

Audit Committee Agenda

REGULAR MEETING

TUESDAY, MARCH 26, 2019

**TIME: 10:30 A.M. OR IMMEDIATELY
FOLLOWING THE REGULAR
BOARD MEETING**

MEETING LOCATION:

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California 90012-4401

Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair:	Elizabeth Lee
Committee Members:	Sung Won Sohn Michael Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counselor:	City Attorney's Office Retirement Benefits Division

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR THE AUDIT COMMITTEE MEETING OF OCTOBER 23, 2018 AND POSSIBLE COMMITTEE ACTION](#)
- III. [CONSIDERATION OF CONTRACTOR DISCLOSURE REPORTING POLICY AND POSSIBLE COMMITTEE ACTION](#)
- IV. OTHER BUSINESS
- V. NEXT MEETING: The next Audit Committee meeting is not scheduled at this time, and will be announced upon scheduling.
- VI. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, MARCH 26, 2019

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President:	Cynthia M. Ruiz
Vice President:	Elizabeth L. Greenwood
Commissioners:	Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Michael Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Retirement Benefits Division

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MINUTES OF THE REGULAR MEETING
AUDIT COMMITTEE
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California

October 23, 2018

Agenda of: <u>Mar. 26, 2019</u> Item No: <u>II</u>

9:15 a.m.

PRESENT:	Chair:	Elizabeth Lee
	Committee Member:	Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Audit Manager:	Rahoorf "Wally" Oyewole
	Legal Counselor:	James Napier
ABSENT:	Committee Member:	Sung Won Sohn

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Chair Elizabeth Lee asked if any persons wished to speak, to which there was no response and no public comment cards were received.

II

APPROVAL OF MINUTES FOR THE AUDIT COMMITTEE MEETING OF MAY 22, 2018 AND POSSIBLE COMMITTEE ACTION – A motion to approve the Minutes was moved by Committee Member Wilkinson, and adopted by the following vote: Ayes, Committee Member Wilkinson and Chair Elizabeth Lee -2; Nays, None.

III

PRESENTATION FROM BROWN ARMSTRONG ON THE STATUS OF 2018 FINANCIAL STATEMENT AUDIT – Rahoorf "Wally" Oyewole, LACERS Departmental Audit Manager, stated that the representative from Brown Armstrong was unable to attend the meeting due to personal reasons. Mr. Oyewole discussed the item and stated this item will be deferred to a future Audit Committee Meeting when the Brown Armstrong representative is able to attend.

IV

INTERNAL AUDIT AND AUDIT COMMITTEE CHARTER UPDATES AND POSSIBLE COMMITTEE ACTION – Rahoof “Wally” Oyewole, LACERS Departmental Audit Manager, introduced Melani Rejuso, Internal Auditor IV, and then proceeded to present this item to the Committee. Committee Member Wilkinson moved approval, and adopted by the following vote: Ayes, Committee Member Wilkinson and Chair Elizabeth Lee -2; Nays, None.

V

RECEIVE AND FILE – UPDATE ON 2014 MANAGEMENT AUDIT – Rahoof “Wally” Oyewole, LACERS Departmental Audit Manager, discussed this item and the report was received by the Committee and filed.

VI

OTHER BUSINESS: There was no further discussion.

VII

NEXT MEETING: Chair Elizabeth Lee announced that the next Audit Committee Meeting is not scheduled at this time, and will be announced upon scheduling.

VIII

ADJOURNMENT: There being no further business before the Committee, Chair Elizabeth Lee adjourned the Meeting at 9:50 a.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
 LOS ANGELES CITY EMPLOYEES'
 RETIREMENT SYSTEM



Report to Audit Committee

Rahoof Oyewole

Agenda of: **MARCH 26, 2019**

From: Rahoof "Wally" Oyewole, Dept. Audit Manager

ITEM: **III**

SUBJECT: CONSIDERATION OF CONTRACTOR DISCLOSURE REPORTING POLICY AND POSSIBLE COMMITTEE ACTION

Recommendation:

That the Committee consider enhancing LACERS' current disclosure policy with periodic reporting requirement and direct staff accordingly.

Discussion:

Conflicts can occur between the interests of clients, the interests of employers, and employee's own personal interests. Identifying and managing these conflicts is critical for organizations. Best practice is to avoid actual conflicts or the appearance of conflicts of interest when possible. However, when conflicts cannot be reasonably avoided, clear and complete disclosure of their existence is necessary.

Like many other pension systems, LACERS has Board policies related to disclosure of potential conflicts-of-interests involving its fiduciaries (trustees, key staff, and key consultants) by requiring contractors to disclose any fees paid, gifts given, or contributions made by them, or on their behalf, to any entity (lobbyists, marketers, trustee's relatives/interests, staff's relatives/interests, consultants' relatives/interests, etc.) in connection with any services provided or sought by the pension system. Full disclosure provides LACERS Board, management, and stakeholders the information needed to evaluate the objectivity of the investment advice or action taken on LACERS' behalf. However, disclosures are generally requested during the contracting process. Once a firm is engaged, LACERS does not currently require periodic disclosure. As a result, it is difficult to discover and evaluate any new potential conflicts of interest issues that may occur after contracts are awarded, and/or during the period of engagement.

