIES AN OBJECTION OR INCLUSION, SETS FORTH THE BASIS FOR THE OBJECTION OR INCLUSION, AND PROVIDES SUBSTITUTE LANGUAGE TO MAKE THE CLAUSE ACCEPTABLE TO BIDDER.

LACERA RESERVES THE UNILATERAL RIGHT IN ITS SOLE DISCRETION TO MAKE CHANGES TO THE CONTRACT PRIOR TO EXECUTION, WHICH CHANGES WILL NOT PROVIDE BIDDER WITH AN OPPORTUNITY TO MAKE FURTHER CHANGES TO THE OTHER TERMS OF THE CONTRACT.

DRAFT

CONTRACT FOR CONSULTING REVIEW

This Contract an Investments Operational Due Diligence Review (“Contract”) is made and entered into by and between Los Angeles County Employees Retirement Association (“LACERA”) and [NAME] (“Consultant”) and is effective as of the date shown in Section 5.

Recitals

LACERA seeks the services of a company to provide an assessment and evaluation of LACERA’s ODD processes, both pre-investment and post-investment.

Consultant represents that they have extensive experience performing, advising, or evaluating ODD on behalf of institutional clients.

Contract

1. Services to be Provided.

1.1 Consultant agrees to perform the services (“Services”) described in the Statement of Work (“Statement of Work”) attached to this Contract as Attachment A.

1.2 Consultant agrees to perform the Services at LACERA’s offices, and with LACERA’s consent, via telephone or email, and when appropriate, at a location of Consultant’s choice.

1.3 All writings, including the final report, prepared or furnished by Consultant to LACERA in the performance of this Contract shall be the exclusive property of LACERA and may be used and publicly distributed by LACERA, as LACERA deems appropriate.

1.4 Consultant’s quality of service will be at least equivalent to that which Consultant provides to other clients it serves in the same capacity. Consultant will be held to the same standard of care, skill, prudence, and diligence that applies to other experts practicing in a like enterprise.

2. Independent Contractor.

2.1 Consultant agrees to perform the Services as an independent contractor and agrees they will be always acting as such. Neither party intends, and this Contract may not be construed, to create any relationship of agent, servant, employee, partnership, joint venture, or association between Consultant and LACERA. Consultant is not and will not be deemed to be for any purpose (including, without limitation, Workers’ Compensation) an employee of Los Angeles County (the “County”). Consultant is not entitled to any rights, benefits, or privileges of County employees. Consultant is not eligible to participate in any insurance, savings, pension or deferred compensation offered by LACERA or the County.

2.2 Consultant has no power or authority to assume or create any obligation or responsibility, express or implied, on behalf of LACERA or the County, or to bind LACERA or the County in any way whatsoever.

2.3 Consultant accepts full and complete responsibility for filing all tax returns and paying all taxes, which may be required, or due for payments received from LACERA under this Contract. LACERA will memorialize payments for Consultant's services on a Form 1099.

2.4 Consultant represents and warrants that it will comply with all applicable federal, state, and local laws, including without limitation, those laws respecting business licenses, withholding, reporting, and payment of taxes. Consultant further represents and warrants that it will report any income accruing to it from this Contract to the appropriate taxing authorities.

3. LACERA's Project Director.

LACERA's Project Director, or designee, has responsibility for determining whether the Services are performed to LACERA's satisfaction. LACERA's Project Director is Richard Bendall.

4. Indemnification and Insurance.

4.1 Consultant shall indemnify, defend and save harmless LACERA, its agents, officers and employees from and against any and all liability, damage, suit, cost of suit, or expense, including defense costs and attorney's fees, arising out of or connected with claims for damages of any nature whatsoever arising from or connected with Consultant's operations or its services, including, without limitation, claims for bodily injury, death, personal injury, or property damage, including damage to Consultant's property.

4.2. Without limiting Consultant's obligations to indemnify LACERA, Consultant will provide and maintain at its own expense during the term of this Contract the programs of insurance programs specified in this Contract. Such insurance will be primary and not contributing with any other insurance of self-insurance programs maintained by LACERA, and Consultant agrees to provide and maintain such insurance at its own cost and expense.

