

CITY OF SAN JOSE DEPARTMENT OF RETIREMENT SERVICES

BOARD OF ADMINISTRATION OF THE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

PLACEMENT AGENT DISCLOSURE POLICY

This policy applies to all current Investment Managers and all Investment Managers being considered (collectively, "External Manager(s)") by the City of San Jose Department of Retirement Services ("DRS") for recommendation to the Board of Administration, and is effective immediately upon adoption. It is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

PURPOSE

This Policy sets forth the circumstances under which the Board of Administration ("Board") of the City of San Jose Federated City Employees' Retirement System ("System") shall require the disclosure of payments to Placement Agents in connection with investments in or through External Managers on behalf of the System, and in conformance with AB1584, which was chaptered into law on October 11, 2009.

This Policy is intended to apply broadly to all of the types of investment partners with whom the Board 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 Board adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to the members of the System.

DEFINITIONS

- A. **Consultant**: Person(s) or firm(s), including key personnel of such firm(s), who are contractually retained by the Board to provide advice on investments, External Manager selection and monitoring, and other services, but who do not exercise investment discretion.
- B. **External Manager**: An asset management firm, partnership, general partner, limited liability company or other entity or investment vehicle that is seeking to be, or has been, retained by the Board to manage a portfolio of assets or interests (including securities) of the System for a fee. The external manager usually has full discretion to manage the System's assets, consistent with its fiduciary responsibilities and the investment management guidelines provided by the Board.

- C. **Placement Agent:** Person(s) or firm(s) hired, engaged or retained by or acting on behalf of an External Manager or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investments from or to obtain access to the Board, directly or indirectly.

APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. 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 or amended, or there is any increased commitment of funds by the Board pursuant to the existing agreement, or there is any amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the External Manager, or the timing thereof.

RESPONSIBILITIES

External Managers

Each External Manager is responsible for providing the following information (collectively, the "Placement Agent Information Disclosure") to Staff at the time investment discussions are initiated between the External Manager and DRS Staff regarding possible future engagement of the External Manager to manage current or future assets of the System and thereafter as indicated.

1. 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 (whether or not employed by the External Manager) or entity to act as a Placement Agent in connection with any investment by the Board.
2. A resume for each officer, partner or principal of the Placement Agent (and any individual or entity providing similar services) detailing the person/principals' education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former member of the Board of Administration, an or Consultant of DRS or the City of San Jose ("City"), a Consultant to DRS or the City, or a member of the immediate family of any of the abovenamed, this fact shall be specifically noted.
3. 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 as well as employees of the External Manager who are retained in order to solicit an investment from the Board or who are paid based upon investment commitments secured by such employees, except for those bona fide employees earning less than \$100,000 per year in salary that do not receive any incentive compensation based substantially on the Board's decision to invest with the External Manager.
4. A description of the services to be performed by the Placement Agent.

5. A written copy of any and all agreements between the External Manager and the Placement Agent.
6. The names of any current or former Board members, employees, or Consultants who suggested the retention of the Placement Agent.
7. 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, the Commodities Futures Trading Commission, or any recognized non-US regulatory financial regulatory authority in a country other than the United States and the details of such registration or explanation of why no US registration is required.
8. A statement whether the Placement Agent or any of its affiliates are registered as a lobbyist with any state or national government, and the details of that registration.
9. Providing an update of any changes to any of the information included in the Placement Agent Information Disclosure within ten (10) business days of the occurrence of the change in information.
10. 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 ten (10) business days of any change in the information.
11. Causing its engaged Placement Agent, prior to acting as a Placement Agent with regard to the Board, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the Board or Staff, any individual seeking or intending to seek appointment to the board or election to public office in the City, or to the Consultant, during the prior twenty-four month (24) period.
12. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with an investment of the Board, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the Board, Staff, any individual seeking or intending to seek appointment to the board or election to public office in the City or to the Consultant, or to the Consultant during such period.

Department of Retirement Services Investment Staff ("Staff")

DRS Investment Staff is responsible for all of the following except as specified below:

1. Providing External Managers, Consultants, 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 Information 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 the Board and the External Manager to provide the Board 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 this Policy:
 1. Whichever is greater, the reimbursement of any management or advisory fees paid or promised to be paid to the Placement Agent for two years as a result of the investment, and
 2. 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 without penalty.
4. For new contracts and amendments to contracts existing as of the date of the Policy, confirming that the final written agreement between the Board and the External Manager provides that the External Manager shall be solely responsible for, and DRS 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 any pension plan administered by DRS for five (5) years after they have committed a material violation of this Policy; provided, however, that the Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
6. Providing copies of the Placement Agent Information Disclosure and the Placement Agent disclosures referred to in "Responsibilities – External Managers", above, to the Board Secretary and the Chief Investment Officer whenever the Board makes or approves the decision to invest with the External Manager.
7. Providing to the Board meeting as the Committee of the whole a quarterly report 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, (b) any material violations of this Policy; (c) contributions and gifts to Board members as reported by Placement Agents, and (d) by maintaining the report as a public record.

External Managers shall comply with this Policy and cooperate with the Consultant and Staff in meeting their obligations under this Policy.

PUBLIC RECORD

The Placement Agent Information Disclosure and related documents shall be public records subject to the California Public Records Act.

POLICY REVIEW

The Board of Administration will review this Policy at least once every three years to ensure that it remains relevant and appropriate.

POLICY HISTORY

The Board of Administration of the Federated City Employees' Retirement System adopted this Policy on June 10, 2010.



Russell U. Crosby, Secretary to the Board