A review of the other City pension systems' disclosure requirements indicate that transparency may be strengthened by requiring contractors and consultants, on an ongoing basis, to disclose new relationships and/or matters that could reasonably be expected to impair fiduciaries' independence and objectivity. On an annual basis, LADWP Retirement Plan requests a certification from its investment managers indicating that their officers and employees were not approached by any member of the Retirement Plan's fiduciaries during the year ended in connection with any matter other than ordinary business matters within the scope of their agreement with the Plan. LAFPP

requires more frequent disclosure. Contractors and consultants are required to disclose gifts, payments, contributions, financial benefits and/or campaign contributions made by any current contractor or future proposer to any Trustee, Commissioner, Executive Level Staff, Consultant, Elected/Appointed Official and/or Family Members thereof on a quarterly basis. LAFPP's Internal Audit Section is responsible for reporting to LAFPP Board on all disclosures received.

Staff found LAFPP's periodic disclosure to be comprehensive and more transparent, and thus recommends that the Board consider supplementing LACERS' current procedures with similar periodic reporting requirement. However, to make the transition easier for LACERS contractors and consultants, staff propose a semi-annual reporting frequency rather than quarterly. This proposal was included as part of the Department's Semi-Annual Report of Business Plan Initiatives presented to the Board on February 12, 2019. Attachment 1 shows the contractor disclosure policy dashboard from that presentation. The dashboard summarizes the scope, metrics and pertinent information related to the proposed policy.

Recognizing that LACERS does business with many of the same contractors as LAFPP who may already be familiar with periodic reporting, Internal Audit proposes utilizing policy language and a reporting form, substantially the same as LAFPP's. This should help facilitate smooth implementation. Attachments 2 and 3 are LAFPP's Policy and the Reporting Form used by contractors to report disclosures quarterly. Staff is seeking Committee's input and consideration of this enhanced disclosure proposal.

If the Committee approves moving forward, Internal Audit would then draft LACERS' policy and reporting form modeled after LAFPP's documents, and incorporating input from the Committee. Staff would then bring back a draft policy for Committee's consideration. Any new policy documents would be subject to a review by the City Attorney before they are implemented. If the enhanced proposal is approved by the Board, staff anticipate implementing the policy effective July 1, 2019, with the first semi-annual disclosure report to the Committee expected in September or October 2019.

Strategic Impact Statement

Periodic disclosure policy would assist the Board in meeting its Governance Goal to "uphold good governance practices which affirm transparency, accountability and fiduciary duty," by providing an ongoing mechanism for the Board to evaluate conflicts of interest that could potentially affect fiduciaries' independence and objectivity with respect to their duties to LACERS.

This report was prepared by Rahoof "Wally" Oyewole, Departmental Audit Manager, Internal Audit Section.

RO

- Attachments:
- 1) Contractor Disclosure Policy Dashboard from LACERS Semi-Annual Business Initiative Presentation to the Board on February 12, 2019
 - 2) LAFPP Contractor Disclosure Policy
 - 3) LAFPP Contractor Disclosure Reporting Form

CONTRACTOR DISCLOSURE POLICY

ATTACHMENT 1

REPORTING MONTH: **DECEMBER 2018**
STATUS: **ON TRACK**

Strategic Goal: **BOARD GOVERNANCE**
LEAD(S): **RAHOOF OYEWOLE/ MELANI REJUSO**
DIVISION(S)/SECTION(S): **INTERNAL AUDIT**

INITIATIVE SUMMARY

Internal Audit proposes implementing a Contractor Disclosure Policy. The policy will require contractors to disclose any conflicts of interest- whether actual, potential, or perceived. It will also help prevent any forms of impropriety or the appearance of impropriety, provide transparency and confidence in LACERS' decision-making process, and ensure investment and procurement decisions are made solely on the merits of goods or services to be provided by contractors.

ISSUES / CHALLENGES

- Compliance issues – there is a risk that some contractors may fail to disclose or provide partial disclosure for fear of losing their contracts

MILESTONES / ACHIEVEMENTS

Q2/FY19

- ✓ Obtain concurrence from Committee & Board
- ✓ Draft disclosure policy
- ✓ Develop contractor disclosure reporting form

BUDGET

Internal Audit section currently has one vacancy in FY 2018-19 budget that will need to be filled to get this project started.

Future budget request may be needed.

KEY INDICATORS

Baseline:

Number of contracts that will be subject to the Contractor Disclosure Policy & Reporting requirements:

PRIVATE EQUITY	215
REAL ESTATE	48
OTHER INVESTMENT	36
NON-INVESTMENT	32

TOTAL	331

DELIVERABLES / TIMEFRAME

Q3/FY19

- Committee & Board's approval for final disclosure policy and reporting form
- Compile a database of all contractors that will be subject to the new disclosure policy (FY 2018-19)
- Notify all affected contractors/consultants

Q4/FY19

- Send first requests for disclosures and certifications
- Track responses

FY20

- Evaluate responses and report findings to the Board

KEY DEPENDENCIES / ASSUMPTIONS

- Audit Committee & Board approval
- Staffing resources
- Timely notification of contractors and consultants

SEP
OCT
NOV
DEC

Los Angeles Fire & Police Pension System

ETHICS RESPONSIBILITIES FOR BOARD MEMBERS, THE GENERAL MANAGER, AND STAFF

1.18 CONTRACTOR DISCLOSURE POLICY

A. PURPOSE

It is the policy of LAFPP for Contractors to disclose conflicts of interest - actual, potential and perceived.