4.2.1 Certificate(s) or other evidence of coverage satisfactory to LACERA shall be delivered prior to commencing services under this Contract to:

Kathryn Ton
LACERA
300 N. Lake Avenue, Suite 840
Pasadena, CA 91101-4199

4.3 Such certificates or other evidence shall:

4.3.1 Specifically identify this Contract.

4.3.2 Clearly evidence all coverage's required in this Contract.

4.3.3. Contain the express condition that LACERA is to be given written notice by mail at least 45 days in advance of cancellation for all policies, or, alternatively, in the event the insurers that otherwise provide satisfactory insurance hereunder do not assume third-party notification provisions, Consultant hereby agrees to notify LACERA at least 45 days in advance of any cancellation of any of the policies provided for herein.

4.3.4 Include copies of the additional insured endorsement to the commercial general liability policy, adding that LACERA, its trustees, officers and employees as insureds for all activities arising from this Contract.

4.3.5 Self-Insured Retentions must be declared to and approved by the LACERA. LACERA may require Consultant to purchase coverage with no retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention will be satisfied by the named Consultant

4.3.6 LACERA reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

4.4 Insurer Financial Ratings. Insurance is to be provided by an insurance company acceptable to LACERA with an A.M. Best rating of not less than A-, X, unless otherwise approved by LACERA.

4.5 Failure to Maintain Coverage. Consultant's failure to maintain the required insurance, or to provide evidence of insurance coverage acceptable to LACERA, shall constitute a material breach of the contract upon which LACERA may immediately terminate or suspend this Contract. LACERA, at its sole option, may obtain damages from Consultant resulting from said breach.

4.6 Compensation for LACERA Costs. In the event that Consultant fails to comply with any of the indemnification or insurance requirements of this Contract, and such failure to comply results in any costs to LACERA, Consultant shall pay full compensation for all costs incurred by LACERA.

4.7 Cooperation Regarding Insurance. LACERA may elect to procure insurance against loss or damage it may sustain in connection with Consultant's performance under this Contract. Consultant will promptly cooperate with any reasonable request for information regarding Consultant which is required to obtain such insurance.

4.8 Survival of Obligations. Consultant's obligations under this Section 4 shall survive expiration or termination of this Contract.

4.9 Commercial General Liability. Consultant shall provide and maintain a Commercial General Liability insurance policy, which names LACERA as additional insured. Such policy shall cover legal liability for bodily injury and property damage arising out of Consultant's business operations and services that Consultant provides pursuant to this Contract. Such policy shall include, without limitation, endorsements for Property Damage, Premises-Operations, Products/Completed Operations, Contractual, and Personal/Advertising Injury with a limit of at least \$1,000,000 per occurrence and an annual aggregate of at least 2,000,000. If such insurance is written on a Claims Made Form, such insurance shall be endorsed providing an extended reporting period of not less than five (5) years following termination or expiration of this Contract.

4.10 Auto Liability. Consultant shall provide and maintain a comprehensive auto liability insurance policy endorsed for all "owned", "non-owned", and "hired" vehicles, or coverage for any "auto", with a combined single limit of not less than One Million Dollars (\$1,000,000) per accident.

4.11 Workers' Compensation. Consultant shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to Consultant's employees for injuries arising from or connected with any services provided to LACERA under this Contract. Consultant shall provide and maintain a program of Workers' Compensation, in an amount and form to meet all applicable statutory requirements. In all cases, worker's compensation insurance also shall include Employer's Liability Insurance with limits of not less than \$1,000,000, each accident, and \$1,000,000, disease, covering all of Consultant's employees.

4.12 Errors and Omissions. Consultant shall provide and maintain insurance covering liability arising from any error, omission, negligent or wrongful act of the Consultant, its officers, employees or Agents, with limits of at least \$1,000,000 per claim and an annual aggregate of at least \$2,000,000. The coverage also shall provide an extended one-year reporting period commencing upon termination or cancellation of this Contract.

4.13 Cyber Liability Insurance. Without limiting any of the obligations or liabilities of Consultant, Consultant shall carry and maintain, at its own expense including any applicable deductibles or retention, Cyber Liability insurance with limits of not less than \$2,000,000 for each occurrence and an annual aggregate of \$5,000,000 covering claims involving privacy violations, information theft, damage to or destruction of electronic information, intentional and/or unintentional release of private information, alteration of electronic information, extortion and network security. The policy coverage shall include, but not be limited to:

4.13.1 Privacy Liability Coverage. This coverage shall include LACERA and its members for breaches of their private information in the case of a data breach.

4.13.2 Notification Costs. This coverage shall cover the costs of notifying third parties and LACERA members potentially affected by a data breach.

