

600 ETHICAL AND FIDUCIARY CONDUCT

J. Disclosure of Placement Agents and Payments

I. Disclosure of Placement Agent Information and Fees

Prior to CalSTRS entering into any investment transaction or investment management contract with an external manager, the external manager shall disclose the following to CalSTRS' Chief Investment Officer, in writing:

1. The existence of relationships between the external manager and any placement agent who assisted the external manager with either the solicitation of CalSTRS as a potential client or the retention of CalSTRS as an existing client.
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. If any such person is a current or former CalSTRS or CalPERS Board member, employee, consultant or member of the immediate family of such a person, that 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.
4. A description of the services to be performed by the placement agent, as well as a statement disclosing whether the placement agent is utilized by the external manager with all prospective clients, a subset of prospective clients or a single prospective client.
5. The names of any current or former CalSTRS or CalPERS Board members, employees or consultants who suggested the retention of the placement agent.
6. 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 similar regulatory agent in a country other than the United States, and the details of that registration or an explanation as to why no registration is required.
7. A statement that the external manager and the placement agent are in full compliance with the requirements of the Political Reform Act as it relates to lobbyists.
8. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any other state or national government.
9. If the external manager utilized the services of a person who would otherwise be a placement agent but for an exception provided in Government Code section 7513.8,

subdivision (f) or section 82047.3, a statement that the external manager is in full compliance with the applicable exemption.

These disclosures shall be made on a form provided by CalSTRS. For investment transactions that are subject to the approval of the Investment Committee, the Chief Investment Officer will submit any information disclosed pursuant to this section prior to Investment Committee action on the transaction. For investment transactions that do not require Investment Committee approval, the Chief Investment Officer will provide a quarterly summary to the Investment Committee of any disclosures made pursuant to this section.

Any external manager or placement agent that violates this policy shall not solicit new investments from CalSTRS for five years after the violation was committed. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

CalSTRS shall not enter into any agreement with an external manager that does not agree in writing to comply with this policy.

This disclosure policy shall not require the Board to take any action that the Board does not, in good faith, find to be consistent with the fiduciary responsibilities of the Board as described in Section 17 of Article XVI of the California Constitution.

II. Disclosure of Placement Agent Campaign Contributions and Gifts

1. Campaign Contributions

Any placement agent, prior to acting as a placement agent in connection with any potential CalSTRS investment, shall disclose to the Chief Investment Officer all campaign contributions made by the placement agent to any elected member of the Board:

- A. During the prior 24-month period.
- B. During the time the placement agent is receiving compensation in connection with a CalSTRS investment.

2. Gifts

Any placement agent, prior to acting as a placement agent in connection with any potential CalSTRS investment, shall disclose to the Chief Investment Officer all gifts, as defined in Section 82028 of the Government Code, given by the placement agent to any member of the Board:

- A. During the prior 24-month period.
- B. During the time the placement agent is receiving compensation in connection with a CalSTRS investment.

III. Prohibited Conduct

A member or employee of the Board shall not, directly or indirectly, by himself or herself, or as an agent, partner or employee of a person or entity other than the Board, sell or provide any investment product that would be considered, by the recipient fund as an asset of the fund, to any public retirement system in California.

IV. Definitions

“Board” means either of the following: (1) The Teachers’ Retirement Board, or (2) The retirement board of a public pension or retirement system, as defined in subdivision (h) of Section 17 of Article XVI of the California Constitution.

“External manager” means either of the following: (1) A person who is seeking to be, or is, retained by a board or an investment vehicle to manage a portfolio of securities or other assets for compensation, or (2) A person who manages an investment fund and who offers or sells, or has offered or sold, an ownership interest in the investment fund to a board or an investment vehicle.

"Investment fund" means 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.

"Investment vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an external manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other external managers.

"Person" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

"Placement agent" means 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 a board or an investment vehicle either of the following: (1) The investment management services of an external manager who manages a portfolio of securities or other assets for compensation, or (2) An ownership interest in an investment fund managed by an external manager who manages an investment fund and who offers or sells, or has offered or sold, an ownership interest in the investment fund to a board or investment vehicle.

Reference: Government Code Sections 7513.8, 7513.85, 7513.9, 7513.95

Adopted November 3, 2006

Amended February 3, 2010

Revised to reflect legislation requiring adoption of a Placement Agent Disclosure Policy,

Amended April 8, 2010

Revised to make changes in accordance with AB 1743, Amended February 10, 2011

Revised to make changes in accordance with SB 398, Amended November 8, 2012