The goal of this Policy is to prevent impropriety or the appearance of impropriety, to provide transparency and confidence in LAFPP's decision-making process, and to help ensure that investment and procurement decisions are made solely on the merits of the goods or services proposed to be provided by Contractors to LAFPP.

This Policy sets forth the circumstances under which LAFPP requires the full and timely disclosure of ex parte communications with, relationships with, and payments to, entities such as placement agents, third party marketers, lobbyists and other Intermediaries. This Policy is intended to apply broadly to all contractors with whom LAFPP conducts business.

This Policy shall apply in addition to, and is intended to supplement, any applicable state and city ethics, campaign finance, and lobbying laws found in the City's Charter, Governmental Ethics, Lobbying and Campaign Finance Ordinances, the California Political Reform Act, and the California Constitution. Unless otherwise specified or required by the context, all terms used but not defined herein shall have the same meanings ascribed to them in **Appendix A**.

The Board recognizes that the flow of communication through staff between contractors or consultants and Board members is beneficial to the conduct of system business. However, there are instances wherein contractors or consultants may have ex parte communications directly with Board members. In those instances where the contact reasonably might give the appearance of being an attempt to influence the outcome of a Board or staff decision or consultant recommendation, the Board recognizes that there might be the potential for misunderstanding, misinformation, or conflicting instructions, and therefore reasonably could be interpreted as inappropriately affecting the Board, staff, or consultant. Such communications do not always rise to the level of "undue influence" as defined in this policy, but nevertheless are subject to disclosure.

B. APPLICATION AND EXCLUSIONS

1. APPLICATION

This Policy applies to LAFPP's application, selection, and monitoring processes regarding Contractors. It is applicable to all Contractors who participate in the selection process for the award of an LAFPP contract. This policy also applies to all agreements with Contractors that are entered into after July 23, 2009, the date this Policy is adopted. Additionally, this Policy applies to existing agreements with Contractors if, after the date this Policy is adopted, (a) the term of the agreement is extended, (b) there is any increased

commitment of funds by LAFPP pursuant to the existing agreement or (c) there is an amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the Contractor to the extent that LAFPP's consent is required.

2. EXCLUSIONS

The following contracts are excluded from this Policy:

- 1) Contracts in the amount of \$20,000 or less and for not more than a one-year period for which the General Manager has authority to approve service agreements, pursuant to Administrative Code section 10.1.1 and as authorized by the Board pursuant to Board Governance Policy 9.18.B.
- 2) Low cost equipment maintenance agreements and service for equipment repair. "Low cost" is defined as "\$2,000 or less."
- 3) Contracts for which contract terms are less than 3 months in duration.
- 4) City, state, or federal contracts/agreements for which LAFPP utilizes the existing City, state, or federal contract or agreement.
- 5) Contracts with unions and associations providing approved health plans subsidized by LAFPP.

C. CAMPAIGN CONTRIBUTION - PERIODIC DISCLOSURE

Except as otherwise provided in this section 1.18.C, every Contractor shall disclose monetary contributions and/or other financial benefits made directly or indirectly by such Contractor and/or any of its Officers, marketing representatives, relationship representatives, portfolio managers, members of the investment committee, and/or Intermediaries (and, in the case of individuals, the Family Members of any of them) that are decision makers involved with the product or service provided, or sought to be provided, to LAFPP, to any Elected Official, Candidate, Appointed Official or Applicable City Employee (collectively, "Contractor Campaign Contribution Disclosure"). Such Contractor Campaign Contribution Disclosures shall include contributions made during the twenty-four month period prior to Board approval of a new agreement or investment, or extension of or amendment to an existing agreement, or an increase in funding of an existing investment commitment. For private equity partnerships, including general partners, disclosure information for the prior twenty-four month period shall be provided at the time the Board considers a new or additional investment in a private equity fund. Except for private equity partnerships, including their general partners, Contractors shall also disclose any monetary contributions and/or financial benefits paid during the term of the agreement or investment on a quarterly basis.

Non-investment and non-legal contractors paid \$20,000 or less each fiscal year by LAFPP shall disclose monetary contributions and/or financial benefits, as described in this section, annually, no later than 21 business days after June 30th each year. LAFPP internal audit staff will review fiscal year expenditures to identify which non-investment or non-legal contractor shall report on an annual basis. Should fiscal year expenditures result in a change to the reporting frequency of a non-investment or non-legal contractor, LAFPP internal audit staff will notify the firm accordingly.

