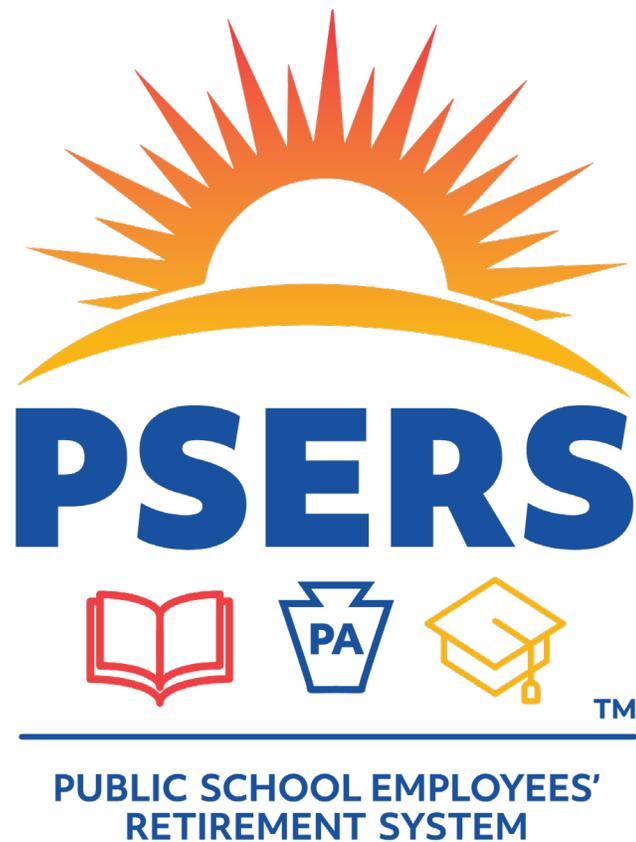


Public School Employees' Retirement System



Board Governance Manual

Statement of Governance
for the
Commonwealth of Pennsylvania
Public School Employees' Retirement Board

The Board of Trustees for the Public School Employees' Retirement System ("PSERS") is dedicated to ethically serving the members and stakeholders of the System and ensuring that the System and Fund are effectively managed. In doing so, the Board is committed to developing and maintaining a governance structure in accordance with the highest standards of professional responsibility and accountability. To effectuate that objective, the Board has adopted policies that act as a framework in guiding the actions of the Board as it strives to execute its mission to:

- Provide timely and accurate payment of benefits,
- Maintain a financially sound System,
- Prudently invest the assets of the System,
- Clearly communicate members and employers rights and responsibilities, and
- Effectively manage the resources of the System.

The Board's adopted policies, which are enclosed in this manual, exemplify good governance by establishing and outlining, among other things, the Board's leadership and overall function in the administration of the system and management of the Fund, the Board's duties as fiduciaries to PSERS' members, the Board's composition and requirements related to qualifications and training, the Board's standard of conduct to be in accordance with the highest canons of honesty, integrity, respect, and fairness, and the Board's responsibility for providing prompt, accurate, and complete communications to PSERS' members, employees, stakeholders, and the general public of the Commonwealth.

The attached policies are an evolving set of documents that reflect the Board's current governance practices. The policies are subject to periodic review and modification at the Board's discretion or as mandated by law.

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***Statement of Organization,
Bylaws, and Other Procedures***

of

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

**As adopted by
the Board of Trustees
on January 25, 1991**

**Effective
January 25, 1991**

Adopted: January 25, 1991
Revised: October 11, 2019
Date Last Reviewed by Chief Counsel: January 5, 2018

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**COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD**

STATEMENT OF ORGANIZATION, BYLAWS, AND OTHER PROCEDURES

INTRODUCTION

Members of the Public School Employees' Retirement Board derive their official authority, and accept limitations on that authority, not only from the Public School Employees' Retirement Code but also under numerous other statutory codification and unconsolidated laws of the Commonwealth of Pennsylvania. Among relevant enactments outside the Retirement Code itself are (to use short titles or popular names) the Administrative Agency Law, the Administrative Code, the Adverse Interest Act, the Commonwealth Attorneys Act, the Fiscal Code, the Public Official and Employee Ethics Law, the Right-to-Know Law, and the Sunshine Act. Other pertinent rules that apply to the Board, whether of binding force or merely precatory, include the Governor's Code of Conduct, other rules and regulations of the Executive Board, and the General Counsel's interpretations of the Sunshine Act.

The "Statement of Organization Bylaws, and Other Procedures" (the "Bylaws") sets forth many of the more important requirements of the above referenced laws and regulations particularly as they relate to the operations of the Board. For example, substantial portions of Article V of the Bylaws are derived from the open meeting requirements of the Pennsylvania Sunshine Law. In some cases, statutory and regulatory language has been incorporated into the Bylaws to facilitate the Board's efforts to fully comply with all applicable laws and regulations. As a result, the Bylaws contain extensive footnotes to indicate various sources from which different sections of the Bylaws are derived. However, it must be emphasized that the footnotes merely annotate the Bylaws. They are not intended to be a part of the Bylaws, and, therefore, do not bind the Board in any manner.

Finally, important sections of the Bylaws concern the manner in which the Board operates in carrying out its fiduciary responsibilities. These sections are not derived from specific statutes or regulations and include such sections as the section found in Article IV of the Bylaws which relate to the responsibilities of various standing committees of the Board.

ARTICLE I
NAME, OFFICIAL OFFICE, AND STATUS AND PURPOSE

Section 1.1. Name. The name of the board of trustees of the Public School Employees' Retirement Fund (the "Fund") and the School Employees' Defined Contribution Trust ("Trust") of the Commonwealth of Pennsylvania (the "Commonwealth") is Public School Employees' Retirement Board (the "Board").¹

Section 1.2. Official Office and Mail Address. The office of the Board shall be at 5 North 5th Street, Harrisburg, Pennsylvania. The mailing address of the headquarters is; 5 North 5th Street, Harrisburg, Pennsylvania 17101.

Section 1.3. Status and Purpose. The Board is an independent administrative board of the Commonwealth.² The members of the Board stand in a fiduciary relationship to the members of the Pennsylvania Public School Employees' Retirement System (the "System") regarding the investments and disbursements of moneys of the Fund.³ The members of the Board, as trustees of the Fund, have exclusive control and management of the Fund and full power to invest the fund, subject to observance of such standards of fiduciary conduct and such other terms, conditions, limitations and restrictions on the making of investments as may be provided by law.⁴ The Board also performs other functions as are required for the administration of the System, including the payment of benefits. The Board may adopt and from time to time amend a "mission statement" for publication to System members, the government of the Commonwealth, and the general public. The Board determines the terms and provisions of the School Employees' Defined Contribution Plan (the

¹ 24 Pa. C.S. §8102 (definitions of "board," "fund," "plan," "system," and "trust"), 8401(b) (members of the board are the trustees of the trust); and 8521(a) (members of board are trustees of fund).

² Id. §8501(a).

³ Id. §8521(e).

⁴ Id. §8521(a).

“Plan”) and shall perform functions as are required for the administration of the Plan, which shall be administered exclusively for the benefit of the participants of the Plan and their beneficiaries.⁵ The Board administers the Trust and determines the types of investments available to participants.⁶

⁵ Id. §8401(a) and (b) and 8411.

⁶ Id. §8401(b) and (c), 8411, and 8413.