4.13.3 Crisis Management. This coverage shall include the costs of managing the public relations outfall from most data breach scenarios.

4.13.4 Credit/Identity Monitoring. This coverage shall include coverage for affected members for at least 24 months or the minimum legally required period, whichever is longer.

4.13.5 Theft and Fraud Coverage. This coverage shall include the costs of theft or destruction of the LACERA's data and theft of funds.

4.13.6 Network and Business Interruption. This coverage shall include any expense due to an intentional interruption of the LACERA's computer systems.

4.13.7 Data Loss and Restoration. This coverage shall include the costs of diagnosing and repairing the cause of the loss and restoring all data.

5. Term.

The term of this Agreement commences on the EFFECTIVE DATE and continues through [DATE]. LACERA may terminate this Agreement for its convenience by giving CONSULTANT at least 30 days prior written notice of termination. CONSULTANT may terminate the Agreement for his convenience by giving LACERA's Committee at least 30 days prior written notice of termination

6. Non-Exclusive Services.

This Contract is not exclusive. Consultant has the right to perform services for others during the term of this Contract, but Consultant agrees not to engage in any business, work or services of any kind under contract, or otherwise, for any person, organization or agency, which in the opinion of LACERA is detrimental to the interests of LACERA or that would materially interfere with the performance of the Services. Consultant agrees to disclose such information regarding business, work or services they perform on behalf of any person, organization or agency as LACERA may reasonably require verifying Consultant's compliance with this Section.

7. Compensation.

LACERA agrees to pay Consultant according to the Fee Schedule attached as Attachment B for performing the Services. Consultant's expenses are included in the compensation described in Attachment B and therefore Consultant is not entitled to any separate reimbursement for any expenses incurred by it in discharging its duties under this Contract, unless otherwise agreed by LACERA.

8. Invoices.

Consultant agrees to submit invoices to LACERA's Project Director, in arrears, by the tenth day of each calendar month for Services performed during the previous calendar month. Each invoice must (a) describe in detail the Services performed and expenses incurred by Consultant during the invoice period, (b) show the cumulative charges year-to-date (based on a fiscal year beginning July 1) for all Services and expenses, and (c) include such other information as LACERA may reasonably request. Each invoice will be payable within thirty days of receipt by LACERA. If LACERA's Project Director disputes any portion of an invoice,

however, LACERA will pay the undisputed portion only and notify Consultant in writing of the disputed portion. Consultant and LACERA agree to act in good faith to resolve such disputes.

9. Contract Not Assignable.

Consultant may not assign any of its rights, duties, or obligations under this Contract without the prior written consent of LACERA, which LACERA may grant or withhold in its sole discretion.

10. Confidentiality.

10.1 Confidential Information. Consultant understands that, during the performance of this Contract, it will have access to confidential and proprietary LACERA information, policies and procedures, benefits, business practices, and technology concerning LACERA's operations, as well as sensitive confidential member information and business critical non-member information (collectively, "Confidential Information"). For clarity, Confidential Information includes all information of any and every kind provided to Consultant, regardless of whether it may previously have been disclosed by LACERA or others in other contexts, in that LACERA needs to know to whom, when, where, and how all of its information has been disseminated and reserves to itself the right to determine to whom, when, where, and how such information is released. Confidential Information further includes all information related in any way to LACERA provided to Consultant.

Confidential Information may be provided to Consultant or generated or stored by Consultant in written, electronic, verbal, and all others forms. Consultant understands and agrees that:

10.1.1 Consultant shall not disclose Confidential Information to any person within its organization except those persons required to perform the services of the Contract.

10.1.2 Consultant shall not disclose Confidential Information to any third party without LACERA's advance written approval.

10.1.3 Consultant's agreement not to disclose Confidential Information includes an agreement not to disclose information even on a no-names basis.

10.1.4 Consultant will use best efforts, including but not limited to the highest level of care Consultant accords to its own most sensitive information and the most sensitive information of its other clients, to secure and maintain the confidential nature of the Confidential Information.

10.1.5 Consultant will not use the Confidential Information for any purpose other than to perform the services required by this Contract. This confidentiality provision will survive the termination of the Contract.

11. Nondiscrimination.

Consultant hereby promises and agrees that it will comply with Subchapter VII of the Civil Rights Act of 1964, 43USC Section 2000e through 2000e (17), to the end that no person shall, on grounds of race, creed, color, sex, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Contract, or under any project, program or activity supported by this Contract.