For each such monetary contribution or financial benefit, the Contractor Campaign Contribution Disclosure shall include the following information:

- (1) The name and address of the contributor and the connection to the Contractor;

- (2) The name and title of each person receiving the contribution and the name of the Elected Official, Candidate, or Appointed Official or person for whose benefit the contribution was made;
- (3) The amount of the monetary contribution or financial benefit; and
- (4) The date of the monetary contribution or financial benefit.

Exemption: Monetary contributions and/or financial benefits given by any person to an Elected Official or Candidate for whom such person was entitled to vote at the time of the contributions and which in the aggregate do not exceed \$100 to any one Elected Official or Candidate per election are not required to be reported pursuant to this Section 1.18.C.

D. OTHER CONTRIBUTIONS/PAYMENTS - PERIODIC DISCLOSURE

Every Contractor shall disclose any and all monetary contributions and/or other financial benefits, including but not limited to contributions to charitable organizations, not covered by other sections of this Policy. The contributions/benefits to be disclosed can be made directly or indirectly by such Contractor and/or any of its Officers, marketing representatives, relationship representatives, portfolio managers, investment committee members, and/or Intermediaries (and, in the case of individuals, the Family Members of any of them) that are decision makers involved with the product or service provided, or sought to be provided, to LAFPP.

Disclosure shall include monetary contributions and/or other financial benefits which were solicited directly or indirectly by any Elected Official, Candidate, Appointed Official, or Applicable City Employee. Disclosure shall also include situations where contributions/benefits were made to an organization of which any Elected Official, Candidate, Appointed Official or Applicable City Employee is, to the best knowledge of the person paying the monetary contribution or financial benefit, an officer, employee, or member of the board of directors, advisory board, or any similar board or committee (collectively, "Contractor Miscellaneous Contribution Disclosures").

Such Contractor Miscellaneous Contribution Disclosures shall include contributions made during the twenty-four month period prior to Board approval of a new agreement or investment, or extension of or amendment to an existing agreement, or an increase in funding of an existing investment commitment. For private equity partnerships, including general partners, disclosure information for the prior twenty-four month period shall be provided at the time the Board considers a new or additional investment in a private equity fund. Except for private equity partnerships, including their general partners, Contractors shall also disclose any monetary contributions and/or financial benefits paid during the term of the agreement or investment on a quarterly basis.

Non-investment and non-legal contractors paid \$20,000 or less each fiscal year by LAFPP shall disclose monetary contributions and/or financial benefits, as described in this section, annually, no later than 21 business days after June 30th each year. LAFPP internal audit staff will review fiscal year expenditures to identify which non-investment or non-legal contractor shall report on an annual basis. Should fiscal year expenditures result in a change to the reporting frequency of a non-investment or non-legal contractor, LAFPP internal audit staff will notify the firm accordingly.

For each such monetary contribution and/or financial benefit, the Contractor Miscellaneous Contribution Disclosure shall include the following information:

- (1) The name and address of the contributor and the connection to the Contractor;

- (2) The name of the organization and the name and title of each person receiving the contribution, and the name of the Elected Official, Candidate, or Appointed Official or person for whose benefit the contribution was made;
- (3) The amount of the monetary contribution or financial benefit; and
- (4) The date of the monetary contribution or financial benefit.

E. APPLICABILITY OF SECTIONS C AND D

Disclosures required by Sections C and D of this Policy include, but are not limited to, any monetary contribution or financial benefit to any of the following:

1. Any Elected Official (and any of his or her controlled committees), Candidate (and any of his or her controlled committees), Appointed Official or Applicable City Employee.
2. Any account or trust set up through motion of the Los Angeles City Council that would seek funds controlled by an Elected Official or Candidate.
3. Any third party at the behest of an Elected Official, Candidate, or Appointed Official or for the purpose of supporting or opposing an Elected Official or Candidate or City ballot measure.
4. Any Elected Official, Candidate, Appointed Official or Applicable City Employee for the sale of private property.
5. Any charitable or other organization or individual at the behest of an Elected Official, Candidate, Appointed Official or Applicable City Employee.

F. GIFTS - PERIODIC DISCLOSURE

1. GIFTS MADE BY CONTRACTORS

Every Contractor shall disclose all Gifts made directly or indirectly by such Contractor and/or any of its Officers (and the Family Members of any of them), or made directly or indirectly by marketing representatives, relationship representatives, portfolio managers, investment committee members, and/or Intermediaries (and, in the case of individuals, the Family Members of any of them) that are decision makers involved with the product or service provided, or sought to be provided, to LAFPP, to any Elected Official, Candidate, Appointed Official, or Applicable City Employee, or to decision makers with LAFPP's private equity consultant, general investment consultant, or real estate consultant.

For each such Gift, the Contractor shall disclose:

- (1) The name and address of each person providing the Gift and each such person's connection to the Contractor;
- (2) The name and title of each person receiving the Gift;
- (3) The value of the Gift;
- (4) A description of the Gift; and
- (5) The date of the presentation of the Gift.