ARTICLE II

BOARD MEMBERSHIP AND TERMS AND CONDITIONS OF OFFICE

Section 2.1. Composition. The Board shall consist of 15 members.⁷ The members of the Board are the Secretary of Education, ex officio; the State Treasurer, ex officio; the Secretary of Banking and Securities, ex officio; the Executive Secretary of the Pennsylvania School Boards Association, ex officio; one person appointed by the Governor; three persons elected by the active professional members of the System and active certified (professional) Class DC participants in the Plan from among their number; one person elected by the active nonprofessional members of the System and active non-certified (nonprofessional) Class DC participants in the Plan from among their number; one person elected by the annuitants and eligible Class DC participants from among their number; one person elected by members of the Pennsylvania public school boards from among their number; and two Senators and two members of the House of Representatives.⁸ The appointments made by the Governor are subject to confirmation by the Senate.⁹ The members from the Senate are appointed by the President pro tempore of the Senate and shall consist of one member from the majority and one member from the minority. The members from the House of Representatives are appointed by the Speaker of the House of Representatives and shall consist of one member from the majority and one member from the minority. Such legislative members shall serve on the Board for the duration of their legislative terms and shall continue to serve until 30 days after the convening of the next regular session of the General Assembly after the expiration of their respective legislative

⁷ 24 Pa. C.S. §8501(a).

⁸ The Board has developed an Elections Policy that governs the process for electing Trustees from the members of the System/participants in the Plan and from the members of the School Boards Association.

⁹ Id. §8501(a).

terms, or until a successor is appointed for the new term, whichever first occurs.¹⁰

Section 2.2. Ex-officio and Legislative Members; Designees. Each ex-officio member and each legislative member of the Board may at any time and from time to time appoint a duly authorized designee to act in his or her stead at any meeting of the Board or of any committee thereof or with respect to official business and activities of the Board conducted outside of meetings.¹¹ Each appointment shall be made in writing signed by the member and filed with the Executive Director of the System (the "Executive Director").¹² Both ex-officio and legislative members may authorize more than one designee either in priority preference or as alternates. Each designee of the Secretary of Education shall be an officer or employee of the Commonwealth holding office by appointment of the Secretary or of the Governor.¹³ Each designee of the State Treasurer shall be an officer or employee of the Department of Treasury.¹⁴ Each designee of the Executive Secretary of the Pennsylvania School Boards Association shall be an employee of such association.¹⁵ As a duly appointed

¹⁰ Id.

¹¹ Id. The phrase "at any meeting of the Board or of any committee thereof or with respect to official business and activities of the Board conducted outside of meetings" has been added to the statutory language to make clear that an ex-officio or legislative member's right to substitute for herself or himself is not confined to full Board meetings only.

¹² The requirement of a filing with the Executive Director is not statutory but appears warranted in the interest of insuring record regularity for the appointment of designees.

¹³ This provision is in accord with several precedents whereby persons other than officers or employees of the Department of Education have been appointed as the Secretary's designees, usually other appointees of the Governor, directly or indirectly. The precedents appear to be impliedly lawful under the Administrative Code of 1929, §213 (71 P.S. §73) which subjects to the Governor's approval any department head's "named deputy" as a substitute on any board, etc., of which the department head is a member. The Governor's approval authority for an appointee of his own appointee is, realistically, the power to appoint the designee.

¹⁴ See Op. Att'y Gen. No. 75-19 (1975), ruling that a department head, such as the State Treasurer, may authorize designated responsible deputies, including responsible employees not actually deputy department heads, to serve in his or her stead.

¹⁵ Such an employment must be implied, otherwise the Executive Secretary's designee could be a mere interloper--whoever he or she chooses--thus not necessarily accountable to either of the employer interests involved, i.e., neither to the Commonwealth nor to the employing school districts.

designee of an ex-officio member or legislative member of the Board, each designee, when acting in the stead of that member, shall adhere to the same standard of care, fiduciary relationship and responsibility imposed upon a member, as provided in Section 1.3. The appointment of a designee in the manner herein provided shall remain in full force and effect unless and until revoked in writing signed by the member by whom such designee was appointed and filed with the Executive Director, or until the earlier removal or resignation of such designee from the office or employment that qualified that person for appointment, or until the member of the Board ceases to hold the office that confers ex-officio or legislative membership on the Board.¹⁶

Section 2.3. Appointive and Elective Members; Term of Office. Each member appointed to the Board shall serve for a term of three years¹⁷ and until his or her successor is duly appointed and qualified.¹⁸ Each member elected to the Board shall serve for a term of three years beginning on a January 1 and ending on the December 31 of the third calendar year of such term and until his or her successor is duly elected and qualified.¹⁹ Each election shall be conducted in a manner

¹⁶ See comment supra, note 11. The intent of the last phrase of this provision is that all in-force designations made by an ex-officio or legislative member automatically lapse upon the latter's ceasing to hold office and the Board membership that goes with it, whatever may be the cause for the cessation.

¹⁷ 24 Pa. C.S. §8501(a).

¹⁸ See Administrative Code of 1929, §207.1, 71 P.S. § 67.1(d) (4); Memorandum of Deputy Attorney General R. Kleiman to M. Andrew Sheffler, PSERS Executive Director, dated Dec. 27, 1979.

¹⁹ 24 Pa. C.S. §8501(a) provides for a term of three years, but §8501(b) seeks to preserve a scheme of staggered terms by providing uniformly that elected members serve "until" January 1. The three-year term of §8501(a) thus holds for any newly elected member who is qualified to take his or her oath of office on the January 1 immediately after the predecessor's term expires. If the election results cannot be certified to the Board by January 1 or if, for any other reason, a successor is not in position to take the oath and occupy the office from the beginning of the nominal three-year term, then the predecessor in office will continue in office as a de facto public official until a successor is certifiably elected and has qualified. As to elective offices, if a valid holdover clause is applicable and no successor qualifies as such after the end of a term of years, the term of an incumbent is extended and there is no

approved by the Board.²⁰ Notwithstanding the preceding, in the event an elective member serving on the Board no longer is a member of the constituent group from which he or she was elected, then said seat shall be deemed vacant except that the nonqualified elective member shall continue to serve on the Board until his or her successor is duly elected and qualified pursuant to Section 2.4.

Section 2.4. Vacancies. A vacancy occurring during the term of any member, whether appointive, elective, ex-officio or legislative, shall be filled for the unexpired portion of the term by a successor appointed or elected, as the case may be, in the same manner as his or her predecessor.²¹ In determining the manner in which elections may be conducted, the Board may adopt standards for, and pursuant thereto maintain a practice of, conducting on the same ballot an election to fill a vacancy for the unexpired portion of a member's term together with the election of a successor to the next full term of the same office, if such a procedure would result in substantial cost savings to the Fund as compared to the cost of successive elections.²²

Section 2.5. Oath of Office. Each member of the Board, whether appointive, elective, ex-officio or legislative shall, before exercising any power or privilege of office, take and subscribe to the oath of office in the form prescribed by law. Such oath shall be certified to by the officer before whom it is taken and immediately filed in the office of the Secretary of the Commonwealth.²³ Each designee of an ex-officio or legislative member of the Board shall, upon his or her appointment by a member, be deemed to take and shall be bound by the oath of office prescribed herein and taken by the Board

vacancy for the Governor or other appointing authority to fill. *Zemprelli v. Thornburgh*, 423 A.2d 1072, 1076 (Pa. Cmwlth. 1980).

²⁰ 24 Pa. C.S. §8501(a).

²¹ *Id.* §8501(b).

²² This process is more fully covered in the Board Elections Policy.

