

SERS Board Governance Policy Manual

Policy Name:	Policy on Placement Agent Disclosures
Policy Number:	2018-POL-BD-15
Effective Date:	September 12, 2018; as amended July 25, 2023, as amended July 25, 2023
Reviewed Date:	January 9, 2018; July 18, 2023
Applies To:	SERS Board and Designees
Contact Person:	Chief Compliance Officer

I. Purpose

The Board must invest and manage the Pennsylvania State Employees' Retirement Fund (the "Fund") and monies in the State Employees' Defined Contribution Plan and the Commonwealth of Pennsylvania Deferred Compensation Plan prudently, with the judgment, skill, and care that a prudent investor would observe under similar circumstances. As fiduciaries, Board members must invest and manage the Fund and the DC Plans for the exclusive and benefit of the members of the Pennsylvania State Employees' Retirement System ("SERS") and the participants in the DC Plans. The Board may contract for the services of Investment Managers, investment advisors/consultants, and other professionals as the Board deems advisable, who shall also serve in the capacity as fiduciaries to the Fund.

The purpose of this policy is to ensure the integrity of the Board's decision-making process, and avoid any potential conflicts of interest (or the appearance of same) by prohibiting payments to Placement Agents (see definition in Section II below) in connection with SERS' Investments in or through Investment Managers, including without limitation, any and all third party sponsors of general partners and/or managers of hedge funds, private equity funds, real estate funds, infrastructure funds, and public securities transactions. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

II. Definitions

"Investment" shall mean an actual or proposed investment of SERS funds as presented to and/or ultimately approved by the Board.

"Investment Manager" shall mean an asset management entity (e.g., general partner of a limited partnership, public securities manager, etc.) that is seeking to be, or has been, retained by SERS to manage an Investment for a fee.

"Placement Agent" shall mean any third party that has entered into an arrangement to be paid a Placement Fee to perform sponsoring and/or brokering services on behalf of an

SERS Board Governance Policy Manual

Investment Manager in connection with the placement/investment of specific investors (i.e., SERS and/or a third party investor).

“Placement Fee” shall mean any compensation or payment of a commission, finder’s fee, bonus or any other benefit to be paid to a Placement Agent to perform sponsoring and/or brokering services on behalf of an Investment Manager, whether paid directly or indirectly, in connection with the placement/investment of specific investors (i.e., SERS and/or a third-party investor). A Placement Fee could be paid in connection with an Investment ultimately made with an Investment Manager by SERS and/or an investment made by a third party investor, to broker an introduction between the Investment Manager and SERS and/or a third party investor, or for making a favorable recommendation regarding a specific Investment Manager to SERS and/or a third party investor.

“Related Parties” shall mean employees, officers, directors, managers, owners, agents, or affiliates.

“Third Party Marketer” shall mean any third party that performs general marketing services for an Investment Manager. If the marketer of an Investment Manager receives a Placement Fee in exchange for its services, such marketer shall be considered a Placement Agent (and not a Third-Party Marketer) for purposes of this policy.

III. Policy Statement

SERS shall not make an Investment with an Investment Manager that has utilized a Placement Agent and/or paid a Placement Fee to solicit an Investment by SERS and/or to gain access to SERS in connection with an Investment.

In the event that an Investment Manager has used a Placement Agent and/or paid a Placement Fee to solicit an investment by a third party investor in a partnership (or any parallel investment entity) in which SERS is considering, or to gain access to a third party investor in connection with such investment, SERS shall not bear any portion of such cost directly or as a limited partner in a partnership (or any parallel investment entity).

For clarification purposes, an Investment Manager’s use of a Third Party Marketer to market the Investment Manager in general (and not in connection with the placement/investment of specific investors and/or if it did not receive a Placement Fee in exchange for its marketing services), is not subject to this policy, as it does not consider a Third Party Marketer to be a Placement Agent for purposes hereof.

SERS Board Governance Policy Manual

IV. Placement Agent Disclosure & Reporting

A. SERS Investment Office (the “IO”) shall provide each Investment Manager with a copy of this policy.

B. As part of SERS’ due diligence process, and before making any recommendation to SERS Investment Committee or the SERS Board to proceed with the engagement of an Investment Manager, the IO shall require that each Investment Manager complete and deliver a Placement Agent Disclosure Certification. The Placement Agent Disclosure Certification shall request the information identified on Appendix A attached hereto.