Consultant shall take affirmative action to ensure that applicants and employees are treated in an unbiased manner without regard to their race, color, religion, sex, age, ancestry, or national origin, physical or mental handicap, marital status, or political affiliation. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

12. Compliance with Laws.

Consultant shall comply with all applicable Federal, State and local laws, rules, regulations, ordinances, and directives, and all provisions required to be included in this Contract are incorporated by this reference. Consultant shall indemnify and hold LACERA harmless from any loss, damage or liability resulting from a violation by Consultant of any such laws, rules, regulations, ordinances, and directives.

13. Conflict of Interest.

No officer or employee of LACERA whose position enables them to influence the award of this Contract or any competing agreement, and no spouse or economic dependent of such officer or employee shall be employed in any capacity or in any way remunerated by Consultant or have any direct or indirect financial interest in this Contract or in Consultant.

14. Modifications.

Any modification to this Contract must be in writing, signed by Consultant and LACERA, to be effective.

15. Termination for Default.

Services performed under this Contract may be terminated in whole or in part by LACERA providing to Consultant a written Notice of Default if (1) Consultant fails to perform the services within the time specified in this Contract or any extension approved by LACERA, or (2) Consultant fails to perform any other covenant or condition of this Contract, or (3) Consultant fails to make progress so as to endanger its performance under this Contract.

Consultant shall have ten (10) calendar days from the date of the Notice of Default in which to cure the Default(s), however, in its sole discretion, LACERA may extend this period or authorize a longer period for cure.

Without limitation of any additional rights or remedies to which it may be entitled, if LACERA terminates all or part of the services for Consultant's Default, LACERA, in its sole

discretion, may procure replacement services and Consultant shall be liable for all excess costs incurred by LACERA in connection with those replacement services, as determined by LACERA in its sole discretion.

If it is determined that Consultant was not in Default under the provisions of this Contract, or that the Default was excusable, then the rights and obligations of the parties shall be the same as if the Notice of Termination had been issued under Section 16. Termination for Convenience.

16. Termination for Convenience.

Services performed under this Contract may be terminated in whole or in part at any time LACERA or Consultant deems that termination is in its best interest. LACERA or Consultant shall terminate services by delivering a written Termination Notice at least 30 days prior which specifies the extent to which services are terminated and the effective termination date.

After receiving a Termination Notice under this section, and unless otherwise expressly directed by LACERA, Consultant shall take all necessary steps and shall stop services on the date and to the extent specified in the Termination Notice and shall complete services not so terminated.

17. SOC-2

SOC-2 Report. The Consultant shall have an annual audit performed by an independent audit firm. The audits shall include the Consultant's and any subcontractor's handling of Confidential Information and shall address all areas relating to information technology security and operational processes to provide such security. The audits shall be performed in accordance with the guidance set forth in Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy (SOC 2), as published by the American Institute of Certified Public Accountants (AICPA) and as updated from time to time, or according to the most current audit guidance promulgated by the AICPA or similarly recognized professional organization, as agreed to in writing by LACERA. The audit shall assess the security of information technology security and operational process to provide such security as follows:

17.1 The type of audit to be performed in accordance with the Guidance is a SOC 2 Type 2 Audit (referred to as the "SOC 2 Audit" or "SOC 2 Report"). The initial SOC 2 Audit shall be scheduled and completed within six months of executing the Contract. All subsequent SOC 2 Audits that are arranged after this first audit shall be performed and submitted annually.

17.2 The SOC 2 Audit shall report in writing on the Consultant's and any subcontractor's system(s) and the suitability of the design and operating effectiveness of controls of the information functions and/or processes to meet the requirements of the Contract, including the security requirements.

17.3 The scope of the SOC 2 Report shall include work performed by any subcontractors that provide essential support to the Consultant for the information functions or

processes for the services offered to LACERA under the Contract. The Consultant shall ensure the audit includes all subcontractors operating in the performance of the Contract.

17.4 All SOC 2 Audits, including those of the Consultant and any subcontractors, shall be performed at no additional expense to LACERA.

17.5 The Consultant and all relevant subcontractors shall promptly provide a complete copy of the final SOC 2 Report(s) to the Project Director upon completion of each SOC 2 Audit engagement.

17.6 The Consultant shall provide to LACERA, within 30 calendar days of the issuance of each SOC 2 Report, a documented corrective action plan that addresses each audit finding or exception contained in a SOC 2 Report. The corrective action plan shall identify in detail the required remedial action by the Consultant or subcontractor(s) along with the implementation date(s) for each remedial action.