²³ 24 Pa. C.S. §8501(c).

member who appointed the designee. No person shall be allowed to take the oath of office or enter or continue upon his duties as a member of the Board or as a designee of either an ex-officio or legislative member of the Board unless that person has filed a statement of financial interests for the preceding calendar year with the State Ethics Commission (or in the case of a designee who is a state employee, with his or her department or agency in the manner provided by the Public Official and Employee Ethics Act (the "Ethics Act")) and (through the Executive Director) with the Board, as required by the Ethics Act.²⁴ Ex-Officio and legislative members may appoint a designee prior to the designees' filing of a Statement of Financial Interests for the preceding calendar year and that designee may exercise their duties as a designee immediately upon their filing of Statement of Financial Interests for the preceding calendar and their taking of the oath of office.

Section 2.6. Removal and Resignation from Office. A member of the Board shall be subject to removal from office only in accordance with applicable provisions of Article VI of the Constitution of Pennsylvania, or of 65 P.S. §121, or both.²⁵ Any member may resign at any time. Such resignation shall be in writing filed with the Executive Director but the acceptance thereof by the Executive Director or by any other authority to whom such resignation is addressed shall not be necessary to

²⁴ 65 Pa. C.S. § 1104 (a) & (d). The stated rule adopts the State Ethics Commission's position that every member of the Board, including the elective members, fall within the definition of "public official" set forth in 65 Pa. C.S. § 1102. Even if members elected by sub-classes of the PSERS membership were not elected "by the public" within the meaning of the definition, the bylaw rule would properly rest on the discretionary authority of the Board "to adopt requirements to supplement Act" as set forth in 65 Pa. C.S. § 1111.

²⁵ Article VI, §6 of the Constitution makes civil officers of the Commonwealth liable to impeachment for any misbehavior in office. Article VI, §7 requires the automatic removal from office of any civil officer on conviction of misbehavior in office or of any infamous crime. In addition, under §7, appointed officials, other than certain judges, are subject to removal "at the pleasure of the power by which they shall have been appointed, "while officers elected by the people (other than Governor, Lieutenant Governor, state legislators, and state judges) are subject to removal "for reasonable cause" under the so-called "address" procedure. It is clear from the constitutional scheme that elective members of the Board are not covered by any of the removal provisions of Article VI. In that case 65 P.S. §121 may yet be applicable provided the Board position is a "public office." Title 65 P.S. §121 requires forfeiture of office on conviction of any of certain crimes and offenses related to public office.

make it effective.

Section 2.7. Compensation. Members of the Board who are members of the System or Class DC participants in the Plan shall serve without compensation from the Fund. Members of the Board who are not members of either the System or the State Employees' Retirement System or Class DC participants in the Plan may be paid \$100 per day when attending meetings. All members shall be reimbursed for any necessary expenses while attending to official business.²⁶ No member of the Board may otherwise profit either directly or indirectly with respect to the investments and disbursements of any of the moneys of the Fund or Trust,²⁷ except in the case of a member of the System/participant of the Plan, and then only to the extent of such member's/participant's rights and benefits under applicable provisions of the Public School Employees' Retirement Code, the Plan, or other law.²⁸

Section 2.8. Election of Board Members. As specified in Section 2.1 hereof, six Board members are elected to serve on the Board. The procedures governing full-term elections and elections to fill vacancies in the Board's elective membership are set forth in the "Election Procedures and Guidelines of the Commonwealth of Pennsylvania Public School Employees' Retirement Board," as amended from time to time, and are incorporated herein by reference.

²⁶ 24 Pa. C.S. §8501(d).

²⁷ Id. §§ 8401(a), (c), and 8521(e).

²⁸ The Ethics Act definition of "conflict of interest" set forth in 65 Pa. C.S. § 1102 does not include a member's participation in an action "which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the public official or public employee, a member of his immediate family.... " This statutory modification of trust law is analogous to the built-in conflict-of-interest under ERISA whereby corporate officers are specifically permitted to serve as pension fund fiduciaries of the sponsoring corporation's pension plan. See 29 U.S.C. § 1108(c)(3).

ARTICLE III

CHAIR AND VICE CHAIR; OTHER OFFICES

Section 3.1. Chair. The Board shall have a Chair who each year shall be elected by the Board members at the organizational meeting of the Board specified in Section 5.5 hereof.²⁹ The Chair shall serve until the organizational meeting in the succeeding year and until his or her successor is duly elected and qualified, until he or she resigns or is removed from office, or (in the case of an elective member of the Board) until his or her term of office as a member expires, whichever occurs first. The Chair shall preside at all meetings of the Board and shall have such other powers and duties as are provided by these Bylaws or by resolution of the Board to the extent not inconsistent with the Public School Employees' Retirement Code and other applicable law.

Section 3.2. Vice Chair. The Board shall have a Vice Chair who each year shall be elected at the organizational meeting and shall serve on the same terms as apply to the Chair.³⁰ The Vice Chair shall preside at all meetings of the Board in the absence or inability of the Chair to act and shall have such other powers and duties as may be provided by resolution of the Board to the extent not inconsistent with the Public School Employees' Retirement Code and other applicable law.

Section 3.3. Vacancies. In the event of the Chair's death, inability to discharge the duties of Board membership, or removal or resignation from office, the Vice Chair shall serve as Acting Chair until the Board shall elect from among its members a successor Chair to serve for the unexpired portion of the former Chair's term. In the event of the Vice Chair's death, inability to discharge the duties of Board membership, or removal or resignation from office, the Board shall, as soon thereafter as practicable, elect from among its members a successor Vice Chair to serve for the unexpired portion

²⁹ 24 Pa. C.S. §8501(a). The stated rule codifies the Board's non-statutory practice of electing a Chair each year at the January meeting.

³⁰ The Public School Employees' Retirement Code makes no provision for a vice chair.

of the former Vice Chair's term. In the event that the terms of office of both the Chair and Vice Chair expire at the end of the same calendar year, the Board may designate a temporary Chair from among its members to serve in that capacity until a permanent Chair is elected in the following calendar year as specified in Section 3.1 and 3.2 hereof.

Section 3.4. Other Offices.

(a) Secretary. The Executive Director of the System shall act as Secretary of the Board,³¹ and in that capacity shall in general have and exercise those powers and duties which pertain to secretaries of business corporations organized under the Pennsylvania Business Corporation Law of 1988.³² Without limiting the generality of the foregoing, the Secretary shall keep or, through one or more assistant secretaries as the Secretary may designate, see to the keeping of the minutes of meetings of the Board and of its committees; shall maintain such minutes and other records of all of the Board's proceedings; shall give notices of meetings as required by law or by these Bylaws; and shall have such other powers and duties as may be prescribed by resolution of the Board.

(b) Treasurer. The State Treasurer is the custodian of the Fund.³³ All payments from the Fund shall be made by the State Treasurer in accordance with requisitions signed by the Secretary of the Board, or his or her designee, and ratified by resolution of the Board.³⁴ The State Treasurer

³¹ The "secretary" of the Board is referred to as such in 24 Pa. C.S. §8502(a).

³² Under the Business Corporation Law of 1988, every domestic business corporation must have a secretary, or a person who acts as such regardless of the title by which he or she is designated, to have such authority and perform such duties as may be provided by or pursuant to the corporate by-laws or, in the absence of controlling provisions of the by-laws, as may be determined by or pursuant to resolutions or orders of the board. 15 Pa. C.S. §1732(a), (b).

³³ 24 Pa. C.S. §8521(c).

