

## **Our Process**

### **Prospective Vendors**

#### **Who must file?**

During the due diligence carried out by the Office of the Treasurer, prior to entering into any contract, all prospective vendors must provide an Affidavit of Third Party Fees and Disclosure of Consulting Agreements, disclosing, under penalty of false statement, any third party fees or consulting arrangements attributable to the proposed contract.

#### **What must be filed?**

The form of Affidavit is mandatory. The form contains detailed instructions on what information must be provided, including the name of any recipient of third party payments, the nature and amount of any payments, the terms of any agreement and a copy of the agreement under which such payment has been made or is to be made, the specific services provided in exchange for the fees, how the payment meets an exception to the ban on the payment of finder's fees, and whether the recipient is a former Connecticut state employee. The disclosure provisions and the ban on payment or receipt of finder's fees apply to both direct and indirect payments. Thus, a prospective vendor may not avoid the disclosure obligation or liability for payment of a finder's fee by doing indirectly that which it is prohibited from doing directly. For example, a payment to a third party which is attributable to a contract with the State but is made by a General Partner, principal or employee of the firm (and not by the firm itself) must be disclosed, and to avoid liability under the statute, must meet an exception to the definition of "finder's fee."

#### **Where do prospective vendors get the Affidavit form?**

Prospective vendors obtain an Affidavit from staff of the Office of the Treasurer as a part of the Request for Proposal or Search documentation. In the case of Private Equity or Real Estate investments, the Affidavit is provided to prospective fund managers by consultants of the Office of the Treasurer.

#### **What is done with the Affidavits when they are filed?**

Disclosures are reviewed by the Director of Compliance, and reported to the staff member responsible for the contract, as well as the Division head, who in turn reports any such disclosures to the Treasurer. In the specific case of disclosure of the use of a placement agent, the Chief Investment Officer reports any such disclosure to the Treasurer, and such information is included in the information provided to the Investment Advisory Council, which reviews all investment decisions of the Treasurer pursuant to Conn. Gen. Stat. §3-13b(c)(2).

**What happens if a prospective vendor fails to file an Affidavit?**

Prospective vendors who fail to file an affidavit are disqualified from further consideration for the contract.

**What if payments disclosed are determined to be finder's fees?**

Payment of finder's fees is prohibited in connection with any investment transaction involving the State. If determined to be a finder's fee prior to the award of a contract, the prospective vendor will be disqualified from further consideration.

**Current Vendors**

**Who must file?**

Annually, all investment service providers and vendors having contracts valued at \$50,000 or more are required to provide an [Affidavit of Third Party Fees and Disclosure of Consulting Agreements](#), disclosing, under penalty of false statement, any third party fees paid or consulting arrangements entered into and attributable to the contract in the previous year.

**What must be filed?**

The form of Affidavit is mandatory, and the reporting period is the prior fiscal year. Click on [Current Disclosure Form](#) for the current form of affidavit. The form contains detailed instructions on what information must be provided, including the name of any recipient of third party payments, the nature and amount of any payments, the terms of any agreement and a copy of the agreement under which such payment has been made or is to be made, the specific services provided in exchange for the fees, how the payment meets an exception to the ban on the payment of finder's fees and whether the recipient is a former state employee. The disclosure provisions and the ban on payment or receipt of finder's fees apply to both direct and indirect payments. Thus, a vendor may not avoid the disclosure obligation or liability for payment of a finder's fee by doing indirectly that which it is prohibited from doing directly. For example, a payment to a third party which is attributable to a contract with the State but is made by a General Partner, principal or employee of the firm (and not by the firm itself) must be disclosed, and to avoid liability under the statute, must meet an exception to the definition of "finder's fee."

**Where do vendors get the Affidavit form?**

The Director of Compliance contacts all vendors required to file the annual Affidavit.

**What is done with the Affidavits when they are filed?**

The Director of Compliance reviews the affidavits when filed. The results of the annual third party fee disclosure process of the Office of the Treasurer are made available for public scrutiny, by posting a report summarizing the disclosures on the Office's web site. The report lists: the names of all vendors; whether third party payments were paid by such vendors; if payments were made, the amount of the

payments and the name of the payee; the amount of the payment; and the type of service provided. For a link to each of the annual disclosure reports, see [Disclosure Summaries](#), below.

**What happens if a vendor fails to file an Affidavit?**

A current vendor of the Office of the Treasurer who fails to file an annual Affidavit is subject to termination and to civil penalties of up to \$2,000 per violation.

**What if payments disclosed are determined to be finder's fees?**

Payment of finder's fees is prohibited in connection with any investment transaction involving the State. Vendors who violate the ban on payment of finder's fees are subject to civil penalties of not less than the amount of the fees paid and not more than three times the amount of the fee paid and may be subject to termination under the contract.