

SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM

PLACEMENT AGENT POLICY

- I. **PURPOSE:** This policy recognizes that investment managers, in both the public and private markets, use placement agents and third party marketers to help them raise capital. The purpose of this policy is to promote and require transparency in the use of placement agents in connection with SFERS investment decisions. This policy formalizes the SFERS' existing practice of making investment decisions solely on the merits of the investment and in a manner consistent with the fiduciary duties of the SFERS Board.
- II. **APPLICATION:** This policy applies to all agreements with External Managers that are entered into after the effective date of this policy.
- III. **DEFINITIONS:** The following definitions shall be used in this policy:

"External Manager" means an asset management firm that is seeking to be, or has been, retained by the SFERS, to manage a portfolio or assets, including securities, for a fee.

"External Manager Disclaimer" has the meaning set forth in Article IV.A.

"External Manager Initial Disclosure" has the meaning set forth in Article IV.A.

"External Manager Updated Disclosure" has the meaning set forth in Article V.

"FINRA" means Financial Industry Regulatory Association.

"Gift" has the meaning set forth in California Government Code Section 87200.

"Placement Agent" means any person or entity hired, engaged, retained by, acting on behalf of, an External Manager, or on behalf of a third party marketer or another placement agent, as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investment from, or to obtain access to, the SFERS, directly or indirectly, including, without limitation, through an investment vehicle.

"Placement Agent Initial Disclosure" has the meaning set forth in Article VII.

"Placement Agent Updated Disclosure" has the meaning set forth in Article VIII.A.

"Statutory Period" has the meaning set forth in Article X.

- IV. **EXTERNAL MANAGER INITIAL DISCLOSURE OBLIGATIONS:**

- A. Each External Manager must provide a written representation to SFERS that the External Manager has not used a Placement Agent in connection with SFERS investment with the External manager ("***External Manager Disclaimer***"), or must provide the following information ("***External Manager Initial Disclosure***") to SFERS Staff:
 1. The name(s) of the Placement Agent(s) and the relationship between the external Manager and the Placement Agent, including a description of the

- services provided by the Placement Agent and any and all compensation of any kind agreed to be provided to the Placement Agent;
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.
 3. A statement as to whether the Placement Agent, or any of its affiliates, is registered with the SEC or FINRA or any similar regulatory agent in a country other than the United States, and the details of the registration or an explanation of why no registration is required; and
 4. A statement as to whether the Placement Agent or any of its affiliates, is registered as a lobbyist with any state or national government.
- B. Each External Manager must provide the External Manager Disclaimer or the External Manager Initial Disclosure, as applicable, at least 15 Business Days prior to the SFERS Board considering any investment with that External Manager.
- V. **EXTERNAL MANAGER CONTINUING DISCLOSURE OBLIGATIONS:**
- External Managers who enter into an agreement with the SFERS after the effective date of this policy will have an ongoing disclosure obligation to provide updated information ("***External Manager Updated Disclosure***") to SFERS Investment Staff within 15 Business Days of any change in the information reported by that External Manager in either its External Manager Disclaimer , External Manager Initial Disclosure, or previous External Manager Updated Disclosure.
- VI. **EXTERNAL MANAGER AGREEMENTS – SPECIFIC PROVISIONS:** Any agreement between the SFERS and an External Manager will provide for the following:
- A. An affirmative agreement by the External Manager that it will comply with this policy as a material obligation under the agreement.
 - B. A representation and warranty by the External Manager that any information disclosed to the SFERS under this policy is complete and accurate.
 - C. An agreement by the External Manager to require any Placement Agent acting on their behalf in connection with a potential investment with the SFERS to comply with the Placement Agent disclosure requirements of this policy.
 - D. A termination provision granting to the SFERS the right to terminate the agreement without financial penalty if a material violation of this policy occurs.
 - E. Any fee paid to a Placement Agent shall be borne by the external manager and not by SFERS.
- VII. **PLACEMENT AGENT INITIAL DISCLOSURE OBLIGATIONS:** A Placement Agent, prior to acting as a Placement Agent in connection with a potential SFERS investment, must disclose the following information ("***Placement Agent Initial Disclosure***):
- A. All campaign contributions made by that Placement Agent to any member of the SFERS Board during the prior 24-month period; and

- B. All gifts given by the Placement Agent to any member of the SFERS Board or to SFERS staff during the prior 24-month period.

VIII. PLACEMENT AGENT CONTINUING DISCLOSURE OBLIGATIONS:

- A. At any time that a Placement Agent is receiving compensation in connection with a SFERS investment, the Placement Agent must disclose the following information (*"Placement Agent Updated Disclosure"*):
1. Any subsequent campaign contribution made by the Placement Agent to a member of the SFERS Board and
 2. Any subsequent gift given by the Placement Agent to any member of the SFERS Board or SFERS Staff.
- B. The Placement Agent Updated Disclosure must be made to SFERS Staff within 15 Business Days of any campaign contribution or gift being made.

IX. SFERS STAFF RESPONSIBILITIES: The SFERS Staff is responsible for the following:

- A. Providing External Managers with a copy of this policy within 10 Business Days of initiating due diligence in connection with a prospective investment with an External Manager;
- B. Providing Placement Agents with a copy of this policy and receiving the Placement Agent Initial Disclosure prior to any telephone call or meeting to discuss a prospective investment with an External Manager;
- C. Confirming that either (i) the External Manager Disclaimer, or (ii) the External Manager Initial Disclosure and Placement Agent Initial Disclosure has been received at least 15 Business Days prior to the SFERS Board considering an investment with that External Manager;
- D. Maintaining records of all information disclosed to the SFERS in accordance with this policy;
- E. Informing the SFERS Board at the meeting where an investment decision with an External Manager will be considered of the name(s) of any Placement Agent(s) used by the External Manager in connection with the proposed investment, and any campaign contributions or gifts reported by each Placement Agent.
- F. Providing the SFERS Board with notice of any violation of this policy at the next scheduled SFERS Board meeting after Staff has learned of the violation.

X. SFERS BOARD RESPONSIBILITIES: The Board must review all violations reported by SFERS Staff promptly at a public session, and consider whether each violation is material and whether to prohibit that External Manager and/or Placement Agent from soliciting new investments from SFERS for a period less than the statutory requirement, which is five (5) years from the date of the violation (the *"Statutory Period"*). The SFERS Board may only reduce this Statutory Period by a majority vote of the Board at a public session, upon a showing of good cause. In the absence of a vote, or if a vote occurs and a majority vote in favor of reducing the Statutory Period is not achieved, the

External Manager and/or Placement Agent will be prohibited from soliciting new investments from the SFERS for the entire Statutory Period. A majority vote of the SFERS Board at a public session will be required to terminate an agreement with any External Manager for violations found to be material by the Board, and which the SFERS Board determines make it inappropriate for SFERS to continue its relationship with that External Manager.

This policy was adopted by the SFERS Board on June 8, 2010. This policy is intended to supplement any applicable provisions of state or federal law. Applicable state or federal laws shall govern in the event of any inconsistency.