³⁴ Id. Pursuant to 24 Pa. C.S. §8521(d) the Board will annually review and approve all payments that are reflected in the June 30 Financial Statements of that year.

has such other powers and duties as may pertain to the Fund as are provided in the Constitution and laws of the Commonwealth.³⁵

(c) Legal Advisor. The Board will employ such chief counsel and outside counsel as the Board deems necessary.³⁶ The chief counsel appointed by the Board or his or her designee shall attend all meetings of the Board, supervise and administer the legal services provided by assistant or outside counsel, and perform such other duties as may be requested by the Board or the Executive Director.³⁷

³⁵ Administrative Code of 1929, §707, 71 P.S. §247. In relation to the Public School Employees' Retirement Fund, such powers include, without limitation, those set forth in 72 P.S. §§301 (concerning deposit of moneys of which State Treasurer is custodian), 301.1 (short-term investment of moneys accumulated beyond ordinary needs of various funds), 306 (examination and pre-audit of requisitions for disbursements), 307 (audits of and warrants for disbursements), 308 (allocation of disbursement costs).

³⁶ Commonwealth Attorneys Act §401, 71 P.S. §732-401.

³⁷ Id. §402, 71 P.S. §732-402.

ARTICLE IV

COMMITTEES OF THE BOARD

Section 4.1. Standing Committees. The Board shall have the standing committees specified in Section 4.2, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the Board may by resolution determine.³⁸ In each year, each such committee shall consist of such number of members as the Chair, elected at the organizational meeting of the Board that year, shall determine, and the Chair shall also then appoint the chair and designate the other members of the committee. A committee may, but is not required to, elect a vice chair from among its members by a majority vote of its membership, who if so elected shall preside at meetings of the committee in the absence or inability to act of its chair. In the absence of a vote by the members of a committee to elect a vice chair, the Chair of the Board can appoint a member of that committee to serve as the vice chair. The Chair of the Board shall be an ex-officio member of all standing committees and shall have a vote in each such committee. Any member of the Board may attend any meeting of any such committee of which he or she is not a member but shall not have a vote.

Section 4.2. Committee Duties and Responsibilities. The standing committees of the Board are, and shall have respective duties and responsibilities, as follows:

- (a) Appeals and Member/Employer Services Committee. The Appeals and

³⁸ The Public School Employees' Retirement Code does not envision the existence of committees of the Board. Nothing, however, in the Retirement Code nor in the common law of trusts applicable to fiduciary bodies prohibits the Board from devolving certain of its duties and responsibilities on committees drawn from its own membership. Section 3 of the Sunshine Act impliedly recognizes the power of an administrative board to authorize subordinate committees "to take official action or render advice on matters of agency business" (65 P.S. §273 (definition of "agency")), provided that when it does so any such committee then becomes bound to observe the provisions of the Sunshine Act to the same extent and under the same circumstances as its parent "agency" (board).

Member/Employer Services Committee shall conduct quasi-judicial deliberations in formal appeals under the Administrative Agency Law and make its recommendations for Board action, including the issuance of proposed opinions and orders, at meetings of the Board; and shall review, discuss, and make recommendations to the Board for their approval policies, actions, and on other matters related to the administration of the rights, duties, and benefits of System members and Plan participants, and the duties of employers under the Public School Employees' Retirement Code and the Plan and the procedures under which member, participant, employer, or third-party disputes with the System or Plan are considered and resolved; and shall review, discuss and make recommendations to the Board on customer service issues relating to members, participants, and employers, including, but not limited to, the dissemination of information to members, participants, employer relations and the field services program.

(b) Audit/Compliance Committee. Audit/Compliance Committee shall oversee the auditing of all financial information; shall meet with the external financial auditors each year prior to the annual financial audit to review the audit plan and to identify other areas of the operations that should be reviewed; and shall meet with the external financial auditors at the conclusion of the financial audit to review the audit results, including any recommendations, difficulties encountered and any significant adjustments proposed by the auditors; shall review the effectiveness of the System's and the Plan's methodology for assessing, monitoring, and controlling significant risks or exposures; and shall oversee the evaluation and monitoring of the internal control system by internal and external auditors; and shall review the findings and recommendations of the external auditors along with management's responses and actions taken to implement the audit recommendations; shall ensure the Internal Audit Office performs compliance reviews with applicable laws, regulations, rules, board and management policies, directives and generally accepted business practices related to benefits administration, investments, finance, healthcare, information technology and communications; and shall review

the findings and recommendations of any examination by regulatory agencies, any auditor's observations related to compliance, management's responses and actions taken to implement the audit observations/recommendations; shall oversee special investigations and whistleblower cases, as needed; and shall provide a forum for the resolution of all disputes between management and the internal and/or external auditors regarding the financial reporting process, risk assessment, internal control and other compliance issues. The Audit/Compliance Committee is responsible for the oversight of the Internal Audit Office; and shall meet with the Internal Auditor to review and adopt the System's and the Plan's annual audit and compliance monitoring plan and receive periodic updates on such plan; shall meet with the Internal Auditor to review the status of audits, review the audit findings and recommendations, management's responses, and actions taken to implement the audit recommendations; shall review and approve the Internal Audit Charter; shall ensure there are no unjustified restrictions or limitations on the internal audit function; shall review the effectiveness of the internal audit function by having an external quality assessment completed; and shall provide input to the Executive Director on the performance of the Internal Auditor, at least annually.

(c) Budget/Finance Committee. The Budget/Finance Committee shall review and approve the annual fiscal year budget request prepared by the Office of Financial Management for the pension administrative, defined contribution administrative, directed commissions, healthcare-PSERS administrative and investment-related budgets for the next fiscal year prior to their submission to the GBO; shall review and evaluate periodic updates on the status of the current year budget with Office of Financial Management staff; shall Review and approve for publication the System's annual fiscal year financial statements prepared by the Office of Financial Management each fall and no later than December 31st; shall ratify all payments reflected in the annual fiscal year financial statements; shall review the annual valuation results for the fiscal year as presented by PSERS' external actuary each fall, but no later than December

31st; shall adopt the actuarial factors, assumptions and methodologies included in the valuation to calculate the employer contribution rate; shall certify, each December, the total employer contribution rate for use by employers in the next fiscal year as recommended by PSERS' external actuary; shall certify the member shared risk contribution rate for the next three fiscal years as recommended by PSERS' external actuary for class T-E, T-F, T-G and T-H members; shall review the results of the actuarial experience study by PSERS' external actuary every five years; shall adopt the actuarial factors, demographic and economic assumptions, and methodologies recommended by PSERS' external actuary and agency staff; shall approve new option factors, as needed, and the date to implement the factors in PSERS' benefits administration system as recommended by agency staff and PSERS' external actuary; shall meet periodically with Office of Financial Management staff to discuss other financial management activities and policies on an as needed basis as determined by the Chair, Chief Financial Officer and/or Executive Director.

(d) Bylaws/Policy Committee. The Bylaws/Policy Committee shall review and make recommendations to the Board on all policies and any amendments thereto governing the internal operations of the Board, with the exception of policies that come within the duties and responsibilities of another committee.

(e) Corporate Governance Committee. The Corporate Governance Committee shall inform itself about and review issues of corporate performance, corporate governance, and shareholder rights as they affect the System's legal or beneficial ownership of voting securities and the value of its investments; shall recommend proxy voting policies and, from time to time, policy revisions for adoption by the Board; shall monitor the System's implementation of proxy voting policies generally and advise the Board on particular proxy voting or portfolio company matters of significance; shall conduct relations with select portfolio companies to promote the performance of Fund investments; and shall conduct relations with other institutional investors and shareholder organizations. The Corporate Governance Committee shall also recommend securities litigation policies and, from time

to time, policy revisions for adoption by the Board; shall monitor the System's implementation of its securities litigation policy generally and advise the Board on particular security litigation matters of significance.

