

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, EXCLUSIONS AND REPORTING

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.

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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. Reporting requirements for new and existing agreements/investments are defined in 1.18B.3.

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.

3. REPORTING

- a. **Initial (New) Disclosures** For new contracts/investments, Contractors are required to complete a Contractor Disclosure form and disclose reportable items (as defined by this Policy) that occurred during the twenty-four (24) month period prior to Board approval of a new contract. 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.
- b. **Periodic Disclosures** For existing contracts, Contractors are required to complete a Contractor Disclosure form quarterly. Quarterly disclosures are due 21 business days after the end of the quarter. For contracts that are extended or renewed, the contractor must have submitted the most recent quarterly disclosure. LAFPP internal audit staff will review previously submitted contractor disclosures to determine if there is a disclosure to report to the Board at the time the contract renewal or extension is being considered by the Board.

Private equity partnerships, including their general partners, are required to complete the PE Annual Gift Disclosure which is due 21 business days after the year end. Private equity partnerships, including their general partners are not required to submit Contractor Disclosure forms (except for new or increased investments being considered by the Board, see Section 1.18.B.3a).

Non-investment and non-legal contractors paid \$20,000 or less each fiscal year by LAFPP shall submit a Contractor Disclosure no later than 21 business days after

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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.

4. 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.

C. CAMPAIGN CONTRIBUTIONS

Applicability 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 to any Elected Official, Candidate, Appointed Official or Applicable City Employee (collectively, "Contractor Campaign Contribution Disclosures"). Disclosure requirements apply to the Contractor, any of its Officers, marketing representatives, relationship representatives, portfolio managers, members of their investment committee, or Intermediaries that are involved with the product or service provided, or sought to be provided, to LAFPP, and any Family Members of the previously listed individuals.

For each such monetary contribution or financial benefit made, the Contractor Campaign Contribution Disclosures 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

Applicability 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. 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").

Disclosure requirements apply to the Contractor, any of its Officers, any marketing representatives, relationship representatives, portfolio managers, members of their investment committee, or Intermediaries that are involved with the product or service provided, or sought to be provided, to LAFPP, and any Family Members of any of the previously listed individuals.

For each such monetary contribution and/or financial benefit, the Contractor Miscellaneous Contribution Disclosures 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.

E. GIFTS

1. **Applicability** Every Contractor shall disclose all Gifts, as defined within this Policy, made directly or indirectly to any Elected Official, Candidate, Appointed Official, or Applicable City Employee, or to decision makers with LAFPP's private equity consultants, general investment consultants, or real estate consultants. Disclosure requirements apply to the Contractor, any of its Officers, any marketing representatives, relationship representatives, portfolio managers, members of their investment committee, or Intermediaries that are involved with the product or service provided, or sought to be provided, to LAFPP, and any Family Members of any of the previously listed individuals.

Gifts are reportable when the fair market value of the Gifts to a single person is \$50 or more or multiple Gifts to a single person from a single source totals \$50 or more per calendar year. Contractors must keep track of Gifts made directly or indirectly to officials, staff and representatives described above to identify if the reporting threshold is met. Such disclosures shall be made each calendar year for Gifts by Private Equity firms, quarterly

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for existing contracts, and prior to Board approval of a contractor for initial contractor disclosures regarding the previous 24-month period.

When the fair market value of the Gifts to a person meets or exceeds \$50 per calendar year, the Contractor shall disclose for each Gift:

- (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.

2. **Gifts Received (For Investment Consultants Only)** LAFPP Consultants (private equity consultants, general investment consultants, and real estate consultants who have a service agreement with LAFPP) shall also disclose a Gift if its fair market value is \$50 or more that were received by decision makers, directly or indirectly, from Contractors, any of its Officers, any marketing representatives, relationship representatives, portfolio managers, members of their investment committee, or Intermediaries that are involved with the product or service provided, or sought to be provided, to LAFPP, and any Family Members of any of the previously listed individuals. Multiple gifts totaling \$50 or more received during the reporting period from a single source must also be reported. LAFPP consultants must keep track of gifts received directly or indirectly to identify if the reporting threshold is met for a person within the calendar year. Such disclosures shall include Gifts received during the term of the Consultant's service agreement with LAFPP and shall be made quarterly with regard to all Contractors, and otherwise as required by LAFPP in relation to any particular contracting process.

The consultant shall disclose for each Gift:

- (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

F. CONTACT STATEMENT

1. **Initial (New) Disclosures** Each Contractor is responsible for providing to Staff prior to hiring for new agreements/investments, 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. Required disclosure of contacts by Intermediaries is described in Section 1.18G.4(iii).
2. **Periodic Disclosures** For existing agreements, except for private equity partnerships including their general partners, each Contractor shall also disclose any contacts with

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Appointed or Elected Officials *during the term of the agreement, contract, or investment on a quarterly basis.*

G. INTERMEDIARIES

Each Contractor is responsible for providing to Staff, as part of the initial and periodic Contractor Disclosure, the following information:

1. 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.
2. A statement whether the Contractor, any of its Officers, marketing or relationship representatives, portfolio managers, members of the investment committee, or any individuals that are involved with the product or service provided to LAFPP (or any Family Members of the individuals listed), 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.
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. With regard to each Intermediary identified pursuant to Section 1.18.G.2 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.

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- (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.

H. CONTRACTOR RESPONSIBILITIES

1. Each Contractor is responsible for providing to Staff, as part of the Contractor Disclosure, 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.
2. 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.
3. All information required in the Contractor Disclosure shall be sent to LAFPP internal audit staff as follows:

Email address: audit@lafpp.com
Department of Fire and Police Pensions
Internal Audit Section
701 E. 3rd Street, Suite 200
Los Angeles, CA 90013
Office: 213-279-3175

The Contractor Disclosure is due 21 business days after the end of the quarter or year as applicable.

I. LAFPP RESPONSIBILITIES

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.

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- 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 J.
- e. Internal audit staff will provide the Board, including the relevant Committee, with the Contractor Disclosure information prior to the Board making or approving any decision to invest or procure with a Contractor.
- f. 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 or other contributions and gifts of each Contractor and the List of Contacts as reported in the Contractor Disclosures; the List of Exclusions and the List of Outstanding Contractor Disclosures.
- 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.

J. 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.

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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.

K. 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

HISTORY

- 1.19 Adopted: 07/23/09; Revised: 02/04/10, 03/03/11, 04/05/12, 06/04/15, 11/03/16, 10/05/17, 05/20/21 and 08/05/21.

REVIEW

- 1.20 This entire policy shall be reviewed every 3 years starting February 2013, with the exception of Section 1.15 Market Cessation which shall be reviewed annually.

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 designated as a City Official under LAMC Section 49.5.2(C), 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.H 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

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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.