Such disclosures shall include Gifts made during the term of the agreement or investment (as applicable) and during the twenty-four month period prior to Board approval of a new agreement or investment, or extension of and/or amendment to an existing contract, or an increase in funding of an existing investment commitment. Disclosures shall be made quarterly for all Contractors except for private equity partnerships and their general partners, which shall be required to make such disclosures annually, no later than 21 business days after December 31st each year.

Non-investment and non-legal contractors paid \$20,000 or less each fiscal year by LAFPP shall disclose gifts, as described in this section, annually, no later than 21 business days after June 30th each year. LAFPP internal audit staff will review fiscal year expenditures to identify which non-investment or non-legal contractor shall report on an annual basis. Should fiscal year expenditures result in a change to the reporting frequency of a non-investment or non-legal contractor, LAFPP internal audit staff will notify the firm accordingly.

2. GIFTS RECEIVED BY CONSULTANTS

LAFPP's private equity consultant, general investment consultant, and real estate consultant shall disclose all gifts received by decision makers directly or indirectly from Contractors and/or any of their Officers (and the Family Members of any of them), or directly or indirectly from their marketing representatives, relationship representatives, portfolio managers, investment committee members, and/or Intermediaries (and, in the case of individuals, the Family Members of any of them) that are decision makers involved with any product or service provided, or sought to be provided, to LAFPP.

For each such Gift, the Consultant shall disclose:

- (1) The name and address of each person providing the Gift and each such person's connection to the Contractor;
- (2) The name and title of each person receiving the Gift;
- (3) The value of the Gift;
- (4) A description of the Gift; and
- (5) The date of the presentation of the Gift

Such disclosures shall include Gifts received during the term of the Consultant's service agreement with LAFPP, and shall be made quarterly by the private equity consultant; and annually by the general investment consultant and real estate consultant with regard to all Contractors, and otherwise as required by LAFPP in relation to any particular contracting process.

G. RESPONSIBILITIES

1. Each Contractor is responsible for:
 - a. Providing to Staff, as part of the Contractor Disclosure, the following information for existing agreements and prior to hiring for new agreements:
 - (1) A statement whether the Contractor, or any of its marketing or relationship representatives, portfolio managers, or members of the investment committee (or any Family Members of any of them) that

are involved with the product or service provided to LAFPP, or any of its Officers (or Family Members of any of them), within the twenty-four month period prior to either (a) Board approval of a new agreement or investment, or (b) extension of or amendment to an existing agreement, or (c) an increase in funding of an existing investment commitment, has compensated or agreed to compensate, directly or indirectly, any person (whether or not employed by the Contractor) or entity to act as an Intermediary in connection with any investment or procurement by LAFPP.

- (2) Notice to LAFPP that if any person working on behalf of the Contractor with, or assigned on behalf of the Contractor to, an LAFPP contract is a current or former LAFPP Board member, employee or consultant or a Family Member of any such person.
- (3) A description of all compensation provided or agreed to be provided directly or indirectly by the Contractor to any Intermediary or to any employee of the Contractor who was hired specifically to solicit an investment or other business with LAFPP or is compensated on the basis of the procurement of any such investment or business. The description of such compensation shall include the nature, timing and amount thereof and any condition precedent to receiving the compensation.
- (4) For investment and consulting contracts, a List of Contacts made by the Contractor with Appointed or Elected Officials within either 1) the three month period prior to the interview regarding a new agreement or investment; or, 2) the search period; whichever is longer. The List of Contacts shall include the date and names of the contact(s) and the nature of the contact.
- (5) For investment and consulting contracts and except for private equity partnerships including their general partners, Contractors shall also disclose any contacts with Appointed or Elected Officials *during the term of the agreement, contract, or investment on a quarterly basis.*
- (6) With regard to each Intermediary identified pursuant to Section 1.18.G.1.a.(3) above, each Contractor shall provide:
 - (i) A description of the services to be performed by the Intermediary and a statement as to whether the Intermediary is utilized by the Contractor with all prospective clients or only with a subset of the Contractor's prospective clients (and if a subset, describe the subset), and a resume of each officer, partner, and principal of the Intermediary detailing the person's education, professional designation, regulatory licenses, and investment work experience. Work experience need not be provided in connection with agreements unrelated to investments.

- (ii) With regard to procurement of business from LAFPP, a copy of all written agreements between the Contractor and the Intermediary and a description of any agreement that is not in writing.
 - (iii) A list of contacts made by the Intermediary, on behalf of the Contractor, with Appointed Officials, Elected Officials, or staff within the 24 months period prior to Board approval of a new agreement or investment. The list shall include the date and names of the contact(s) and intermediary(s).
 - (iv) The names of all persons who suggested the retention of the Intermediary and a description of how the Intermediary was selected.
 - (v) A listing for the Intermediary and/or any of its affiliates showing registration with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agency or self-regulatory organization outside the United States, and either the details of any such registration or an explanation of why registration is not required.
 - (vi) A listing for the Intermediary, and/or any of its affiliates, showing registration as a lobbyist with any local, state or national government and the details of any such registration.
- b. Providing a representation and warranty signed by the Contractor's chief executive officer or head of the business unit that provides, or will be providing, the service to LAFPP, of the accuracy of the information included in the Contractor Disclosure in any final written agreement.
- c. All information required in the Contractor Disclosure shall be sent to LAFPP internal audit staff as follows:

Department of Fire and Police Pensions
 Internal Audit Section
 701 E. 3rd Street, Suite 200
 Los Angeles, CA 90013
 Office: 213-279-3176 Fax: 213-628-7719
 Email address: audit@lafpp.com

The Contractor Disclosure of all contacts, monetary contributions, other financial benefits and/or Gifts, as required pursuant to Sections 1.18.C through 1.18.G hereof is due 21 business days after the end of the quarter or year as applicable.