(f) Defined Contribution Plan Committee. The Defined Contribution Plan Committee ("DC Plan Committee") shall oversee the administration of the Plan and Trust, including, but not be limited to: the monitoring of the overall functioning of the Plan and Trust; the implementation of the Board's Plan and Trust policies; the review of the performance, cost, and appropriateness of the investment options made available for a participant to direct the investment of the participant's account; the review of the performance and cost of the investment providers, recordkeeper, and all other providers of services to the Plan and Trust; and the implementation of duties assigned to the DC Plan Committee by the Board, such as, the searches for investment providers, investment funds, and all other providers of services to the Plan and Trust. The DC Plan Committee shall prepare and deliver recommendations to the Board regarding the design and administration of the Plan and Trust as it may determine, and periodically, prepare and deliver reports of its activities to the Board to enable the Board to perform its obligations regarding the Plan and Trust.

(g) Elections Committee. The Elections Committee shall review and make recommendations to the Board on the manner in which elections of the elective members of the Board are conducted and on the selection of providers of goods and services deemed necessary for the conduct of such elections, and shall report on and cause to be certified to the Board the results of each election.

(h) Investment Committee. The Investment Committee shall generally oversee the implementation of the Board's mission statement in its relation to the investments of the Fund in accordance with the prudent investor standard set forth in 24 Pa. C.S. §8521(a). Without limiting the generality of the foregoing, the Investment Committee shall annually review and recommend to the

Board the asset allocation for the Fund in the ensuing one-year period; shall oversee searches for new investment managers and consultants, conduct interviews as it deems necessary or advisable, and make recommendations to the Board thereon; shall monitor the performance of investment managers and make recommendations to the Board in cases of under performance or other unsatisfactory performance; shall keep abreast of and review and report on current developments in financial instruments and other asset classes as to their suitability for investment by the Fund, as well as new investment techniques which may be compatible with the Board's investment policy and practices; shall in general review and oversee the implementation of the Board's investment objectives and guidelines and from time to time make recommendations for their modification; develop and recommend policy statements covering particular aspects of the investment program such as property types in the case of real estate and investment structures; meet as needed with System investment staff and consultants; receive, review and make recommendations to the Board regarding investment proposals presented as required by the Board's standard specifications; review the annual investment plan reports of each investment manager for consistency with the Board's real estate investment objectives; and discharge similar duties and responsibilities with regard to the acquisition, ongoing administration of, and disposition of the Fund's assets.

(i) Health Care Committee. The Health Care Committee shall monitor and review the operations of (i) the health insurance programs which the System offers to its retirees and their dependents, and (ii) the Premium Assistance Program which the System administers for the purpose of reimbursing eligible retirees for out-of-pocket health insurance premium expenses; shall make recommendations to the Board regarding changes to the health insurance programs and to the Premium Assistance Program, including, but not limited to, changes to the type or level of benefits offered to retirees and the scope of the health insurance programs; and shall recommend the annual administrative budgets for the health insurance and Premium Assistance Programs.

(j) Personnel Committee. The Personnel Committee shall review all matters concerning

the classification, pay, and other terms and conditions of employment for employees of the Board, including total personnel complement, as such matters bear on the accomplishment of the Board's mission, shall interview candidates for filling newly created or vacant senior management positions in the System, and shall report and make recommendations to the Board on the foregoing matters.

Section 4.3. Delegations of Authority by the Board. Except as may be prohibited by or inconsistent with law, the Board may by resolution delegate to any standing committee of the Board any power, authority, duty or responsibility conferred on the Board by law. In the case of any such delegation, the decision or action of the committee within the scope of its delegated authority shall constitute the decision or action of the Board. The Board may at any time rescind the delegated authority as a whole or in part, except that a rescission of authority with respect to quasi-judicial matters delegated to a committee shall not operate to affect the proceedings or the final action of any such matter pending before the committee when the Board acts to rescind.³⁹

Section 4.4. Ad hoc Committees. In addition to the standing committees specified in Section 4.2, the Chair or the Board may at any time establish an ad hoc committee of the Board and fix its duties and responsibilities for any purpose which in the judgment of the Chair or the Board is better served by a temporary rather than standing committee. Each such committee shall consist of such number of members as the Chair shall determine, and the Chair shall also then appoint the chair and designate the other members of the Committee.

Section 4.5. Agency Committees. The Chair may at any time appoint one or more members of the Board to serve as members of an agency committee otherwise consisting of employees of the System appointed by the Executive Director. An agency committee shall not be deemed a

³⁹ The exception set forth in the last sentence of this Section 4.3 is designed to preclude the full Board from using its authority to rescind a delegation to interfere with the process or outcome of a quasi-judicial proceeding then in progress before a committee which had properly commenced the proceeding within the scope of its authority.

committee of the Board nor shall it otherwise be subject to these Bylaws, except that a member of the Board who serves on any such committee shall be reimbursed for any necessary expenses of participation on such a committee as provided in Section 2.7.

Section 4.6. Limitations on Authority. No committee shall have any power or authority, nor shall the Board delegate to it power or authority, as to any of the following:

- (a) The adoption, amendment or repeal of Bylaws.
- (b) The amendment or repeal of any Board resolution.
- (c) Action on other matters committed by Board resolution or by Pennsylvania law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the full Board under terms or provisions which make such action non-delegable.

ARTICLE V

MEETINGS

Section 5.1. Scope and Intent of Article. This Article V shall apply to any meeting of the Board or of any committee thereof which is a "meeting" as defined in the Pennsylvania Sunshine Act, 65 Pa. C.S. §703, namely a prearranged gathering of the Board or committee which is attended or participated in by a quorum of the members thereof and held for the purpose of deliberating business or taking official action. "Deliberation," "official action," and other terms used in this Article which are also defined in the Sunshine Act shall have the same respective meanings herein as in such Act. This Article is intended to achieve compliance with the letter and spirit of the Sunshine Act and, in accordance with the provisions of 65 Pa. C.S. §710, to set forth the rules and regulations of the Board necessary for the conduct of its meetings and the maintenance of order at such meetings consistent with the intent of the Sunshine Act. The omission from within this Article of any provision of the Sunshine Act or related law, or of any matter set forth in the Interpretation of the Sunshine Act as Applied to Executive Agencies (4 Pa. Code §§1.41 et seq.), shall not be construed as a determination that such provision is inapplicable to the Board. Unless the context clearly indicates otherwise, the provisions of this Article which apply to the Board shall also apply to any committee thereof in the same manner and with the same effect.⁴⁰

Section 5.2. Quorum. A majority of the Board or Committee as the case may be shall constitute a quorum.⁴¹

⁴⁰ An exception to this is an Agency Committee as defined in Section 4.5 of these Bylaws which is not bound by the requirements of the Sunshine Act.

