



## Placement Agent Disclosure Policy

### I. PURPOSE

StanCERA Retirement Board members, its employees, external investment managers and consultants are all subject to numerous legal requirements intended to ensure the ethical conduct of all parties involved in the prudent handling of the investment of StanCERA monies held in trust for member retirement benefits as governed by the County Employees Law of 1937 (or "1937 Act") and all subsequent legislation. Ethical conduct by all parties includes the compliance to legal requirements, insuring that fiduciary responsibilities are maintained throughout all processes and preventing conflicts of interest in decision making.

This Policy sets forth the circumstances under which StanCERA shall require the disclosure of payments to Third Party Representatives (also known as Placement Agents) by external investment managers or consultants in connection with securing investment related business with StanCERA.

The purpose of this Policy is to enhance the transparency of investment related decisions by requiring broad and timely disclosure of the existence of any relationships between StanCERA external investment managers or consultants and other Third Party Representative(s) who serve as compensated representative(s) of the external investment manager or consultant to secure investment related business with StanCERA. The goal of this Policy is to help ensure that all investment related decisions are made solely on the merits of the investment opportunity, are reasonable and prudent from a fiduciary perspective and are consistent with StanCERA's Statement of Investment Policy.

### II. Glossary of Terms

#### A. Consultant

Person (s) or firms(s) including key personnel of such firms(s), who are contractually retained by StanCERA to provide advice to StanCERA on investments, external manager selection and monitoring, and other services, but who do not exercise investment discretion, generally.

#### B. External Manager (As defined in Government Code section 7513.8(b))

1. A person who is seeking to be, or is, retained by the StanCERA Board of Retirement or an Investment Vehicle to manage a portfolio of securities or other assets for compensation
2. A person who manages an Investment Fund and who offers or sells, or has offered or sold an ownership interest in the Investment Fund to the StanCERA Board of Retirement or an Investment Vehicle.

#### C. Investment Fund (As defined in Government Code section 7513.8(c))



1. "Investment fund" means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets.
2. Notwithstanding paragraph (1), an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and that makes a public offering of its securities is not an investment fund.

D. Investment Vehicle (As defined in Government Code section 7513.8(d))

A corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an external manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other external managers.

E. Placement Agent (As defined in Government Code section 7513.8(f))

1. Any person or entity hired, engaged by or acting for the benefit of or on behalf of an external manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation 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 StanCERA, either directly or indirectly.
  - a. In the case of an External Manager within the meaning of paragraph (1) of 75138(b), the investment management services of the external manager.
  - b. In the case of an External Manager within the meaning of paragraph (2) of 7513.8(b), an ownership interest in an Investment Fund managed by the External Manager.
2. Notwithstanding paragraph (1), an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and 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.

**III. Application**

This Policy is effective immediately upon adoption by the Retirement Board. This policy is intended to supplement any applicable provisions of state or federal law and to comply with such laws. This Policy shall apply to current external investment managers and consultants as well as those firms who are considered for investment management or consultation subsequent to the adoption of this Policy.



#### IV. RESPONSIBILITIES

- A. **Each External Manager is responsible for** providing the following information (collectively, the “Placement Agent Disclosure Form”) to Staff promptly within 30 days of receipt of notification from StanCERA staff that the information needs to be supplied.

Each firm that is being considered for investment management or consultation subsequent to the adoption of this Policy shall submit the following information to the Retirement Board and its investment consultant BEFORE making any presentations to the Retirement Board. The information shall include:

1. A statement that the firm or any of its principals, agents or affiliates has (or has not) compensated or agreed to compensate, directly or indirectly, any Third Party Representative (or Placement Agent) in connection with any investment or proposed investment by StanCERA. If compensation of a Third Party Representative (or Placement Agent) has occurred or been agreed upon, items 2 – 8 need to be completed.
2. A resume for each officer, partner or principal of the Third Party Representative (or Placement Agent) detailing the education, professional designations, regulatory licenses, investment and work experience. The resume shall include whether the person is a current or former StanCERA Retirement Board member, StanCERA employee or consultant to StanCERA, or a member of the immediate family of a StanCERA Retirement Board member, StanCERA employee or consultant to StanCERA.
3. A description of any and all compensation of any kind provided or agreed to be provided to a Third Party Representative (or Placement Agent) including the nature, timing and value thereof along with written acknowledgment that the compensation is the sole responsibility of the investment manager or consultant.
4. A description of the services to be performed by the Third Party Representative (or Placement Agent).
5. A statement as to whether the Third Party Representative (or Placement Agent) is used by the investment manager or consultant with all prospective clients or only a subset of prospective clients.
6. A written copy of any and all agreements between the investment manager or consultant and the Third Party Representative (or Placement Agent).
7. The name(s) of any current or former StanCERA Retirement Board member, StanCERA employee or consultant(s) to StanCERA who suggested the retention of the Third Party Representative (or Placement Agent).
8. A statement that the Third Party Representative (or Placement Agent) is registered with the United States Securities and Exchange Commission, the United States Financial Industry Regulatory Authority, the United States Commodity Futures



Trading Commission or any similar regulatory agency in a country other than the United States including the details of such registration.

9. A statement whether the Third Party Representative (or Placement Agent) or any of its affiliates, is registered as a lobbyist with any state or national government, or with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a county other than the United States and the details of such registration or explanation of why no registration is required.
10. A statement that the Third Party Representative (or Placement Agent) understands and agrees that all of the information provided to StanCERA pursuant to this Policy is public information and subject to disclosure under the Public Records Act.

Investment managers and consultants shall provide to StanCERA any updated information of the above items (1 to 9) within 30 days of the change in information.

Investment managers and consultants shall agree to incorporate this Policy and compliance thereto as part of the investment manager's or consultant's agreement with StanCERA for services rendered. Investment managers and consultants will cooperate with StanCERA staff in monitoring and assuring compliance with this Policy.

In cases where there is uncertainty whether a disclosure should be made, the Policy should be interpreted to require disclosure.

Any Third Party Representative (or Placement Agent) shall, prior to acting as such, disclose to StanCERA the following:

1. All campaign contributions made by the Third Party Representative (or Placement Agent) to any elected StanCERA Retirement Board member during the prior 24 months and while the Third Party Representative (or Placement Agent) is receiving compensation in connection with a StanCERA investment.
2. All gifts, as defined in Government Code section 82028, given by the Third Party Representative (or Placement Agent) to any StanCERA Retirement Board member or employee or consultant during the prior 24 month period and while the Third Party Representative (or Placement Agent) is receiving compensation in connection with a StanCERA investment.

**B. StanCERA staff are responsible for the following actions:**

1. Ensure that an agreement to comply with this Policy is incorporated in all current and future investment management agreements. Ensure that all existing External Managers complete and submit the Placement Agent Information Disclosure to StanCERA in a timely manner.
2. Ensure that future candidates for StanCERA investment management or consultant services provide all information as noted above and such information is forwarded to the Retirement Board BEFORE any presentation is made to the Retirement Board



3. Provide the Board with the disclosure information before any investment decision by the StanCERA Board with respect to that Manager. Promptly advise the Board of any material violation of this Policy.

**C. Sanctions for Policy Violations**

In the event of a material omission or inaccuracy in the information disclosed pursuant to this Policy, the following sanctions may be applied by the Retirement Board:

1. The reimbursement to StanCERA by the investment manager or consultant of the greater of the following:
  - a. Any investment management or advisory fees paid over four quarters or
  - b. An amount equal to the amounts paid or promised to be paid to the Third Party Representative (or Placement Agent)
2. Immediate termination of the investment management or consultation agreement without penalty to StanCERA, including withdrawal from a limited partnership, limited liability company or other investment vehicles and the cessation of any further capital contributions thereto.
3. A prohibition for the existing or potential investment manager or consultant or Third Party Representative (/Placement Agent) from soliciting new investments from StanCERA for five (5) years. The five (5) years may be reduced by a majority vote of the Retirement Board at a public session upon a showing of good cause.
4. Any other sanction(s) which in the opinion of legal counsel is prudent and assists the Retirement Board in meeting its fiduciary obligations.

**V. Policy Review**

This Board shall review this policy at least every three years.

**VI. Policy History**

Adopted by the Retirement Board on May 25, 2010

Reviewed and Amended by the Retirement Board on December 17, 2019

Reviewed and amended by the Board of Retirement

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Rick Santos, Executive Director

Approval / Adoption Date: 12/17/2019