2. LAFPP Staff are responsible for all of the following:

- a. Section managers are responsible for providing Contractors with a copy of this Policy with all Requests for Proposals at the time that due diligence in connection with a prospective investment or engagement begins.
 - b. Section managers are responsible for confirming that the Contractor Disclosure has been received prior to the completion of due diligence and any recommendation to proceed with the engagement of the Contractor or the decision to make any investment or procurement.
 - c. For new agreements and/or amendments to agreements existing as of the date of the Policy, Section managers are responsible for confirming that the final written agreement between LAFPP and the Contractor provides that the Contractor shall be solely responsible for, and LAFPP shall not pay (directly or indirectly), any fees, compensation or expenses for any Intermediary used by the Contractor.
 - d. Section managers are responsible for excluding any Contractor or Intermediary from the solicitation of new investments or business from LAFPP for a time period determined by the Board up to a maximum of 5 years after they have committed a material violation of this Policy, as determined by the Board in its sole discretion, and promptly informing the Board of any such action. Refer to Penalties in Section H.
 - e. LAFPP internal audit staff will provide the Board, including the relevant Committee, with a copy of the Contractor Disclosure information prior to the Board making or approving any decision to invest or procure with a Contractor.
 - f. LAFPP internal audit staff will compile a quarterly Board report containing the names and amount of compensation agreed to be provided to each Intermediary by each Contractor; the campaign contributions and gifts of each Contractor as reported in the Contractor Disclosures; the List of Contacts; and the List of Exclusions.
 - g. Reporting to the Board immediately any conduct that the Staff reasonably believes constitutes a material violation of the Policy, to enable the Board to make a determination whether the conduct constitutes a material violation.
3. Contractors shall comply with the Policy and cooperate with Staff in meeting Staff's obligations under this Policy. 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 pursuant to this Policy, the Policy shall be interpreted to require disclosure.

H. PENALTIES

For new agreements and/or amendments to agreements existing as of the date of this Policy, the Contractor, in the final written agreement with LAFPP, will agree to provide LAFPP with any or all of the following remedies in the event that there was or is a material omission or inaccuracy in the

Contractor Disclosure or any other violation of this Policy, as determined by the Board in its sole discretion:

1. Whichever is greater, the reimbursement of any contractor, management or advisory fees paid by LAFPP for one year or an amount equal to the amounts that the Contractor has paid or promised to pay to the Intermediary in respect of LAFPP.
2. LAFPP shall have the authority to terminate immediately the separate account investment management agreement, without penalty. For non-investment agreements, LAFPP shall have the authority to terminate the agreement, without penalty.
3. In addition, the Board of Commissioners may take action to ban the Contractor from future contracting opportunities with LAFPP.

In addition, the Contractor will be ineligible for, and will not solicit, future agreements with LAFPP for five years after Board determination of the violation. However, the prohibition may be reduced by a majority vote of the Board at a public session upon showing of good cause.

Also, any Intermediary who the Board determines has materially violated this Policy shall be ineligible for, and shall not solicit, future contracts with LAFPP for five years after such Board determination. However, this penalty may be reduced by a majority vote of the Board at a public session upon showing of good cause.

I. NO RIGHT OF CONFIDENTIALITY

All Contractor Disclosures and attachments thereto shall be public records subject to disclosure under the California Public Records act and the Ralph M. Brown Act. No confidentiality restrictions shall be placed on any Contractor Disclosures or any information provided by Contractors pursuant to this Policy.

See APPENDIX A – CONTRACTOR DISCLOSURE POLICY DEFINITIONS

1.19 HISTORY

Adopted: 07/23/09; Revised: 02/04/10, 03/03/11, 04/05/12, 06/04/15, and 10/05/17.

APPENDIX A – CONTRACT DISCLOSURE POLICY DEFINITIONS

Definitions are based on current laws. To the extent that Board policies are not updated subsequent to changes in law, the Board of Commissioners is responsible to comply with current laws and changes thereto.

Applicable City Employee

(1) An LAFPP employee or (2) a lawyer in the Retirement Benefits Division or Outside Counsel Oversight Division of the Los Angeles City Attorney's Office or who is in the direct supervisory chain of command over the lawyers in those divisions

Appointed Official

An appointed LAFPP Board Member (including a person who has been appointed, pending confirmation)

Candidate

A person who has filed to run for an Elected Office

City

The City of Los Angeles

Contractor

A person who, or entity that, seeks to be and/or is hired to provide goods and/or services to LAFPP. The individuals with reporting responsibility are those at a firm that would have any contact with or responsibility for a LAFPP investment or agreement.