⁴¹ The Commonwealth Court enunciated the quorum majority rule in 2007 stating: "Unless there is contrary legislative intent to the common law rule requiring a vote of a full body to be valid, all that is needed is a majority of a quorum to take action; not that all the members of the Board must vote who are authorized but are not seated. *Ronald H. Brown Charter Sch. V. Harrisburg City Sch. Dist.*, 928 A.2d 1145, 1147 (Pa. Cmwlth. 2007). The *Ronald H. Brown* court quoted the Pennsylvania Supreme Court's explanation

Section 5.3. General Rule; Open Meetings. Official actions and deliberations by a quorum of the Board shall take place at a meeting open to the public unless closed for an executive session or unless such official actions and deliberations predominantly and primarily involve administrative action. Administrative action pertains to the execution of policies previously authorized or required by official action adopted at an open meeting and includes but is not limited to internal operations of the System and the Plan. Official actions and deliberations with regard to budget recommendations to be submitted to the Secretary for Budget are not subject to open meeting requirements unless the Governor waives the privilege of confidentiality with respect thereto. The Chair shall preside at all meetings of the Board and shall have such other powers and duties as are provided by these Bylaws or by resolution of the Board to the extent not inconsistent with the Public School Employees' Retirement Code and other applicable law. The Vice Chair shall preside at all meetings of the Board in the absence or inability of the Chair to act and shall have such other powers and duties as may be provided by resolution of the Board to the extent not inconsistent with the Public School Employees' Retirement Code and other applicable law. In the event that neither the Chair or Vice Chair are able to be present at a meeting of the Board, the Chair will designate a Board member to preside over the meeting in their absence.

Section 5.4. Call, Time and Place of Meetings; Meeting Agendas. The Board shall meet upon the call of the Chair at such times and places as the Chair shall designate and at such times and places as the Board may by resolution designate.⁴² In order that Board meetings be held at locations

in *Di Giacinto v. City of Allentown*: "Under the common law rule so long as a quorum is present at a meeting, all that is required is that the highest vote be equal to a majority of the quorum number, even though the highest vote constitutes only a plurality of all the legal votes cast. This is true even if more than the quorum number is present at the meeting.

⁴² Administrative Code of 1929, §518, 71 P.S. §198.

reasonably convenient and accessible to the general public, full Board meetings shall be held at the office of the Board specified in Section 1.2 to the extent practicable. The Board shall hold at least six regular meetings annually and such other meetings as are deemed necessary.⁴³ The Chair shall establish the agenda for each meeting of the Board by notice to members given at least one week prior thereto. A member may add an item to the agenda on an exceptional basis by providing a written statement of the proposed agenda item to the Chair, provided that such written statement is received by the Chair in sufficient time to provide not less than 24-hours advance notice of the agenda item to the Board. One or more or all members of the Board may participate in any Board meeting by means of conference telephone or similar communications equipment by means of which all members and other persons duly participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 5.4 shall constitute presence in person at the meeting.

Section 5.5. Public Notice of Meetings. The Board shall give public notice of its first regular meeting in each year not less than three days in advance of the meeting, which meeting or any adjournment thereof shall be the organizational meeting of the Board in that year and shall be held as soon as practicable. The Board shall give public notice of the schedule of its remaining regular meetings either prior to or immediately following the organizational meeting. The Board shall give public notice of each special meeting or each rescheduled regular or special meeting at least twenty-four hours in advance of the time of the convening of the meeting specified in the notice. Notice shall be published and copies thereof posted or mailed at the times and places or to interested parties as specified in the Sunshine Act, 65 Pa. C.S. §709.

Section 5.6. Emergency Meetings. The Chair may call an emergency meeting for the purpose of dealing with a real or potential emergency involving a clear and present danger to life or property.⁴⁴

⁴³ 24 Pa. C.S. §8502(d).

⁴⁴ As defined in the Sunshine Act, 65 Pa. C.S. §703.

Advance public notice is not required but the Chair shall to the extent practicable see to giving actual advance notice especially to individuals or organizations with a direct and substantial interest in the official action scheduled for consideration.

Section 5.7. Minutes. Written minutes shall be kept of each open meeting and after signing by the Executive Director or the person he or she designates to be secretary of the meeting, such minutes shall be made available for public inspection and copying. The minutes shall be prepared as required by the Sunshine Act, (65 Pa. C.S. §706). Audio tape recordings of open meetings may be made solely for the purpose of facilitating the preparation of written minutes. Such tape recordings shall be retained until Board approval of the minutes to which they relate.

Section 5.8. Participation. Each member, including each designee acting in the stead of an ex-officio or legislative member, at any meeting, shall have equal rights to reasonable participation in the deliberations and other business of the meeting, provided that with respect to any one order of business not more than one designee of an ex-officio or legislative member shall have the right to participate. The Board or Committee Chair may grant recognition to more than one designee of an ex-officio or legislative member with respect to any one order of business. The Chair may also grant recognition to any employee of the System scheduled in advance to report, or resource person accompanying a Board member who requests his or her recognition for the purpose of reporting, on any order of business on the meeting agenda.

Section 5.9. Public Participation. At any open meeting, the Chair or Committee Chair as the case may be shall, before entertaining any motion to adjourn, grant recognition to any member of the general public in attendance for the purpose of addressing the Board on any matter concerning the business and operations of the Board, subject, however, to such reasonable time limits as may be imposed on each speaker or on all such participation in the discretion of the Chair or Committee Chair as the case may be or by resolution of the Board. This Section 5.9 shall not apply to any

proceeding governed by the Administrative Agency Act in relation to adjudications, nor to any proceeding for the adoption of rules and regulations or orders in the nature of rules and regulations.

Section 5.10. Voting. At any open meeting, the vote of each member who actually votes on any resolution, rule, order, regulation or the setting of official policy shall be publicly cast and, in the case of roll-call votes, recorded in the minutes. The vote of each member in the elections of the Chair and the Vice Chair, respectively, shall be publicly cast. Proxy voting is not allowed. Voting by designees of either ex-officio or legislative members of the Board does not constitute proxy voting for the purposes of these Bylaws. The act of a majority of members present and voting at a meeting at which a quorum is present shall constitute the official action of the Board or the Committee as the case may be.⁴⁵

Section 5.11. Voting Conflicts. Any member of the Board who would be required to vote on a matter that would result in a conflict of interest shall abstain from voting, refrain from participating in any discussions concerning the matter, and, prior to the vote being taken, publicly announce and disclose the nature of his or her interest as a matter of public record in a written memorandum filed with the Executive Director or acting secretary of the meeting, except that such memorandum may be filed after the vote is taken if the conflict does not become apparent to the Board member within a reasonable period of time prior to such vote.⁴⁶ A "conflict of interest" does not arise in connection with an action which would have an insignificant economic effect on any interest of the member or which affects the member only as a member of the general public or of a subclass of the general

⁴⁵ See supra, note 38.

⁴⁶ This procedure is based on section 1103(j) of the Ethics Act, 65 Pa. C. S. § 1103 (j), which applies "[w]here voting conflicts are not otherwise addressed by the Constitution of Pennsylvania or by any law, rule, regulation, order or ordinance. . ." The quoted language appears to leave open to this Board the adoption of a rule or regulation which is different from the Ethics Law rule on the same subject, for example, a rule requiring abstention in the case of a conflict but not requiring public disclosure of the interest involved.

public, such as school employees or members of the System or participants in the Plan as a whole, which includes the member;⁴⁷ provided, however, that no member of the Board shall vote on any quasi-judicial matter to which such member or a member of his or her immediate family is a party;⁴⁸ and provided, further, that this Section 5.11 applies only to the possible use by a member of his or her vote for private pecuniary benefit and does not in any way affect the member's other fiduciary responsibilities to the members of the System or participants in the Plan, in connection with official actions in which the member has no private interest.⁴⁹

Section 5.12. Notational Voting. Members of the Board may cast votes by notational or voting whereby a vote is taken of members individually upon a recommended written motion, resolution, rule, proposal, regulation, report or order prepared by the staff or an individual Board member and circulated for approval to all members and for information to non-voting members. Absent unusual circumstances to be determined by the Chair, the Board will resort to notational voting only in quasi-judicial matters to promote timely decision-making after full deliberations have been completed in executive session, or in certain financial or investment transactions in which a resolution or other similar formal action of the Board is required to expedite or complete the appropriate documentation. In quasi-judicial matters, the Chair shall, at the first open meeting after the adoption of written opinions or orders by notational voting, announce the substance of matters so decided and cause the record of the votes cast by individual members on each such matter to be entered in the minutes of the meeting.

