

CITY OF SAN JOSE OFFICE 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 of the San Jose Federated City Employees' Retirement System ("System"), including both Pension and Health Care trusts of the System, and all Investment Managers being considered (collectively, "External Manager(s)") by the Board of Administration of the System ("Board"), its Consultants and Staff of the City of the San José Office of Retirement Services ("ORS") and is effective immediately upon adoption. It is intended to be consistent with applicable provisions of state and federal law, which shall govern in the event of any inconsistency.

PURPOSE

This Policy sets forth the circumstances under which the System shall require the disclosure of information about Placement Agents used by External Managers in connection with investments proposed or made for or on behalf of the System, and in conformance with applicable state law.

This Policy is intended to apply broadly to all of the types of investment partners with whom the System does business, including the general partners, managers, investment managers and sponsors of collective funds such as hedge funds, private equity funds, real estate funds and infrastructure funds, as well Investment Managers retained pursuant to a contract. The Board adopts this Policy to require appropriate, 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 and their beneficiaries.

Section references herein are to the relevant sections of the California Government Code.

I. 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 discretion in managing the investment of System assets.

- B. **External Manager**: An individual, corporation, partnership, limited partnership, limited liability company, association or investment vehicle, either domestic or foreign, (a) who is seeking to be, or is, retained by the System to manage a portfolio of securities or other assets, for compensation; or (b) who manages an investment fund and who offers or sells, or who has offered or sold, an ownership interest in the investment fund to the System.

Sections 7513.8 (b), (d) and (e)

- C. **Investment Fund**: 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.

Section 7513.8(c)(1)

Notwithstanding the foregoing definition, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 and that makes a public offering of its securities is not an Investment Fund.

Section 7513.8(c)(2)

- D. **Investment Vehicle**: A corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which the System is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

Section 7513.8(d)

- E. **Person**: An individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

Section 7513.8(e)

- F. **Placement Agent**: Any person directly or indirectly hired, engaged, or retained by, or serving 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, marketer, consultant, broker, or other intermediary in connection with the offer or sale to the System or an investment vehicle of either of the following: (a) the investment management services of an External Manager or (b) an ownership interest in an investment fund managed by the External Manager.

Section 7513.8(f)(1)

Notwithstanding the foregoing definition, 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.

Section 7513.8(f)(2)

II. 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 (including by a vote, consent, or waiver by the limited partners/investors or a subset of the limited partners/investors or separate side agreement or amendment to a side agreement), 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. In the case of an amendment, the disclosure provisions of Section III. A. of this Policy shall apply to the amendment and not to the original agreement.

III. RESPONSIBILITIES

A. External Managers

An External Manager is responsible for providing the following information (collectively, the “Placement Agent Information Disclosure”) to the Board or its designee at the time investment discussions are initiated between the External Manager and the System regarding the potential or actual engagement of the External Manager to manage assets of the System and thereafter as indicated.

1. Disclosure of the existence of any relationship between the External Manager and any Placement Agent (whether or not employed by the External Manager) in connection with System investments.

Section 7513.85(a)(1)

2. A resume for each officer, partner or principal of the Placement Agent detailing the Person’s education, professional designations, regulatory licenses and investment and work experience.

Section 7513.85(a)(2)

If any such Person is a current or former member of the Board, a Consultant to the System or to the City of San Jose (“City”), or a member of the immediate family of any of the foregoing, this fact shall be specifically noted.

Various California and City laws and rules

3. A description of any and all compensation of any kind provided, or agreed to be provided to a Placement Agent.

Section 7513.85(a)(3)

4. A description of the services to be performed by the Placement Agent.

Section 7513.85(a)(4)

5. 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 regulatory agent in a country other than the United States and the details of that registration or explanation of why no registration is required.

Section 7513.85(a)(5)

8. A statement whether the Placement Agent, or any of its affiliates is registered as a lobbyist with any local, state or national government.

Section 7513.85(a)(6)

9. 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 any potential System investment, to disclose to the Board or designee any campaign contribution, gift or other item of value made by the Placement Agent to any member of the Board, ORS 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 the prior twenty-four month (24) period.
Section 7513.9; various California and City laws and rules
12. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with an investment of the System, to disclose to the Board or designee any campaign contribution, gift or other item of value made or given to any member of the Board, ORS 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.
Section 7513.9; various California and City laws and rules
13. Causing its engaged Placement Agent to timely file any applicable reports with the City of San José required of lobbyists who must register and file reports, and to comply with any applicable requirements imposed by the City of San José pursuant to Government Code Section 81013, unless otherwise exempted by Government Code section 7513.87(b).
*Section 7513.87(a);
City of San José Lobbyist Regulations, Municipal Code Chapter 12.12*

B. Office of Retirement Services Investment Staff (“Staff”)

ORS Investment Staff is responsible for all of the following:

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 an External Manager or the Board’s decision to make any investment or engagement.
3. For new contracts and amendments to contracts existing as of the date of this Policy, securing the written agreement of the External Manager to comply with this Policy.
Section 7513.85(c)

4. For new contracts and amendments to contracts existing as of the date of this Policy, securing the written agreement of the External Manager to provide the System 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:
 - a. Whichever is greater, the reimbursement of any management or advisory fees paid or promised to be paid to the Placement Agent for the prior two years as a result of the investment, and
 - b. The authority (i) 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, except in the case of private equity or real estate or other relatively illiquid investments with a long lock-up period, or (ii) 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.
5. For new contracts and amendments to contracts existing as of the date of the Policy, securing the written agreement of the External Manager that the External Manager shall be solely responsible for, and the System shall not pay (directly or indirectly), any fees, compensation or expenses for any Placement Agent engaged by the External Manager. A provision that allows the External Manager to pay Placement Agent fees or compensation from capital contributed by the System with a corresponding reduction in the management fee payable with respect to the System's investment shall not be regarded as a payment of the Placement Agent fee or compensation by the System for purposes of this provision.
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 or designee a quarterly report containing (a) the names and description of the 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.

IV. COMPLIANCE

- A. The System shall not enter into any agreement with an External Manager that does not agree in writing to comply with this Policy.

Section 7513.85(c)
- B. External Managers shall cooperate with the Consultant and Staff in meeting their obligations under this Policy.

- C. External Managers or Placement Agents who violates this Policy shall be barred from soliciting new investments from the System for five (5) years after the violation was committed; *provided* that the Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

Section 7513.85(b)

V. PUBLIC RECORD

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

VI. RESERVATION OF RIGHTS

The Board reserves its right to take action other than as provided in this Policy if the Board determines, in good faith, that the action is consistent with the fiduciary responsibilities of the Board as described in Section 17 of Article XVI of the California Constitution.


Section 7513.85(d)

VII. POLICY REVIEW

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

VIII. POLICY HISTORY

The Board of Administration of the Federated City Employees' Retirement System adopted this Policy on June 3, 2010 and revised the policy on August 5, 2010, August 16, 2012 and May 19, 2016.



Roberto L. Peña
Secretary to the Board