
Texas Pension Review Board

Best Practices in Ethical Standards and RFPs

Anumeha Kumar, Executive Director

October 5, 2021

Agenda

- Creating an Ethics Policy
 - Ethics Policy Overview
 - Why create an ethics policy?
 - Why are ethics policies beneficial?
 - Typical Components
 - Examples
 - PRB Model Ethics Policy
 - Examples—Other Policies
- Requests for Proposals (RFPs)
 - What is an RFP and why do we use them?
 - Why are RFPs beneficial?
- Basic Cycle—Before an RFP
- Basic Components of an RFP
- After Receiving Proposals—What next?
- HB 3898 Updates
- Questions
- Resources

Creating an Ethics Policy

Ethics Policy Overview

Many sources govern the behavior of trustees and administrators

Plan Document(s)

- A system's plan design or other plan document generally lays out processes for decisions such as benefit determinations.

State Law

- Various Texas statutes contain fiduciary and other ethics-related requirements for trustees of public retirement systems and hired investment managers.

Federal Law

- The Securities and Exchange Commission's "pay to play" regulations, govern certain aspects of trustee behavior.

Ethics Policy

- One of the best tools retirement system boards can use to help ensure that ethical standards are met is to adopt, and follow, an ethics policy.
- It outlines expected behavior for the governing board and employees and can incorporate a system's values in additions to legal requirements.

Why create an ethics policy?

- Ethics and conflict-of-interest policies are not just guidelines but reflect **legal obligations** to uphold certain standards.
- **Clear, written policies** build institutional wisdom. They help new trustees learn their responsibilities and more confidently continue long-term efforts.
- **Ethical violations** can damage trust in the system, which may affect how stakeholders respond to the system in the future.
 - The *appearance* of ethical violations can also damage this trust.

Why are ethics policies beneficial?

Having a policy in place **before** there are ethical concerns helps people understand appropriate behavior and provides a plan of action to address any concerns if they happen.

- Several TLFFRA systems have already adopted ethics standards in some form. Their examples illustrate different methods to prepare or expand an ethics policy.

Typical Components of an Ethics Policy

Ethics policies typically include certain information.

- **Code of Ethics:** basic framework
- **General Standards of Conduct:** statutory standards
- **Fiduciary Duties:** explains the responsibilities of a fiduciary
- **Conflicts of Interest:** what they are and how to address
- **Prohibited Transactions and Interests:** outlines what is prohibited based on fiduciary duty or conflicts-of-interest
- **Confidential Information:** explains what information is considered confidential and who it may be shared with
- **Nepotism:** includes a legal definition and a prohibition
- **Gifts:** outlines the policy for the systems to accept gifts
- **Enforcement:** outlines the consequences of ethics violations
- **Training:** explains how new trustees will be trained

Examples—PRB Model Ethics Policy

Model Ethics and Conflict-of-Interest Policy for Texas Public Retirement Systems

Key Elements:

- Code of ethics, general standards of conduct, fiduciary duties, conflicts-of-interest, and other important topics

Example:

- 2015 Woodlands Firefighters' Retirement System ethics policy adapted the PRB model policy to fit their needs.

Examples—Other Policies

- Basing ethical standards on practices or policies from professional organizations.
 - **Example:**
 - Orange Firemen’s Relief and Retirement Fund outlines ethical responsibilities for trustees, staff, and others in the **investment policy**.
 - Consultant responsibilities include complying with the [Chartered Financial Analyst Institute Code of Ethics and Standards of Professional Conduct](#).
- Developing a code of Ethics in-house.
 - **Example:**
 - Irving Firemen’s Relief & Retirement Fund constructed a code based on researching several policies and selecting the aspects that suited the system.

Requests for Proposals (RFPs)

What is an RFP and why do we use them?

What is an RFP?

- A request for proposal (RFP) is a document to announce projects and solicit bids from vendors qualified to complete them.

Why do we use them?

