



San Joaquin County Employees' Retirement Association

Creation Date:	05/21/2010	Created By:	Nancy Calkins
Updated:	1/28/2011	Updated By:	Nancy Calkins
Policy Number:	INV 1000	Revision:	1

SJCERA INVESTMENT POLICY PLACEMENT AGENT INFORMATION DISCLOSURE

PURPOSE: SJCERA's Board members, employees and consultants are subject to numerous legal requirements related to ethical conduct, compliance with their fiduciary responsibilities, and to prevent conflicts of interest. The purpose of this Policy regarding the disclosure of Placement Agent fees and relationships is to enhance the transparency of the investment decision-making process by requiring broad, timely and updated disclosure of the existence of any relationships between SJCERA's investment managers and individuals or entities serving as a compensated representative of the investment manager for the purpose of securing an investment with SJCERA. This Policy sets forth the circumstances under which SJCERA shall require the disclosure of payments to Placement Agents in connection with SJCERA's investments in or through External Managers. This Policy is intended to apply broadly to all of the types of investment partners with whom SJCERA does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. The goal of the Placement Agent Disclosure Policy is to ensure that SJCERA's investment decisions are made solely on the merits of the investment opportunity, from a reasonable and prudent fiduciary perspective, and consistent with SJCERA's Investment Policy and Objectives.

BACKGROUND: State law prohibits a member or employee of a public retirement board from having any personal interest in the making of an investment for the board, or in the gains or profits that accrue from those investments. Government Code section 7513.85, added by Chapter 301, Statutes of 2009 (AB 1584, Hernandez), requires public pensions or state retirement systems to develop and implement a placement agent disclosure policy, as defined, in connection with the system investments in or through external managers.

STRATEGIC OBJECTIVES:

- A. Ensure that SJCERA investment decisions are consistent with the total fund's policy.
- B. Increase the pool of information available to SJCERA Board Members, staff and consultants when evaluating an investment opportunity.
- C. Enhance transparency and confidence in SJCERA's investment decision-making.

APPLICATION: This Placement Agent Information Disclosure Policy shall apply to all SJCERA investment managers being considered by SJCERA for an investment management engagement. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the term of the agreement is extended, there is any increased commitment of funds by SJCERA pursuant to the existing agreement or there is an amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the External Manager.

DEFINITIONS:

1. **External Manager:** A foreign or domestic individual, corporation, partnership, limited partnership, limited liability company or association that is either:
 - a. Seeking to be, or is, retained by SJCERA to manage a portfolio of securities or other assets for compensation; or
 - b. Engaged, or proposed to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to SJCERA.
2. **Placement Agent:** A foreign or domestic individual, corporation, partnership, limited partnership, limited liability company or association hired, engaged, or retained by, or serving for the benefit of or on behalf of, an external manager, as defined, or on behalf of another placement agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an external manager to SJCERA or an investment vehicle, as defined, either directly or indirectly. An employee, officer, director, equity holder, partner, member, or trustee of an external manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the external manager is not a placement agent.
3. **Investment Vehicle:** A foreign or domestic corporation, partnership, limited partnership, limited liability company, association, or other entity constituting or managed by an external manager in which SJCERA is the majority investor and that is organized in order to invest with, or retain the investment management services of, other external managers.
4. **Consultant:** Person(s) or firm(s), including key personnel of such firm(s), who are contractually retained by SJCERA to provide advice to SJCERA on investments, External Manager selection and monitoring, and other services, but who do not exercise investment discretion.

RESPONSIBILITIES:

- A. Each External Manager is responsible for:
 1. Providing the following information (Placement Agent Information Disclosure) to SJCERA Staff at the time investment discussions are initiated by the External Manager:
 - a. A statement whether the External Manager or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by SJCERA.
 - b. A resume for each officer, partner or principal of any entity acting as a Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. It should be specifically noted if any such individual is a current or former SJCERA Board Member, employee or consultant, or a member of the immediate family of any such person.

- c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include compensation to third parties who are retained in order to solicit an investment from SJCERA based substantially on SJCERA's decision to invest with the External Manager.
 - d. A description of the services to be performed by the Placement Agent.
 - e. A copy of any and all agreements between the External Manager and the Placement Agent.
 - f. The names of any current or former SJCERA board member, employee or consultant who suggested the retention of the Placement Agent.
 - g. A statement whether the Placement Agent or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the detail of such registration or explanation of why no registration is required.
 - h. A statement as to whether the entity acting as a Placement Agent is utilized by the Investment Manager or Manager Candidate with all clients or prospective clients or with only a subset of clients or prospective clients.
 - i. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
2. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement with a continuing obligation to update any such information within five business days of any change in the information.
 3. Causing its engaged Placement Agent, prior to acting as a Placement Agent with regard to SJCERA, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the SJCERA board or staff, or consultant, during the prior twenty-four month period.
 4. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with an SJCERA investment, to disclose to staff any campaign contribution, gift or other item of value made or given to any member of the SJCERA board or staff, or consultant, during such period.
 5. Fully cooperating with SJCERA Staff in monitoring and assuring compliance with the Placement Agent Disclosure Policy.
- B. SJCERA's Consultant and Investment Staff ("Staff") are responsible for all of the following:
1. Providing External Managers and Placement Agents with a copy of this Policy at the time that due diligence in connection with a prospective investment or engagement begins.

2. Confirming that the Placement Agent Disclosure has been received prior to the completion of due diligence and any recommendation to proceed with the engagement of the External Manager or the decision to make any investment.
 3. For new contracts and amendments to contracts existing as of the date of this Policy, securing the agreement of the External Manager in the final written agreement between SJCERA and the External Manager to provide SJCERA the following remedies in the event that there was or is a material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of the Policy:
 - a. Whichever is greater, the reimbursement of any management or advisory fees for two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; and
 - b. The authority to terminate immediately the investment management contract or other agreement with the External Manager without penalty, to withdraw without penalty from the limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these recalled commitments) to the limited partnership, limited liability company or other investment vehicle.
 4. For new contracts and amendments to contracts existing as of the date of the Policy, confirming that the final written agreement between SJCERA and the External Manager provides that the External Manager shall be solely responsible for, and SJCERA shall not pay (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the External Manager.
 5. Prohibiting any External Manager or Placement Agent from soliciting new investments from SJCERA for five years after they have committed a material violation of the Policy; provided, however, that SJCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
 6. Providing copies of the Disclosure of Placement Agent and Placement Agent Information Disclosure referred to in Section IV-A to the Board, the Chief Executive Officer and the Chief Investment Officer.
 7. Providing a report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.
- C. All parties responsible for implementing, monitoring and complying with the Placement Agent Disclosure Policy should consider the spirit as well as the literal expression of the Policy. In cases where there is uncertainty whether a disclosure should be made pursuant to the Placement Agent Disclosure Policy, the Policy should be interpreted to require disclosure.