C. The completed Placement Agent Disclosure Certification shall be submitted to the IO, and the Managing Director of the asset class for which the particular Investment Manager performs Investment services shall be responsible for reviewing same. The IO shall also provide a copy of the completed Placement Agent Disclosure Certification to the Board (prior to its review or approval of any potential Investment with such Investment Manager). If a potential Investment Manager has used a Placement Agent and/or paid a Placement Fee to solicit an Investment by SERS, or to gain access to SERS in connection with an Investment, such Investment Manager shall be automatically disqualified from transacting with SERS. If a potential Investment Manager has used a Placement Agent and/or paid a Placement Fee to solicit an investment by a third party investor in a partnership (or any parallel investment entity) in which SERS is considering, or to gain access to a third party investor in connection with such investment, the IO should make note of same, as well as the manner in which the Investment Manager (and not SERS as a limited partner of such partnership) is making such payment, in the materials presented to the Board for review and consideration prior to its vote to approve the proposed Investment.

D. Each Investment Manager shall notify the IO of any changes that make the statements made in its Placement Agent Disclosure Certification no longer accurate within ten (10) business days of the date that the Investment Manager knew or should have known of the change. The IO shall be responsible for ensuring that the Placement Agent Disclosure Certifications reviewed by the Board are up to date.

E. Annually, the IO shall prepare a report, which identifies the Placement Agents retained by Investment Managers in connection with third party investors and the Placement Fees received (or to be received) by such Placement Agents, as disclosed in the Placement Agent Disclosure Certifications submitted (and/or updated) in the

SERS Board Governance Policy Manual

prior year. The report shall be submitted to the Board on an annual basis.

F. Any agreement between SERS (or any entity organized for the purpose of investing SERS' funds) and an Investment Manager (or its Related Parties) shall include terms that are substantially similar to those in Appendix B attached hereto.

G. An Investment Manager and its Related Parties shall not be considered for new Investments from SERS for three (3) years after the Investment Manager or its Related Parties has committed a material violation of this policy. However, this prohibition may be reduced by the Board for good cause at its sole discretion.

Document Properties

- a. **Document Owner:** SERS Chief Compliance Officer
- b. **Document Author:** Jo Ann P. Collins
- c. **Summary of Changes:**
- d. **Attachments:** **Appendix A – Requirements of Placement Agent Certification**
Appendix B – Investment Manager Contract Requirements
Appendix C – Model Side Letter Language

Date	Version	Author	Summary
January 9, 2018	2018 POL-BD-06	SERS Legal Office	The policy the Board has established to ensure the integrity of the Board's decision-making process, and the avoidance of any potential conflicts of interest (or the appearance of same) by requiring no payments to Placement Agents.
December 18, 2018	2018 POL-BD-15	SERS Legal Office	Renumbered policy.
July 18, 2023	2018- POL-BD-15	Jo Ann Collins, SERS Chief Compliance Officer	Minor technical revisions for consistency with Placement Agent documentation used by SERS. Investment Office; added references to the State Employees' Defined Contribution Plan, the Commonwealth of Pennsylvania Deferred Compensation Plan, and the Chief Compliance Officer position.

SERS Board Governance Policy Manual

Appendix A

Requirements of Placement Agent Disclosure Certification

The Placement Agent Disclosure Certification shall request the following information:

1. A statement whether the Investment Manager or its Related Parties has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with an Investment by SERS;
2. A statement whether the Investment Manager or its Related Parties has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with an investment by a third party investor in a partnership (or any parallel investment entity) in which SERS is considering;
3. A resume of each officer, partner, or principal, or related level position of the Placement Agent (and any employee providing similar services in connection with the Investment) detailing the person's role, education, professional delegations, regulatory licenses, and investment/work experience. Investment Managers shall note whether any such person is a current or former Board member, SERS employee or consultant, or a member of the immediate family of such a person;
4. The names of any current or former Board members or SERS employees or consultants who are either employed by or receiving compensation of any kind, directly or indirectly, from the Placement Agent;
5. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent in connection with an Investment, including the nature, timing, and value thereof;
6. A description of the services to be performed by the Placement Agent;
7. A statement disclosing whether the Placement Agent is utilized by the Investment Manager or its Related Parties with all prospective investors, a subset of prospective investors, or a single prospective investor;
8. The names of any current or former Board members or SERS employees or consultants who suggested the retention of the Placement Agent;
9. A statement that the Placement Agent is registered with the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA), and the details of such registration (or an explanation as to why no registration is required); and

SERS Board Governance Policy Manual

10. A statement whether the Placement Agent or any of its Related Parties is registered as a lobbyist with any state, federal, or foreign government.