17.7 If the Consultant or any subcontractor fails to obtain an annual SOC 2 Report, LACERA shall have the right to retain an independent audit firm to perform an audit engagement of a SOC 2 Report. The audit will include the information functions and processes utilized or provided by the Consultant and any relevant subcontractor under the Contract. The Consultant and any subcontractor agree to allow the independent audit firm to access its facilities for purposes of conducting this audit engagement. They will provide the necessary support and cooperation to the independent audit firm that is required to perform the audit engagement of the SOC 2 Report. LACERA will invoice the Consultant for the expense of the SOC 2 Report(s), or deduct the cost from future payments to the Consultant.

18. Disaster Recovery & Business Continuity

Consultant will implement and maintain disaster recovery and business continuity procedures that are reasonably designed to recover data processing systems, data communications facilities, information, data and other business related functions of LACERA in a manner and time frame consistent with legal, regulatory and business requirements applicable to LACERA.

19. Data Breach Verification

19.1 Consultant shall provide an annual written, signed attestation that to the best of its knowledge, no data breach, hacking, or incidental divulging of Member Records has occurred and that no Member Record has been compromised. The attestation shall verify that adequate internal policies and procedures exist to prevent data theft and unauthorized access.

19.2 Consultant shall provide an annual system penetration test in support of the attestation made in item A above. Consultant shall provide the results of penetration tests to LACERA.

19.3 Consultant shall comply with California Civil Code §1798.29(e) and California Civ. Code §1798.82(f). In the event of a security breach of more than 500 records, the Consultant shall electronically submit a single sample copy of that security breach notification, excluding any personally identifiable information, to the Attorney General.

19.4 Consultant shall notify any California resident whose unencrypted personal information, as defined, was acquired, or reasonably believed to have been acquired, by an unauthorized person as required by California Civil Code §1798.29(a) and California Civ. Code §1798.82(a).

19.5 Notwithstanding the legal notification requirements in the preceding paragraphs, Consultant will immediately notify LACERA upon its discovery of any incident or data breach.

20. Entire Contract and Severability.

This document (including Attachments A and B) constitutes the final, complete, and exclusive statement of the terms of the Contract between LACERA and Consultant for the services to be performed and supersedes all prior and contemporaneous understandings or Contracts of the parties. The provisions of this Contract are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions or parts thereof shall nevertheless be binding and enforceable and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision which comes closest to the intent of the parties.

21. Governing Law and Venue.

21.1 This Contract shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to principles of conflicts of laws.

21.2 Any party bringing a legal action or proceeding against any other party arising out of or relating to this Contract or the transactions it contemplates (whether in contract, tort, equity, or otherwise), shall bring the legal action or proceeding in either the United States District Court or in any court of the State of California sitting in Los Angeles County.

21.3 Each party to this Contract consents to the exclusive personal and subject matter jurisdiction of any United States District Court sitting in the County of Los Angeles and any court of the State of California sitting in the County of Los Angeles, and their appellate courts for the purpose of all legal actions and proceedings arising out of or relating to this Contract or the transactions it contemplates, including all claims of any nature or type, whether in contract, tort, statutory, equitable, legal, or otherwise.

22. Attorney's Fees.

In the event of litigation between the parties concerning this Contract, the prevailing party shall be entitled to recover reasonable costs and expenses incurred therein, including without limitation attorney's fees. These expenses shall be in addition to any other relief to which the prevailing party may be entitled and shall be included in and as part of the judgment or decision rendered in such proceeding.

23. Interpretation.

Consultant acknowledges they have been given the opportunity to have counsel of their own choosing to participate fully and equally in the review and negotiation of this Contract. The language in all parts of this Contract shall be construed in all cases according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Contract.

24. Waiver.

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Contract shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right or remedy shall be deemed a waiver of any other breach, failure, right or remedy, whether or not similar, or preceding or subsequent, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

Remainder of Page Intentionally Left Blank

IN WITNESS WHEREOF, Consultant has signed this Contract, and the [SIGNATORY TITLE] of LACERA has signed this Contract, effective as of the date indicated in Section 5.

LACERA: [Consultant Name]:

Los Angeles County Employees
Retirement Association

By: _____ [Authorized Signatory Title]
[TITLE]

Address for notices:

Richard Bendall
Chief Audit Executive
LACERA
300 N. Lake Avenue, Suite 840
Pasadena, CA 91101

Address for notices:

[NAME]
[STREET]
[CITY, STATE, ZIP]

Approved as to form:

John Harrington
LACERA Staff Counsel

EXHIBIT F
INTENT TO RESPOND

Intent to Respond.

