



# **PLACEMENT AGENT POLICY**

## **PURPOSE**

The purpose of this policy regarding Placement Agent activities by Sacramento County Employees' Retirement System ("SCERS") Investment Managers ('Placement Agent Policy') 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 SCERS' investment managers and individuals or entities serving as a compensated representative of the investment manager for the purpose of securing an investment by SCERS ('Placement Agents'). The goal of the Third Party Representation and Fee Sharing Policy is to help ensure that SCERS' investment decisions are made solely on the merits of the investment opportunity, are reasonably prudent from a fiduciary perspective, and are consistent with SCERS' Investment Policy and Objectives.

## **POLICY**

All SCERS staff, investment managers, and manager candidates will follow the following guidelines, as described herein below in the Application section, for reporting Placement Agents activities.

## **APPLICATION**

The Placement Agents policy shall apply to all current SCERS investment managers and all investment managers being considered by SCERS for an investment management engagement ('Investment Managers and Manager Candidates')

### **A. Investment Managers and Manager Candidates shall:**

1. Provide the following information to SCERS promptly upon request:
  - a. Whether the Investment Manager of Manager Candidate or any of their principals, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any Placement Agents in connection with any investment or proposed investment by SCERS.
  - b. A resume for each officer, partner, or principal of the Placement Agents detailing the education, professional designations, regulatory licenses and investment and work experience. It should be specifically noted if any such individual is a current or former SCERS 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 the Placement Agents, including the nature, timing, and value thereof.

- d. A description of the services to be performed by the Placement Agents.
  - e. A statement as to whether the Placement Agents is utilized by the Investment Manager of Manager Candidate with all clients or prospective clients or with only a subset of clients or prospective clients.
  - f. Whether any current or former SCERS Board Member, employee or consultant suggested the retention of the Placement Agents.
  - g. Whether the Placement Agents or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agency in a country other than the United States, the details of such registration, or an explanation of why no registration is required.
  - h. Whether the Placement Agents or any of its affiliates is registered as a lobbyist with any state or national government.
2. Provide an update of any changes to the information required above (collectively, Placement Agents Disclosure Information') within thirty (30) days of the occurrence of the change in information.
  3. Agree to incorporate compliance with the Placement Agents and Fee Sharing Policy in the investment management engagement with SCERS.
  4. Require any Placement Agents acting on its behalf in connection with any investment, or potential investment, by SCERS to disclose to SCERS' Staff any campaign contribution or gift made by the Placement Agents to any member or former member of the SCERS' Board, SCERS' Staff or SCERS' consultant during the prior twenty-four (24) month period or while continuing to receive any compensation in connection with a SCERS investment.
  5. Fully cooperate with SCERS Staff in monitoring and assuring compliance with the Placement Agents Policy.

**B. SCERS Staff shall:**

1. Assure that an agreement to comply with the Placement Agent Policy is incorporated in all current and future investment management engagements.
2. Assure that all existing Investment Managers complete and submit the Placement Agents Disclosure Form to SCERS in a timely manner. SCERS has developed a Placement Agent Disclosure Form (Form) to supplement this policy that is designed to capture the data and information described in this section. The Form is presented to all Investment Managers and Manager Candidates; completion of which is a requirement for SCERS to enter into any formal investment agreement.
3. Confirm that the Investment Manager or Manager Candidate is solely responsible for any fees, compensation or expenses for any Placement Agent, and that SCERS will not pay any such items either directly or indirectly.

4. Provide the SCERS Board with the Placement Agent's information prior to any investment decision by SCERS with respect to the Investment Manager or Manager Candidate.
5. Promptly advise the SCERS Board of any material violation of the Placement Agents Disclosure Policy.
6. Compile a quarterly report regarding the names of Placement Agents by each Investment Manager

### **C. Sanctions:**

Sanctions in the event of a material omission or inaccuracy in the Placement Agents Disclosure Information, or any other material violation of the Placement Agents Policy can include, but are not limited to:

1. The reimbursement to SCERS of any management or investment advisory fees for one (1) year, or an amount equal to the amounts paid or promised to be paid to the Placement Agents, whichever is greater.
2. Immediate termination of the investment management engagement without penalty, or withdrawal without penalty from the limited partnership, limited liability company, or other investment vehicle.
3. A prohibition on the Investment Manager, Manger-Candidate or Placement Agents from soliciting new investments from SCERS for twenty-four (24) months.
4. The SCERS Board shall determine which sanction(s) will apply in a given case based on the nature of the violation of the Placement Agents Policy and any other relevant legal parameters.

