

Section 2.0 CONTRACT ADMINISTRATION

2.1 MARKETING CESSATION POLICY

Adopted: April 24, 2007; Revised June 10, 2014

Purpose

The purpose of this policy is to ensure a transparent and fair contracting process which provides equal information and opportunity to all parties interested in contracting with LACERS. The policy helps prevent, and avoid the appearance of, undue influence on the Board or any of its Members in the award of investment related and other service contracts by placing restrictions on communications between parties seeking contracts and those involved in contract award and the contract process.

Parties Affected

Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance, and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy.

Notification

All firms responding to a Request for Proposal are notified of the Department's Marketing Cessation Policy through the Request for Proposal solicitation. All firms whose contracts are approaching expiration are additionally notified of the Marketing Cessation Policy through their contract provisions.

Restricted Period

Restrictions apply from the time the Request for Proposal is released until a contract is executed.

Restrictions:

Communication Restrictions

All firms that are potential candidates for the award of a contract, or extension of an existing contract, are prohibited from engaging in any direct or indirect marketing of their services except through the process set forth in the Request for Proposal. This includes a prohibition on conversations about the contract or the process to award it, but does not exclude conversations with restricted sources about generic topics at group social events, educational seminars, conferences, or charitable events.

Communications with firms who currently have contracts with LACERS are acceptable when they are related to the performance of the existing contract.

Gift Restrictions

In addition to all other applicable gift restrictions, Board Members and Staff will accept no entertainment or gifts of any kind from any Restricted Source, or intermediary, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members or Staff during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer.

Section 2.0 CONTRACT ADMINISTRATION

Proposer Disclosure

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All respondents are required to submit a statement listing all contacts with Board Members, Staff, and Consultants during the restricted period.
2. All respondents shall provide information regarding any personal or business relationship between their personnel and any Member of the Board, Staff of LACERS, or Consultants who are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All respondents shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

Penalties

Any failures to disclose, or false disclosures, are a violation of this policy shall result in automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

Section 2.0 CONTRACT ADMINISTRATION

2.2 THIRD PARTY MARKETER COMPLIANCE POLICY

Adopted: June 8, 2010; Revised December 14, 2010

This Policy supersedes any previously adopted policy and is effective immediately upon adoption.

Purpose

The purpose of this policy is to maximize transparency and avoid actual or perceived conflicts of interest when LACERS considers investment proposals in order to ensure that system investment decisions are made solely on the merits of the investment opportunity by individuals that owe a fiduciary duty to the system. This policy requires firms submitting proposals for consideration by LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations in the event that a contract between the firm and LACERS is secured. This Policy is intended to apply broadly to all investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract. The Board has determined, in good faith, that the adoption of this Policy is consistent with its fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution.

I. Disclosure of Payments Made to Placement Agents

Each External Manager shall provide to LACERS the required information listed below within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

- 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 or entity to act as a Placement Agent in connection with any investment by LACERS.
- B. A resume for each Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience. If any such person is a former LACERS Board member, employee or Consultant or the member of an immediate family of any such person, this fact shall be specifically noted. When an entity is retained as a Placement Agent, any officer, director or employee actively providing placement agent services with regard to LACERS or receiving more than 15% of the placement agent fees should provide information required by this subsection.
- C. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent, including the nature, timing and value thereof.
- D. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only a subset of prospective clients.
- E. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or any similar regulatory agency in a country other than the United States, and the details of that registration or an explanation as to why no registration is required.

Section 2.0 CONTRACT ADMINISTRATION

- F. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with the City of Los Angeles, State of California or national government.

II. Disclosure of Campaign Contributions by Placement Agent to the Board

- A. Any Placement Agent, prior to acting as a Placement Agent in connection with any potential LACERS investment, shall disclose to the Board all campaign contributions made by the Placement Agent to any elected member of the Board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to an elected member of the Board during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.
- B. Any Placement Agent, prior to acting as Placement Agent in connection with any potential LACERS investment, shall disclose to the Board all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any member of the Board during the prior 24-month period. Additionally, any subsequent gift given by the Placement Agent to any member of the Board during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

III. Definitions

- A. **Consultant** refers to individuals or firms, and includes key personnel of consultant firms who are contractually retained or have been appointed to a pool by the system to provide investment advice to the system but who do not exercise investment decisions.
- B. **External Manager** means either of the following:
1. A person who is seeking to be, or is retained by LACERS 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 LACERS.
- C. **Person** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.
- D. **Placement Agent**
1. A person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another Placement Agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to LACERS or an Investment Vehicle, either directly or indirectly.
 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.
 3. For the purpose of this section, an "Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either , either domestic or foreign, constituting or managed by an External Manager in which LACERS is the majority investor that is organized in order to invest with, or retain the investment management services of, other External Managers.

Section 2.0 CONTRACT ADMINISTRATION

IV. Requirement of Placement Agent to File Reports and Comply with Requirements Imposed on Lobbyist

- A. A person acting as a Placement Agent in connection with any potential system investment made by LACERS, shall file applicable reports and comply with any applicable requirements imposed on lobbyist under the Los Angeles Municipal Code Section 48.01 et seq.
- B. This section does not apply to an individual who is an employee, officer, director, equity holder, partner, member or trustee of an External Manager 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.

V. Policy History

- A. Adopted on June 8, 2010
- B. Revised on December 14, 2010