

## Policy Regarding Placement Agents

### A. Scope

This policy is intended to apply broadly to all of the types of External Portfolio Managers, including without limitation, investment advisors or managers, separate account managers, general partners, and any other entities or persons that manage funds or assets for or on behalf of the System. The Board believes that the disclosure of Placement Agent relationships, compensation, and fees paid by all External Portfolio Managers helps to prevent impropriety or the appearance of impropriety and provides transparency to the investment process.

### B. Policy

External Portfolio Managers shall not cause the Board to bear directly or indirectly any Placement Agent fee or expense, finder's fee, or any similar fee or expense regardless of whether a Placement Agent was used in connection with either an investment by the Board or with an investment by any other investor. In the event that the External Portfolio Manager passes on any such fee or expense to the Board, the External Portfolio Manager shall immediately provide a dollar-for-dollar offset against the management fee or other form of remuneration that the External Portfolio Manager charges to the Board until the full amount of such fee is offset.

### C. Disclosures

Prior to being considered by the Board for retention, each External Portfolio Manager shall provide the following disclosures related to Placement Agents (i):

~~A~~ A statement as to whether or not the External Portfolio 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 the Board; and (ii)

If a Placement Agent was retained in connection with any investment by the Board, then the following additional disclosures are may be required to the extent Staff deems relevant and appropriate under the circumstances:

- ⇒ 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, with a section that specifically notes whether such person is a current or former Board member or PSERS employee or Investment Consultant, or a member of the immediate family of any such person;
- ⇒ a description of any and all compensation or other consideration of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing, and value thereof. Compensation to Placement Agents applies only to compensation to third parties who are retained to solicit investments or who are paid based upon investment commitments secured by such third parties;
- ⇒ a description of services performed or to be performed by the Placement Agent with respect to the investment by the Board;
- ⇒ a statement as to whether the Placement Agent is utilized by the External Portfolio Manager with all prospective clients or only with a subset of the External Portfolio Manager's prospective clients;
- ⇒ a copy of any and all agreements between the External Portfolio Manager and the Placement Agent;
- ⇒ the names of any current or former Board members, Staff, or Investment Consultants who suggested the retention of the Placement Agent;

- ⇒ a statement as to whether the Placement Agent or any of its affiliates are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Association, or any similar regulatory agency in a country other than the United States. The statement should include the details of such registration or an explanation of why no registration is required;
- ⇒ a statement as to whether the Placement Agent or any of its affiliates is registered as a lobbyist with any state (and if so, include a listing of the states) or national government; and
- ⇒ any other information deemed pertinent and requested by Board members or Staff.

#### D. Contracts

The contract between the System and External Portfolio Manager shall include one of the following provisions based on applicability:

- If a Placement Agent has been used in connection with either an investment by the Board or any other investor, a provision that the External Portfolio Manager shall not cause the System to bear directly or indirectly any Placement Agent fee or expense, finder's fee, or any similar fee or expense, and in the event that any such fee or expense is passed on to the Board, the External Portfolio Manager shall immediately provide a dollar-for-dollar offset against the management fee or other form of remuneration that the External Portfolio Manager charges to the Board until the full amount of such fee or expense is offset; or

- If a Placement Agent has not been used in connection with an engagement for services or an investment by any investor, an express, written confirmation that the External Portfolio Manager

- ⇒ did not use a Placement Agent or pay any Placement Agent fee or expense, finder's fee or any similar fee or expense in connection with an engagement for its services or an investment by the Board or any other investor, and

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~~⇒ shall not enter into a fee sharing arrangement, agreement to directly or indirectly pay a placement fee, or any similar fee arrangement with any third party in connection with an engagement for its services or an investment by the Board.~~

#### E. Changes

External Portfolio Managers are required to provide an update of any changes to any of the information specified above within ~~five~~ 30 ~~business~~ calendar days of the occurrence of the change, and any such change shall immediately be subject to the requirements of this policy. ~~An External Portfolio Manager is required to represent and warrant the accuracy of the information required by this policy each time this policy is signed by the External Portfolio Manager.~~

#### F. Remedies

Any material omission or inaccuracy by the External Portfolio Manager ~~shall~~ may result in the following:

- PSERS shall have the ~~right~~ discretion to claim reimbursement or payment by the External Portfolio Manager of an amount at least equal to the greater of the management or advisory fees paid to the External Portfolio Manager by the PSERS for up to the previous two years and an amount equal to the amounts paid or promised to be paid to the Placement Agent by the External Portfolio Manager.
- To the extent that PSERS has the ~~right~~ discretion to terminate its agreement with the External Portfolio Manager, PSERS shall have the discretion to immediately terminate the agreement without penalty.
- In the case of limited partnerships, limited liability companies, and other commingled investment vehicles in which PSERS does not have unilateral termination rights, PSERS shall have

the discretion to cease making further capital contributions for new investments (and paying fees on uncalled commitments) to the limited partnership, limited liability company or any other investment vehicle, but shall remain responsible for payments relating to existing investments.

- In the event that PSERS is subject to lockup terms, PSERS shall have the discretion to immediately redeem its interest from the fund without penalty and without regard to such lockup terms.