### **D. All Parties are Responsible**

All parties responsible for implementing, monitoring and complying with the Placement Agents 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 Agents Policy, the Policy should be interpreted to require disclosure.

## **DEFINITIONS**

For purposes of this Policy, a Placement Agents is defined as follows: Any person or entity hired, engaged by, or acting on behalf of an investment manager, or on behalf of another Third Party Representative, as a finder, solicitor, placement agent, marketer, consultant, broker or other intermediary to raise money or solicit investment funding from or to obtain access to SCERS, either directly or indirectly. This definition does not include employees, officers, directors, partners or members that spend more than one third of their time managing the securities or assets.

## **BACKGROUND**

California Government Code Section 7531.85 and 7513.9 require a board of any public retirement system to adopt and implement a policy that requires minimum disclosure requirements with respect to the use of placement agents by Investment Managers and Manager Candidates. In addition SCERS' Board members, employees and consultants are subject to numerous legal requirements intended to ensure their ethical conduct, their compliance with their fiduciary responsibilities, and to prevent conflicts of interest.

## **RESPONSIBILITIES**

Executive Owner: General Counsel

## **POLICY HISTORY**

<b>Date</b>	<b>Description</b>
08-01-2018	Renumbered from 045
12-20-2017	Board affirmed in revised policy format
07-20-2016	Board amended policy
06-17-2010	Board amended policy
06-18-2009	Board approved policy

**POLICY REGARDING DISCLOSURE OF  
THIRD PARTY REPRESENTATION OF AND FEE SHARING BY  
SCERS' INVESTMENT MANAGERS**

(Revised by the Retirement Board on July 20, 2016)

SCERS' Board members, employees and consultants are subject to numerous legal requirements intended to ensure their ethical conduct, their compliance with their fiduciary responsibilities, and to prevent conflicts of interest. The purpose of this Policy Regarding Third Party Representation of and Fee Sharing by SCERS' Investment Managers ('Third Party Representation and Fee Sharing Policy') 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 SCERS' investment managers and individuals or entities serving as a compensated representative of the investment manager for the purpose of securing an investment by SCERS ('Third Party Representatives'). The goal of the Third Party Representation and Fee Sharing Policy is to help ensure that SCERS' investment decisions are made solely on the merits of the investment opportunity, are reasonably prudent from a fiduciary perspective, and are consistent with SCERS' Investment Policy and Objectives.

Furthermore, it is the intent of this policy to comply with the requirements of Government Code §§7531.85 and 7513.9 which require a board of any public retirement system to adopt and implement a policy which requires minimum disclosure requirements with respect to the use of placement agents by Investment Managers and Manager Candidates.

Definition of Third Party Representative

For purposes of the Third Party Representation and Fee Sharing Policy, a Third Party Representative is defined as follows: Any person or entity hired, engaged by, or acting on behalf of an investment manager, or on behalf of another Third Party Representative, as a finder, solicitor, placement agent, marketer, consultant, broker or other intermediary to raise money or solicit investment funding from or to obtain access to SCERS, either directly or indirectly. This definition does not include employees, officers, directors, partners or members that spend more than one third of their time managing the securities or assets.

## Application of the Third Party Representation and Fee Sharing Policy

The Third Party Representation and Fee Sharing Policy shall apply to all current SCERS investment managers and all investment managers being considered by SCERS for an investment management engagement ('Investment Managers and Manager Candidates').