Contractor Disclosure

Collectively, the information required from Contractors as described in Sections 1.18.C through 1.18.G of this Policy.

Elected Official or Office

Mayor of the City of Los Angeles
Members of the Los Angeles City Council
Los Angeles City Attorney
Los Angeles City Controller
Elected LAFPP Board Member

Family Member

The spouse or domestic partner, of a Contractor or Intermediary.

Gift

Pursuant to **Los Angeles Municipal Code Section 49.5.8 et seq.**, that references the **Political Reform Act and California Constitution, and Section 82028 of the Political Reform Act 2015**, a "Gift" means, except as otherwise provided in this definition, any payment that confers a personal benefit on the recipient, to the extent that consideration of equal or greater value is not received and includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public without regard to official status. Any person, other than a defendant in a criminal action, who claims that a payment is not a gift by reason of receipt of consideration has the burden of proving that the consideration received is of equal or greater value. The term "gift" does not include:

- (1) Informational material such as books, reports, pamphlets, calendars, or periodicals, No payment for travel or reimbursement for any expenses shall be deemed "informational material."
- (2) Gifts which are not used and which, within 30 days after receipt, are either returned to the donor or delivered to a nonprofit entity exempt from taxation under Section 501(c)(3) of the Internal Revenue Code without being claimed as a charitable contribution for tax purposes.
- (3) Gifts from an individual's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person; provided that a gift from any such person shall be considered a gift if the donor is acting as an agent or intermediary for any person not covered by this paragraph.
- (4) Campaign contributions required to be reported under Chapter 4 of the Political Reform Act of 1974, as amended.
- (5) Any devise or inheritance.
- (6) Personalized plaques and trophies with an individual value of less than two hundred fifty dollars (\$250).

Intermediary

A person or entity (1) who is hired, engaged or retained by or acting on behalf of a Contractor as a placement agent, finder, lobbyist, solicitor, marketer, consultant, broker or other type of agent to raise money or investments from or obtain access to LAFPP, directly or indirectly, and (2) who engages in, either personally or through an agent, any written or oral direct communication with any LAFPP representative in furtherance of obtaining an investment or a contract with LAFPP. This definition also includes agents of Intermediaries commonly referred to as sub-agents.

LAFPP

The Los Angeles Fire and Police Pension System.

Officers

The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer or functional equivalent in the Contractor's firm.

Undue influence

The employment of any improper or wrongful pressure, scheme, or threat by which one's will is overcome and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to do freely.

**City of Los Angeles
Department of Fire and Police Pensions
Contractor Disclosure Policy Reporting Form**
Reporting Period: _____

Pursuant to the LAFPP Contractor Disclosure Policy, the following information is required from Contractors that seek or are hired to provide goods and/or services to LAFPP.

The Policy can be found at LAFPP.com

Note: All attachments to the reporting form shall be labeled and referenced with the applicable Policy section.

Date _____

**Contractor/
Consultant
Name:** _____

Address: _____

**Contact
Information:** _____
(Provide contact information in case LAFPP staff has questions about the information provided by your firm.)

**Contract
Number:** _____
(List contract number. For Private Equity, list the name of the fund and the fund number.)

**Contract
Description:** _____
(Describe the goods or services your firm is providing to LAFPP.)

Type of Filing *

- NEW Disclosure Report ¹ _____
- QUARTERLY Disclosure Report ² _____
- ANNUAL Disclosure Report ³ _____
- ANNUAL Fiscal Year Disclosure Report ⁴ _____

¹ New Disclosure Report is for Contractors with agreements entered into after July 23, 2009 and for all prior agreements that are subsequently extended, have increased commitment of funds or are substantively amended after July 23, 2009.

² Quarterly Disclosure Report is for Contractors who have already submitted a "New Disclosure Report" and are now submitting a regular, quarterly report of campaign/other contributions and gifts. Quarterly Disclosure Reports are required for the duration of the agreement, unless otherwise notified by LAFPP internal audit staff.

³ Annual Disclosure Report is for the General Investment Consultant and the Real Estate Consultant.

⁴ Annual Fiscal Year Disclosure Report is for Non-Investment or Non-Legal Contractors who have already submitted a "New Disclosure Report" and are now submitting a regular, annual report of campaign/other contributions and gifts. Annual Fiscal Year Disclosure Reports are required for the duration of the agreement, unless otherwise notified by LAFPP internal audit staff.

Policy
Section
1.18.C

Disclosure Category
Campaign Contributions

Are there campaign contributions to disclose pursuant to Section 1.18.C of the Policy? *Please refer to list of elected officials, candidates, appointed officials, and applicable city employees at the end of this form.*

Yes No

*Exemption: Monetary contributions and/or financial benefits given by any person to an Elected Official or Candidate for whom such person was entitled to vote at the time of the contributions **AND** which in the aggregate do not exceed \$100 to any one Elected Official or Candidate per election are not required to be reported pursuant to this Section 1.18C. See definition of "Elected Official" or "Candidate" in Appendix A of the Contractor Disclosure Policy.*

If yes, please provide the following information:

(1) The name and address of the contributor(s) and the connection to the Contractor.

