











expertise rely on a third-party consultant with relevant expertise to create or provide policies and guidance to govern the process.<sup>5</sup>

- a. Selection criteria – Include qualitative, quantitative, or other factors.
- b. Procedure and metrics used for monitoring – Use benchmarks established in the performance evaluation section. Performance should be reviewed at least quarterly.
- c. Compliance – Review compliance with all applicable laws, fund guidelines, and monitoring policies.
- d. Watch listMonitoring policy – One option is to include a watch list process in the policy as part of the monitoring process for investment managers. This type of policy allows a system to notify managers of their watch list status, which occurs when performance deficiencies or other issues arise that can lead to termination and withdrawal of assets. This process may include:
  - i. A notification to the investment manager of the placement on the watch list and the reason for the decision.
  - ii. A request for the manager to respond or provide any qualitative or quantitative analysis regarding the underlying issue.
  - iii. A contingency to research alternative investment opportunities if the investment manager is terminated.
  - iv. A requirement to review watch list manager every year to decide on removing, maintaining watch list status, or terminating.
- e. (If appropriate) Alternative active monitoring policy – Instead of using a watch list policy an alternative that requires a high level of investment expertise and policies is an active monitoring approach. This requires a proactive approach to identify and address performance deficiencies before they would normally meet a watchlist's criteria.

10. **Ethics:** A section can be created to outline the core ethical principles that all parties should follow. Alternatively, this section may reference an additional-external document the system maintains, such as a code of conduct or broader ethics policy. These types of policies help clarify acceptable practices and document the core ethical beliefs trustees and other third parties will follow.

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<sup>5</sup> [Secs. 802.204-802.207, Texas Government Code](#)