### Responsibilities

A. Investment Managers and Manager Candidates shall:

1. Provide the following information to SCERS promptly upon request:
  - a. Whether the Investment Manager of Manager Candidate or any of their principals, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any Third Party Representative in connection with any investment or proposed investment by SCERS.
  - b. A resume for each officer, partner, or principal of the Third Party Representative detailing the education, professional designations, regulatory licenses and investment and work experience. It should be specifically noted if any such individual is a current or former SCERS 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 the Third Party Representative, including the nature, timing, and value thereof.
  - d. A description of the services to be performed by the Third Party Representative.
  - e. A statement as to whether the Third Party Representative is utilized by the Investment Manager of Manager Candidate with all clients or prospective clients or with only a subset of clients or prospective clients.
  - f. Whether any current or former SCERS Board Member, employee or consultant suggested the retention of the Third Party Representative.
  - g. Whether the Third Party Representative or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agency in a

country other than the United States, the details of such registration, or an explanation of why no registration is required.

- h. Whether the Third Party Representative or any of its affiliates is registered as a lobbyist with any state or national government.
2. Provide an update of any changes to the information required above (collectively, 'Third Party Representation Disclosure Information') within thirty (30) days of the occurrence of the change in information.
3. Agree to incorporate compliance with the Third Party Representation and Fee Sharing Policy in the investment management engagement with SCERS.
4. Require any Third Party Representative acting on its behalf in connection with any investment, or potential investment, by SCERS to disclose to SCERS' Staff any campaign contribution or gift made by the Third Party Representative to any member or former member of the SCERS' Board, SCERS' Staff or SCERS' consultant during the prior twenty-four (24) month period or while continuing to receive any compensation in connection with a SCERS investment.
5. Fully cooperate with SCERS Staff in monitoring and assuring compliance with the Third Party Representation and Fee Sharing Policy.

B. SCERS Staff shall:

1. Assure that an agreement to comply with the Third Party Representation and Fee Sharing Policy is incorporated in all current and future investment management engagements.
2. Assure that all existing Investment Managers complete and submit the Third Party Representation and Disclosure Information to SCERS in a timely manner. SCERS has developed a Placement Agent Disclosure Form (Form) to supplement this policy that is designed to capture the data and information described in this section. The Form is presented to all Investment Managers and Manager Candidates; completion of which is a requirement for SCERS to enter into any formal investment agreement.

3. Confirm that the Investment Manager or Manager Candidate is solely responsible for any fees, compensation or expenses for any Third Party Representative, and that SCERS will not pay any such items either directly or indirectly.
  4. Provide the SCERS Board with the Third Party Representation and Disclosure Information prior to any investment decision by SCERS with respect to the Investment Manager or Manager Candidate.
  5. Promptly advise the SCERS Board of any material violation of the Third Party Representation Disclosure Policy.
  6. Compile a quarterly report regarding the names of Third Party Representatives by each Investment Manager.
- C. Sanctions in the event of a material omission or inaccuracy in the Third Party Representation and Disclosure Information, or any other material violation of the Third Party Representation and Fee Sharing Policy can include, but are not limited to:
1. The reimbursement to SCERS of any management or investment advisory fees for one (1) year, or an amount equal to the amounts paid or promised to be paid to the Third Party Representative, whichever is greater.
  2. Immediate termination of the investment management engagement without penalty, or withdrawal without penalty from the limited partnership, limited liability company, or other investment vehicle, or suspension of any further capital contributions (and any fees on these re-called commitments) to the limited partnership, limited liability company, or other investment vehicle.
  3. A prohibition on the Investment Manager, Manager Candidate or Third Party Representative from soliciting new investments from SCERS for twenty-four (24) months.
  4. The SCERS Board shall determine which sanction(s) will apply in a given case based on the nature of the violation of the Third Party Representation and Fee Sharing Policy and any other relevant legal parameters.

- D. All parties responsible for implementing, monitoring and complying with the Third Party Representation and Fee Sharing 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 Third Party Representation and Fee Sharing Policy, the Policy should be interpreted to require disclosure.