⁴⁷ See Ethics Act §1102, 65 Pa. C.S. §1102 (definition of "conflict of interest").

⁴⁸ The stated rule is virtually Biblical in origin, namely that no person should even pretend to sit in impartial judgment on his or her own cause.

⁴⁹ The stated rule, therefore, is not intended to be exhaustive of all fiduciary standards of conduct. The fact that a member has no private interest in a Board action does not, for example, relieve him or her of the duty of loyalty to plan beneficiaries that requires attaching only secondary importance to the welfare of other persons in reaching a fiduciary decision.

Section 5.13. Executive Sessions.

(a) Reasons for closed meeting. The Board may hold an executive session for any one or more of the reasons enumerated in the Sunshine Act, 65 Pa. C.S. §708(a), including the discussion of personnel matters and labor relations, the purchase or lease of real property, pending or expected litigation, agency business which, if conducted in public, would violate a privilege, investigations, or quasi-judicial deliberations. To the extent that such a session is held to review and discuss agency business which, if conducted in public, would violate a lawful privilege or lead to the disclosure of information or confidentiality protected by law, as permitted by the Sunshine Act, 65 Pa. C.S. §708(a)(5), "information or confidentiality protected by law" shall include without limitation any information submitted to the Board under the terms of an express confidentiality agreement with a business entity offering any security for sale to and purchase by the Board in a non-public offering; deliberations with respect to the purchase, holding or sale of or the exercise of voting rights with respect to, the publicly traded securities of any business entity, which deliberations, if conducted in public, may or might have a material bearing on the market for such securities; any other deliberations with respect to any proposed or actual investment of the Board which, if conducted in public, may or might so substantially affect the price or terms of any transaction concerning such investment, or the value thereof, as to adversely affect the Fund and its participants; privileged and confidential matters set forth in 4 Pa. Code §§ 1.50(a) and (b) and any information not subject to disclosure under 24 Pa. C. S. §8502(e).⁵⁰

(b) Use of conference telephone and similar equipment. Whenever the Board meets in executive session as authorized by law, one or more or all members of the Board may participate in the meeting by means of conference telephone or similar communications equipment by means of

⁵⁰ The Chief Counsel has the responsibility for rendering opinions as to other circumstances, such as those directly governed by federal and/or state securities laws, in which confidentiality should or must be invoked and would clearly not constitute a mere subterfuge to evade the open meeting requirement.

which all members and other persons duly participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 5.13 (b) shall constitute presence in person at the meeting.⁵¹

(c) Procedure. Unless an executive session has been announced at an open meeting for a future time, members of the Board shall be given at least 24 hours' advance notice of the date, time, location and purpose of any executive session to be held other than during or immediately following an open meeting of the Board. A waiver of such notice in writing, signed by the member or members entitled thereto, whether before or after the date and time stated therein, shall be deemed equivalent to the giving of notice.⁵² Attendance of a member at any executive session (including attendance through participation by any means authorized by Section 5.3(b)) shall also constitute a waiver of notice of the meeting except where such attendance is for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened or because an executive session is not authorized for the purpose involved.⁵³

(d) Announcements. The Chair shall announce the reason for holding an executive session at the open meeting of the Board that occurs immediately prior or subsequent to the executive session.

(e) Official action. Official action on any matter discussed or deliberated upon during an

⁵¹ Under 24 Pa. C.S. §8501(e), the Board possesses "the power and privileges of a corporation" for the purposes of the Public School Employees' Retirement Code. When executive sessions are authorized by law, the use of conference telephone equipment or conference calling on the same terms as apply in the corporate environment (15 Pa. C.S. §1708) would appear to be a practical and legally permissible means of conducting the meeting.

⁵² The waiver procedure is based on 15 Pa. C.S. §1705(a).

⁵³ Waiver by attendance is covered by 15 Pa. C.S. §1705(b).

executive session held pursuant to law shall be taken at an open meeting. Official action on any such matter relating to an investment or investments of the Fund may be taken at an executive session if, and only if, such action: (1) is required as a matter of the Board's fiduciary duty in the circumstances; or (2) would, if then taken in a meeting open to the public, violate a lawful privilege or breach a confidentiality interest protected by law; and (3) is confirmed or ratified at the first open meeting of the Board after any reason of privilege or confidentiality no longer applies.⁵⁴

Section 5.14. Other Rules of Order; Construction. Except to the extent otherwise provided by law or by these Bylaws, the rules of order for meetings of the Board and committees thereof shall follow as closely as practicable those prescribed for small assemblies or similar small bodies in the most recently published revision of Robert's Rules of Order. Such rules of order shall be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Board's fiduciary responsibility to members of the System and participants of the Plan.

⁵⁴ The primary intent of this subsection (e) is to maintain the confidentiality of private-placement commitments and similar transactions until the corporation involved meets its own public disclosure obligations under the securities laws or (unlikely) determines that the transaction is not material for disclosure purposes. The Board must, however, have the opportunity to commit to an investment in a non-public offering before the corporation is willing to have any public disclosure of the fact of commitment or any of the terms of the proposed transaction.

ARTICLE VI

STANDARDS OF OFFICIAL CONDUCT

Section 6.1. Public Official and Employee Ethics Act.⁵⁵ The Public Official and Employee Ethics Act is applicable to the Board and to the members thereof in accordance with its terms.

Section 6.2. Governor's Code of Conduct. The Governor's Code of Conduct⁵⁶ is applicable to the Board and to the members thereof, excepting the State Treasurer and legislative members and any designees thereof, in accordance with its terms.

Section 6.3. Additional Standards.

(a) Political activity. To avoid even an appearance that the Board may be influenced in the performance of its duties by political or other partisan considerations, no member of the Board shall solicit or shall lend his or her name to any solicitation of any political contribution from any person who is a State consultant (as that term is used in the Ethics Law) to the Board or who, although not under contract to the Board currently, belongs to a business or occupational class from which State consultants to the Board are periodically drawn as needs arise.

(b) Other solicitations. No member of the Board shall solicit or lend his or her name to any solicitation from any person who is a State consultant (or who may reasonably be considered a prospective State consultant) to the Board for any other purpose, including educational or charitable endeavors, under circumstances which the recipient of such a solicitation could regard as coercive

⁵⁵ 65 Pa. C.S. §§ 1101-1113. The Ethics Act was originally enacted on October 4, 1978 by Act 1978-170. It was amended and reenacted on June 26, 1989 by Act 1989-9. It was amended and codified on October 15, 1998 by Act 1998-93. To the extent they are not merely cumulative to the actual provisions of the Ethics Act, the State Ethics Commission's "Guide to Pennsylvania Public Official and Employee Ethics Act (Rev. 2/03)" and the Commission's decisions under the Ethics Law shall be accorded advisory weight and effect.