11. If a Placement Agent was compensated, or is expected to be compensated, in connection with an Investment in which SERS is considering, a statement confirming that SERS will not bear any portion of Placement Agent costs, directly or indirectly, as a limited partner in the partnership (or any parallel investment entity) throughout the life of the Investment.

SERS Board Governance Policy Manual

Appendix B

Investment Manager Contract Requirements

Any agreement between SERS (or any entity organized for the purpose of investing SERS' funds (a "SERS Investor")) and an Investment Manager (or its Related Parties) that is entered into or amended after the adoption of this policy shall include terms substantially similar to the following:¹

- The Investment Manager and its Related Parties shall comply with this policy.
- The Investment Manager and its Related Parties shall not use Placement Agents and/or pay Placement Fees in connection with an Investment by SERS.
- The Investment Manager and its Related Parties shall be solely responsible for any Placement Fees paid to Placement Agents in connection with an investment by any third party investor in a partnership (or any parallel investment entity) in which SERS is considering and/or ultimately participates. SERS or any SERS Investor shall not pay any Placement Fees directly or as a limited partner in a partnership (or any parallel investment entity).
- The Investment Manager represents and warrants that the information included in the Placement Agent Disclosure Certification is accurate and complete, and that it shall update such certification within ten (10) business days of the date that the Investment Manager knew or should have known of the change in circumstances.
- If the Board determines that the Investment Manager or a Related Party knew or should have known of any material omission or inaccuracy in its responses to the Placement Agent Disclosure Certification, or has otherwise violated this policy, SERS shall have the option to (a) require the Investment Manager to pay an amount equal to the greater of (i) all management or advisory fees for two (2) years, or (ii) the Placement Fees paid or promised to be paid to the subject Placement Agent; and/or (b) terminate its investment relationship with the Investment Manager (to the extent possible). Such remedies shall not be deemed to be the exclusive remedies for such a violation, and shall be in addition to all other remedies deemed proper by a court of competent jurisdiction.
- Termination of the relationship with the Investment Manager may take the following forms, as determined by the Board and depending on the assets managed/Investment type:

¹ Some of these terms may be incorporated via a side letter. Please see [Exhibit C](#) attached to this policy for model language for an Investment in a private equity vehicle.

SERS Board Governance Policy Manual

- Immediate termination of the contract with the Investment Manager;
- Immediate withdrawal without penalty from a Limited Partnership vehicle, including the termination of any obligation to make future capital contributions and/or any other payments to the Limited Partnership vehicle, including payments for management or incentive fees (e.g., carried interest);
- Removal of the general partner from a Limited Partnership vehicle, forfeiture of SERS' pro rata share of its management fee and/or carried interest in connection therewith, and/or the termination of any obligation to make future capital contributions; and/or
- Immediate redemption of the Investment.

SERS Board Governance Policy Manual

Appendix C

Model Language for Side Letter Between SERS and Investment Manager in Limited Partnership Investment Vehicle

The General Partner has received a copy of the Investor's Policy on Placement Agent Disclosures and shall comply with its terms in all respects. The General Partner hereby represents and warrants that all information contained in its Placement Agent Disclosure Certification, as amended, is true, accurate, and complete in all material respects as of the date hereof. If the Investor determines in its sole discretion that such Placement Agent Disclosure Certification contains a material inaccuracy or omission that the [Investment Manager] knew or should have known at the time of its submission to Investor, then the Investor shall have the option, in its sole discretion, and without liability to the [Partnership], [General Partner], or any [Limited Partner] or other third party affiliated with or controlled by the [Partnership] or [General Partner], to terminate its unfunded capital commitment to the [Partnership], and to cease making further capital contributions, [advances of preferred capital] or other payments to the Partnership, including payments for management fees and/or carried interest, and to pursue all remedies that may otherwise be available to the Investor without being deemed a [defaulting limited partner] under the [Partnership Agreement] and without incurring any other penalty under any agreement to which it is a party. This representation and warranty is given for the benefit of the Investor with the understanding that the Investor is relying upon the statements contained herein as a basis for entering into and committing funds under the [Partnership Agreement] and Subscription Agreement.