- Transparency - Helps avoid the appearance of nepotism and conflicts of interest.
- Competitive process - Helps ensure and efficient and effective use of taxpayer money.

*The State of Texas
Procurement and Contract
Management Guide on
the [comptroller's website](#)
has more information.*

Why are RFPs beneficial?

GFOA recommends evaluating vendors and issuing an RFP about every five years.

- Periodically changing vendors has several advantages:
 - Builds awareness of available vendors and their strengths.
 - Helps ensure the best value for services.
 - Brings fresh ideas, perspectives, and methods.
- Even if you select the same vendor, the RFP process is an opportunity to see if your needs or goals have changed.
- Regularly developing RFPs keeps people familiar with the process and helps refine your policies.

Basic Cycle—Before an RFP

1. Planning and Fact Finding

- What do you need to accomplish?
- Why do you need it?
- What do you need to do it?
- When will you need it?
- What kind of services are already available?

2. Method Determination

- What laws apply?
- Does this require an RFP?
- How will we advertise?
- What type of contract will we use?
- How will we evaluate vendors/bids?

If you have the background information and determine an RFP is necessary, it is time to prepare and issue one.

Basic Components of an RFP

- Background information about the system seeking proposals
- Description of the work or project desired
 - Project goals
 - Project scope
 - Contract terms
- Instructions for submitting proposals
 - Minimum qualifications
 - Evaluation criteria
 - Submission requirements

Common Advertising Methods:

- Posting on your website.
- Contacting providers directly.
- Posting on a third-party website or RFP database.

After Receiving Proposals—What next?

3. Vendor selection

- Did the RFP have the correct information to attract vendors for the project?
- Who best meets the criteria?
- Is this vendor able to meet the terms of their proposal?

4. Contract award & formation

- Does this contract include the necessary components?
- How will we evaluate if the vendor is meeting the contract terms?
- Has a lawyer reviewed this contract?

5. Contract management and vendor evaluation

- Is this project achieving our goals?
- Is this vendor performing well enough based on the contract standards?

Overview: HB 3898

Components of the Legislation

Funding Policies

- Continue using existing funding policy; going forward, develop any changes or updates with sponsor.
- A funding policy must be revised to incorporate any changes from an FSRP.

Investment Practices and Performance Evaluations (IPPEs)

- IPPEs completed after Sept. 1, 2021, are subject to new disclosure requirements.
- Systems may continue to use current investment consultants to prepare IPPEs.

Components of the Legislation

Funding Soundness Restoration Plan (FSRP)

- **Target Amortization Period:** from (old) 40 years → **(new) 30 years**
 - Phased-in: Not required to reach 30 years until Sept. 2025
 - **Multiple Triggers:**
 - Currently: Am. period > 30 years for multiple consecutive AVs
 - Beginning Sept. 1, 2025: Am. period > 30 years for multiple consecutive AVs
- AND
- Am. period > 40 years; **OR**
 - Am. period > 30 and funded ratio < 65 percent

Additional changes outlined in educational materials

Questions?

- Creating an Ethics Policy
- Requests for Proposals (RFPs)
- HB 3898 Updates

Watch for updates on rulemaking

No questions today?

Let us know if you have any later.

Contact Us

prb@prb.texas.gov

(512) 463-1736

Resources

PRB Model Ethics Policy

https://www.prb.texas.gov/txpen/wp-content/uploads/2019/11/prb_model_ethics_policy_2015.pdf

RFPs

Comptroller's Procurement and Contract Management Guide:

<https://comptroller.texas.gov/purchasing/publications/procurement-contract.php>

Greenwich Roundtable Resources and Model RFP: <https://greenwichroundtable.org/best-practices>

GFOA Procurement Best Practices: <https://www.gfoa.org/best-practices/procurement>

FSRP Materials

<https://www.prb.texas.gov/txpen/wp-content/uploads/2021/08/2025-FSRP-flow-chart.pdf>