

## PLACEMENT AGENT DISCLOSURE POLICY

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### I. PURPOSE AND BACKGROUND

This Policy describes the circumstances under which the Mendocino County Employees' Retirement Association ("MCERA") shall require the disclosure of payments to Placement Agents in connection with MCERA investments in or through External Managers. This Policy is intended to apply broadly to all of the types of investment partners with whom MCERA does business.

MCERA 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 MCERA's investment decisions are made solely on the merits of the investment opportunity, are reasonable and prudent from a fiduciary perspective, and are consistent with MCERA'S investment policy objectives.

### II. GLOSSARY OF TERMS

#### Consultant

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

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

1. A person who is seeking to be, or is, retained by the MCERA Board of Retirement to manage a portfolio of securities or other assets for compensation.
2. A person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to the MCERA Board of Retirement or an Investment Vehicle.

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

1. 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, engage 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.

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

A corporation, partnership, limited liability company, association, or other entity, either domestic or foreign, constituting or managed by an External Manager in which the MCERA Board of Retirement is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

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

1. 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 MCERA Board of Retirement or an Investment Vehicle, either of the following:
  - a. In the case of an External Manager within the meaning of paragraph (1) of 7513.8(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 shall apply to all current MCERA External Managers and all External Managers being considered by MCERA for an investment management engagement.

### **IV. RESPONSIBILITIES**

1. Each External Manager is responsible for:
  1. Providing the following information (collectively, the “Placement Agent Disclosure Form”) to Staff promptly upon request.
    - a. 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 MCERA.
- b. A resume for each officer, partner or principal of the Placement Agent (and any employee providing similar services) detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former MCERA Board member, employee or Consultant, or a member of the immediate family of any such person, this fact shall be specifically noted.
  - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the general structure and timing of such compensation.
  - d. A description of the services to be performed by the Placement Agent.
  - e. A copy of any and all agreements between the External Manager and any third-party (non-employee) Placement Agent(s).
  - f. A statement as to whether the Placement Agent is utilized by the External Manager with all clients or prospective clients or with only a subset of clients or prospective clients.
  - g. Whether any current or former MCERA Board Member, employee or Consultant suggested the retention of the Placement Agent.
  - h. A statement whether the Placement Agent or any of its affiliates are 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 country other than the United States and the details of such registration or explanation of why no registration is required.
  - i. Representing to MCERA that the External Manager is solely responsible for any fees, compensation or expenses for any Placement Agent and that MCERA will not pay any such items.
  - j. A statement that the External Manager agrees and understands that, for two years after leaving their position, former board members or administrators shall not receive compensation for appearing before or communicating with a MCERA Board member or staff for the purpose of influencing the Board to take certain action regarding investments.
  - k. Representing to MCERA that the External Manager understands and agrees that all of the information provided to MCERA pursuant to this Policy is public information and subject to disclosure under the Public Records Act.
2. Providing an update of any changes to any of the information included in the Placement Agent Disclosure Form within 30 days of the occurrence of the change in information.
  3. Causing its engaged Placement Agent, prior to acting as a Placement Agent with regard to MCERA, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the MCERA Board or Staff or Consultant during the prior twenty-four month period.
  4. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with a MCERA investment, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the MCERA Board or Staff or Consultant, during such period.

2. Staff is responsible for all of the following:
  1. Assure that an agreement to comply with this Policy is incorporated in all current and future investment management agreements.
  2. Assure that all existing External Managers complete and submit the Placement Agent Information Disclosure to MCERA in a timely manner.
  3. Assure that an External Manager candidate completes and submits the disclosure information to MCERA before consideration by the Board for an investment management engagement.
  4. Provide the Board with the disclosure information before any investment decision by the MCERA Board with respect to that manager.
  5. Promptly advise the Board of any material violation of this Policy.
3. Sanctions in the event of a material omission or inaccuracy in the Disclosure can include, but are not limited to:
  1. For failure to disclose a relationship with a third party Placement Agent the reimbursement to MCERA of an amount equal to the amounts paid or promised to be paid to that Placement Agent in connection with any investment by MCERA.
  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 recalled commitments) to limited partnership, limited liability company, or other investment vehicle.
  3. A prohibition on the External Manager or Placement Agent from soliciting new investment from MCERA for five (5) years. This prohibition may be reduced by a majority vote of the Board upon a showing of good cause.
  4. The MCERA Board shall determine which, if any, sanctions will apply in a given case based on the nature of the violation and any other relevant legal parameters.
4. All parties responsible for implementing, monitoring and complying with this 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, the Policy should be interpreted to require such disclosure.

## **V. POLICY REVIEW**

This Policy is subject to change in the exercise of the Board's judgment. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate and consistent with state and federal laws and regulations. In the event of legislative changes to the pertinent sections addressed in this policy, the Board will review the policy as appropriate.

## **VI. POLICY HISTORY**

This policy was adopted by the Board of Retirement on November 9, 2011.

This policy was reviewed and amended by the Board of Retirement on April 20, 2016.

This policy was reviewed by the Board of Retirement on November 7, 2018.