If you choose to respond to this RFP, please send this form to Kathryn Ton via email no later than 5:00 p.m. [PT], June 3, 2022. Failure to send your Intent to Respond may disqualify your firm from submitting a proposal.

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LACERA's responses to written requests for clarification or other information will be provided to all Respondents that have submitted an Intent to Respond.

To: Kathryn Ton
Co.: LACERA – Internal Audit
Phone: 626-564-6000 ext. 3525
Email: kton@lacera.com
Re: Intent to Respond

From:
Title:
Co.:
Phone:
Email:
Date:

Our firm intends to submit a response for LACERA's RFP for [Services Requested].

Please send inquiries to the following contact:

Name: _____
Title: _____
Company: _____
Mailing Address: _____
Telephone: _____
Facsimile: _____
Email Address: _____

EXHIBIT G

SELECTION CRITERIA

The selection criteria below and the weighting schedule of the evaluation factors is a guide only and does not bind or limit LACERA in any way in its selection of vendor(s).

A. General Information

An evaluation committee will review, evaluate, score, and rank all responsive proposals by the evaluation criteria described below. LACERA may invite the highest ranked Respondents for presentations and interviews at which time each will have a limited amount of time to further describe their experience and qualifications, and to answer questions.

Scores will be used merely as an aid in selection and is not binding or determinative on LACERA with respect to the basis for selection. LACERA will evaluate proposals based upon the proven ability of the Respondent to satisfy the requirements in an efficient, cost-effective manner, considering quality of service. LACERA will evaluate responses against the following criteria and factors:

LACERA will consider the criteria, without a specific weighting, unless noted below. The balancing of the factors is in LACERA's sole discretion. LACERA reserves the right to consider factors other than those listed in making its choice.

B. Evaluation Committee

An Evaluation Committee consisting of LACERA staff will evaluate the proposals.

C. Evaluation of Proposals

LACERA will initially review all proposals to determine the responsiveness to this RFP. LACERA will perform an evaluation of each proposal. Criteria used as the basis for evaluation shall include:

- Adherence to RFP Instructions
- Professional capability, demonstrated competence, and specialized experience of the proposer
- Staffing capability, workload, and ability to meet schedules
- Experience and education of key personnel
- Diversity and inclusion efforts within the Firm
- Nature and quality of completed services for other clients
- Client references
- Reliability and continuity of firm
- Work plan and methodology
- Review of sample reports

- Proposed agreement terms and price proposal
- Interviews (for select firms)

The factors will be considered as a whole, without a specific weighting. The balancing of the factors is in LACERA's sole discretion. Factors other than those listed may be considered by LACERA in making its selection.

D. Right to Reject Proposals

Notwithstanding, anything contained in this RFP to the contrary, LACERA reserves the right without prejudice to reject any or all proposals.

E. Incomplete Proposals

If the information provided in a Proposer's proposal is deemed by the Evaluation Committee to be insufficient for evaluation, LACERA reserves the right to request additional information or to reject the proposal outright. False, incomplete, or unresponsive statements in connection with a proposal may be sufficient cause for its rejection. The evaluation and determination of the fulfillment of the requirements will be determined by LACERA, and LACERA alone, and such judgment shall be final.

F. Formal Presentations

During the evaluation process, any one or more of the Proposers may be requested to make a formal presentation to the Board of Retirement, Board of Investments, or a Committee of the Board such as the Audit Committee. Such presentation will provide the Proposer with an opportunity to answer any questions LACERA may have regarding the Proposer's proposal. Expenses incurred by the Proposer for such presentation will not be reimbursed. Once hired, the selected firm is required to present the results of their findings at a future Audit Committee meeting.

G. Agreement Negotiations

Contract negotiations will be initiated upon CAE approval, LACERA expects contract negotiations to be brief. If the contract cannot be negotiated quickly with the selected Proposer, LACERA may, in its sole discretion, terminate negotiations with the selected Proposer and commence contract negotiations with another party, whether or not that party submitted a proposal to this RFP.

H. Agreement Approval and Award

LACERA reserves the right to submit the final Audit Services Agreement (contract) to the Boards or Committee for approval. After approval and agreement award by LACERA, all Proposers will be notified of the outcome.