(2) The name and title of each person receiving the contribution and the name of the Elected Official, Candidate, Appointed Official or person for whose benefit the contribution was made.

(3) The amount of the monetary contribution or financial benefit.

(4) The date of the monetary contribution or financial benefit.

1.18.D Other Contributions/Payments

Are there other contributions/payments to disclose pursuant to Section 1.18.D of the Policy? *Please refer to list of elected officials, candidates, appointed officials, and applicable city employees at the end of this form.*

Yes No

If yes, please provide the following information:

(1) The name and address of the contributor and the connection to the Contractor.

(2) The name of the organization and the name and title of each person receiving the contribution and the name of the Elected Official, Candidate, Appointed Official or person for whose benefit the contribution was made.

(3) The amount of the monetary contribution or financial benefit.

(4) The date of the monetary contribution or financial benefit.

1.18.F.1 Gifts Made by Contractors

Are there gifts to disclose pursuant to Section 1.18.F.1 of the Policy? *Please refer to list of elected officials, candidates, appointed officials, and applicable city employees at the end of this form.*

Yes _____ No _____

If yes, please provide the following information:

(1) The name and address of each person providing the Gift and each such person's connection to the Contractor.

(2) The name and title of each person receiving the Gift.

(3) The value of the Gift AND a description of the Gift.

(4) The date of the presentation of the Gift.

1.18.F.2 Gifts Received by the Private Equity Consultant, General Investment Consultant, or Real Estate Consultant

Are there gifts to disclose pursuant to Section 1.18.F.2 of the Policy? *Please note, this question applies **only** to the Private Equity Consultant, General Investment Consultant, and Real Estate Consultant. If your firm is neither, please check N/A.*

Yes _____ No _____

N/A _____

If yes, please provide the following information:

(1) The name and address of each person providing the Gift and each such person's connection to the Contractor.

(2) The name and title of each person receiving the Gift.

(3) The value of the Gift AND a description of the Gift.

(4) The date of the presentation of the Gift.

1.18.G Contractor, Intermediary, and Contact Information

(1) Is there Intermediary information to disclose pursuant to Section 1.18.G.1.a.(1) of the Policy?

Yes ___ No ___

(2) Is any person working on behalf of the Contractor, or assigned on behalf of the Contractor to an LAFPP contract, a current or former LAFPP Board member, employee, consultant or a Family Member of any such person?

Yes ___ No ___

(3) Describe all compensation provided or agreed to be provided pursuant to Section 1.18.G.1.a.(3) of the Policy.

(4) For new investment and consulting contracts, provide a List of Contacts made by the Contractor with Appointed or Elected Officials within either 1) the three month period prior to the interview regarding a new agreement or investment; or, 2) the search period; whichever is longer. The List of Contacts shall include the date and names of the contact(s) and the nature of the contact. Please attach additional sheets as necessary.

N/A ___

(5) For investment and consulting contracts and except for private equity partnerships including their general partners, Contractors shall also disclose any contacts with Appointed or Elected Officials **during the term of the agreement, contract, or investment on a quarterly/annual basis, as applicable.** The List of Contacts shall include the date and names of the contact(s) and the nature of the contact. Please attach additional sheets as necessary. *Please refer to list of elected officials, candidates, appointed officials, and applicable city employees at the end of this form.*

Yes No
N/A

(6) With regard to the Intermediary identified in Section 1.18.G(1) above, provide the following information:

(i) A description of the services to be performed by the Intermediary and a statement as to whether the Intermediary is utilized by the Contractor with all prospective clients or a subset (if a subset, describe the subset). A resume for the Intermediaries shall also be provided. See Section 1.18.G.1.a.(6)(i) of the Policy for specific disclosure information.

(ii) A copy of all written agreements between the Contractor and the Intermediary and a description of any agreement that is not in writing.

(iii) List all contacts for the 24-month period prior to Board approval of a new agreement or investment pursuant to Section 1.18.G.1.a.(6)(iii) of the Policy. *Please refer to list of elected officials, candidates, appointed officials, and applicable city employees at the end of this form.*

(iv) List the names of all persons who suggested retention of the Intermediary and a description of how the Intermediary was selected.

(v) For the Intermediary and/or any of its affiliates, list the registration with SEC/FINRA/or any similar regulatory agency or self-regulatory organization outside of the US, and either details of such registration or an explanation of why registration is not required.

(vi) For the Intermediary and/or any of its affiliates, list registration as a lobbyist with any local, state or national government and the details of such registration.

1.18.G.1.b The undersigned represents and warrants that the information submitted in this report and related attachments is true and correct. The undersigned must be the Contractor's Chief Executive Officer or head of the business unit that provides, or will be providing the goods or services to LAFPP.

Signature

Date

Printed Name

Title

Please send the completed form to:
Department of Fire and Police Pensions
Internal Audit Section
701 E. 3rd Street, Suite 200
Los Angeles CA 90013
Fax: 213-628-7720 Email address: audit@lafpp.com