



# REPRESENTATION ON ADVISORY COMMITTEES POLICY

## PURPOSE

The purpose of this policy is to establish for Sacramento County Employees' Retirement System ("SCERS") staff serving on Advisory Committees of limited partnership in which SCERS is a participating limited partner.

## POLICY

The Chief Investment Officer (CIO) with approval of the Chief Executive Officer may authorize investment staff (CIO, Deputy CIO, Senior Investment Officer and Investment Officer) participation on Advisory Committees with any of the limited partnerships in which SCERS invests, so long as:

1. Each investment staff member may serve on no more than three Advisory Committees in a voting capacity (i.e., a Board seat).
2. Because serving on an Advisory Committee in a voting capacity presents litigation risk to both the SCERS representative and SCERS as a limited partner, such participation should occur rarely and selectively. In authorizing investment staff to serve on an Advisory Committee in a voting capacity, the CIO shall determine whether the incremental benefits of a voting seat over an observer seat outweigh that risk. Specifically, the CIO shall consider all of the following:
  - a. Whether SCERS can potentially add value by serving in a voting capacity on an Advisory Committee: SCERS must bring experience and qualities to an Advisory Committee that will assist the general partner (GP) regarding fund issues and conflicts as well as help protect SCERS' commitment. Specifically, the CIO will consider the investment staff member's:
    - Time as an institutional investor (i.e., does the staff member have a track record across investment cycles and an ability to help protect SCERS' interest);
    - Experience in committing institutional capital to private market investments (i.e., does the staff member understand the peculiarities of private markets at an institutional level);
    - Length of service with SCERS (i.e., does the staff member understand important SCERS issues such as personal identifiable information or reporting requirements).
  - b. Public pension plan representation on the Advisory Committee

- Less representation from other public pension plans translates to more of a need for SCERS to take a voting seat and vice versa;
- c. The institutional maturity of the market opportunity and/or the track record of GP
    - More nascent market opportunities and/or GP's with less of an institutional track record translate to more of a need for SCERS to take a voting seat, and vice versa.
  - d. Track record of GP with public pension investors and California plans
    - The more experience and Board members with this experience, the less need there is for SCERS to take a voting seat.
  - e. Role of the asset class/manager in the portfolio
    - If the GP represents a significant commitment across multiple funds within SCERS' portfolio, there is a greater need for SCERS to take a voting seat considering the importance of the investment to the plan
  - f. The CIO shall report his/her conclusions on the foregoing to the Board in the Final Report in advance of fund closing.
3. In determining whether an investment staff member is qualified to serve on a particular Advisory Committee in a voting capacity, the CIO shall (1) identify the issues that Advisory Committee members will be called upon to vote on, (2) determine whether the investment staff member has the requisite expertise and experience to vote on those issues, and (3) report those conclusions to the Board in the Final Report in advance of fund closing. To the extent that the Advisory Committee calls for the investment staff member to vote on waivers of conflicts of interest, or other matters requiring legal knowledge, the assigned Investment Officer shall immediately consult SCERS' General Counsel and/or outside counsel.
    - a. If the assigned investment staff member is no longer able to serve on the Advisory Committee, and no other investment staff member is qualified to do so, then SCERS' seat on that Advisory Committee shall be vacated.
  4. Each investment staff member may serve on an unlimited number of Advisory Committees in an Observer capacity.
  5. It is anticipated that all Advisory Committee participants (whether voting or observer) may receive, review, or otherwise have access to confidential information not readily available to all other limited partners. To protect against the risks presented by such access:
    - a. The limited partnership must carry insurance that extends errors and omissions coverage to the SCERS representative personally and to SCERS as the underlying limited partner. Such insurance coverage must

extend to claims against the SCERS representative and SCERS by other limited partners based on their receipt and possession of such confidential information.

- b. The limited partnership agreement shall provide that the general partner and the partnership will indemnify SCERS and/or its representative for claims against SCERS and/or its representative in connection with acts and omissions related to Advisory Committee activities.
  - c. The limited partnership agreement must specify that neither Advisory Committee participants nor the systems they represent owe any fiduciary duties to other limited partners. If the limited partnership agreement does not contain such a provision, the General Partner shall take reasonable steps to obtain approval of an amendment so specifying.
6. SCERS will reimburse its representative for all reasonable expenses and costs directly related to the representative's attendance and participation at an advisory committee or board meeting. SCERS will not seek reimbursement for these expenses from the limited partnership even if such reimbursement is available under the partnership agreement. This is notwithstanding the fact that the expenses and fees paid by limited partners (including SCERS) under the terms of the partnership agreement are a source of such reimbursement for other limited partners.
  7. Neither SCERS nor its representative will accept any form of remuneration or reimbursement from the general partnership for serving on an advisory committee or board.
  8. The Private Placement Memorandum, the Offering Memorandum or any similar document (the "Fund Document") shall specify that the general partner and all limited partners waive any claim, including but not limited to subrogation rights, against SCERS or its representative, provided such representative acted in good faith.
  9. The Fund Document shall further provide that the general partner and the Partnership will indemnify SCERS and its representative for any claim against the Partnership, the general partner, SCERS or its representative, provided that the representative acted in accordance with the rights of Indemnification and Exculpation as more fully set forth in the Fund Document.
  10. Legal Counsel for SCERS shall concur that SCERS participation on an Advisory Committee pursuant to Fund Documents is consistent with this policy.

## **BACKGROUND**

SCERS invests in alternative investment funds, such as private equity, private credit, real assets, and real estate, under limited partnership arrangements (LPAs). In LPAs, the investment manager is the general partner (GP) and institutional investors like SCERS are the limited partners (LPs).

Many GPs invite a subset of limited partners to serve on an LP Advisory Committee (LPAC) as voting members or observers. Serving on an LPAC can provide investors a better understanding of the GP and underlying fund investments. Generally, LPAC membership can be a good way for LPs to aid the interests of the organizations they represent. However, participation on an LPAC carries risks that need to be considered and mitigated.

## RESPONSIBILITIES

Executive Owner: Chief Investment Officer

## POLICY HISTORY

Date	Description
08-18-2021	Board approved amended policy
08-01-2018	Renumbered from 037
12-20-2017	Board affirmed policy in revised format
10-18-2012	Board amended policy in Resolution 2012-15
01-18-2007	Board approved policy in Resolution 2007-02