⁵⁶ 4 Pa.Code §§ 7.151-.159, .161-.164, .171-.179.

or which in any other way could raise a legitimate question about the member's ability to fairly, impartially, and prudently perform his or her duties on the Board.

(c) Expenses of official business. No member of the Board shall solicit or accept reimbursement, or permit payment to be made in his or her behalf, for the expenses of travel, accommodations, subsistence, and incidentals while on official Board business by any person other than the Board itself or other agency of the Commonwealth, it being the policy of the Board that members be reimbursed by the Board for the reasonable and necessary expenses of attending to Board business. Nothing in this subsection shall preclude (i) reimbursement or payment of Costs, as defined in the Board's Travel and Education Policy, by the approved pension industry organizations identified in the Board's Travel and Education Policy, (ii) the acceptance of food, refreshments, and/or recreational opportunities which are included as part of an educational conference or other officially approved meeting for which an inclusive registration fee is charged and is payable or reimbursable by the Board subject to any required Commonwealth approvals, regardless of whether the sponsorship of such conference or meeting may include, directly or indirectly, current or prospective State consultants, or (iii) other acceptance of food and refreshments of nominal value in the ordinary course of a luncheon or dinner meeting or other meeting; provided, however, that members of the Board may not accept any such benefit or thing of monetary value under circumstances which could raise a legitimate question about their ability to fairly, impartially, and prudently perform their duties on the Board.

ARTICLE VII

INDEMNIFICATION OF MEMBERS

Section 7.1 Indemnification and Insurance.

(a) Indemnification of Board Members, Designees, Officers and Employees.

(i) For purposes of this Article VII, (A) "Proceeding" shall mean any threatened, pending, or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of the System), whether civil, criminal, administrative, investigative, or through arbitration; and (B) "Indemnitee" shall mean each current or former Board member, former or current duly-appointed designee of a Board member, officer, or employee (including, without limitation, the attorneys in the System's Office of Chief Counsel) of the System who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that such person is or was a Board member, designee of a Board member, officer, or employee of the System or is or was serving in any capacity at the request or for the benefit of the System as a director, officer, employee, agent, partner, or fiduciary of, or in any other capacity, for any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise.

(ii) Each Indemnitee shall be indemnified and held harmless by the System for all actions taken by such Indemnitee and for all failures to take action (including in either such case a breach of responsibility, obligation, or duty imposed upon or imputed to an Indemnitee under 24 Pa.C.S. §8521 or under any other provision of the Public School Employees' Retirement Code, 24 Pa.C.S. §§8101-9102, under statutory or common law of the Commonwealth of Pennsylvania, or under federal law imposing or imputing responsibilities, obligations or duties upon an Indemnitee and any negligent act, negligent error or negligent omission of an Indemnitee, or that is imputed to an Indemnitee, taking place in the course of the administration of the System) to the fullest extent permitted by

Pennsylvania law against all expense, liability, and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding. No indemnification pursuant to this Article VII shall be made, however, in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court of competent jurisdiction to have constituted criminal conduct, willful misconduct, or self dealing.

(iii) The right to indemnification provided in this Article VII shall include the right to have the expenses reasonably incurred by the Indemnitee in defending any Proceeding paid by the System in advance of the final disposition of the Proceeding upon the receipt by the System of a written agreement by the Indemnitee to refund the amounts so advanced if it is ultimately determined that the Indemnitee is not entitled to indemnification under this Article VII.

(iv) Indemnification pursuant to this Article VII shall continue as to an Indemnitee who has ceased to be a Board member, designee of a Board member, officer, or employee of the System and shall inure to the benefit of such person's legal representatives, heirs, executors, and administrators.

(b) Defense of Proceedings. Two or more law firms ("Standing Counsel") shall be duly appointed in accordance with the Commonwealth Attorneys Act, 71 P.S. §§732 101 - 732-506, (i) to provide advice on coverage under this Article VII, and (ii) to defend claims covered by this Article VII. Standing Counsel shall be in place and available for assignment at all times. Upon an Indemnitee's receipt of notice of the commencement of any Proceeding for which such Indemnitee intends to seek indemnification under this Article VII, such Indemnitee shall give prompt written notice to the System (to the attention of the Executive Director) and shall submit a copy of the claim and every demand, notice, summons or other process received by such Indemnitee or such Indemnitee's representative, whereupon the System shall (i) assume the

defense of such Proceeding and shall advise such Indemnitee of the identity of Standing Counsel appointed to represent the Indemnitee, or (ii) issue a written denial of coverage under this Article VII, which shall state the reasons for denial. If the System does not respond to the Indemnitee within thirty (30) days after receipt of a notice of Proceeding from the Indemnitee, an Indemnitee may retain counsel at reasonable prevailing market rates and the System shall advance the fees and expenses of such counsel. If the System does appoint Standing Counsel to represent an Indemnitee, the Indemnitee may engage other counsel to participate in the defense of such Proceeding, but the fees and expenses of such other counsel shall be paid solely by the Indemnitee and shall not be reimbursed by the System unless the System shall otherwise agree. The System shall have authority to settle any claim involving only monetary relief to be paid solely by the System. The System shall not settle any other claim without the prior written consent of the Indemnitee. No Indemnitee may settle a claim for which coverage is sought under this Article VII without the System's prior written approval of such settlement. The Indemnitee shall reasonably cooperate with the System and, upon the System's request, assist in making settlements, in the conduct of suits, and in enforcing any right of contribution or indemnity against any person or organization that may be liable to the Indemnitee because of actions or failure to take actions covered by this Article VII.

(c) Claims for Indemnification and Advancement of Expenses. To the extent that an Indemnitee has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue, or matter therein, the System shall indemnify such person against expenses (including attorneys' fees, but subject to the limitation in subsection (b) above) actually and reasonably incurred by such person in connection therewith. If indemnification under this Article VII or advancement of expenses are not made or paid by the System, or on its behalf, within 90 days after a written claim for indemnification or a request for an advancement of expenses by an Indemnitee has been received by the System, such Indemnitee may, at any time thereafter, bring suit against the System to recover the unpaid amount of the claim and/or the

advancement of expenses. The right to indemnification and advancement of expenses provided hereunder shall be enforceable by an Indemnitee in the Board of Claims, and if indemnification and/or advancement of expenses is obtained by an Indemnitee in whole or in part, the expenses reasonably incurred by such Indemnitee in connection with obtaining such indemnification and/or advancement of expenses shall also be indemnified by the System. No action shall lie against the System unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this Article VII (including, without limitation, the notice requirements) and, in the case of an action for indemnification, the amount of the Indemnitee's obligation to pay shall have been finally determined either by judgment against the Indemnitee or by written agreement of the Indemnitee, the claimant, and the System. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Article VII to the extent of the coverage afforded by this Article VII. No person or organization shall have any right under this Article VII to join the System as a party to any action against the Indemnitee to determine the Indemnitee's liability, nor shall the System be impleaded by the Indemnitee or his or her legal representative. Bankruptcy or insolvency of the Indemnitee or of the Indemnitee's estate shall not relieve the System of any of its obligations hereunder.

(d) Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses provided in this Article VII shall not be exclusive of any other rights that any person may have or hereafter may acquire under any statute, regulation, management directive, or otherwise.

(e) Insurance. The System may self insure or purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any expense, liability or loss, in whole or in part, whether or not the System would have the power to indemnify such person under Pennsylvania law. The System may also self insure or purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

(f) Fund for Payment of Indemnification Obligations. To the extent permitted by law, the System may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations under this Article VII.

(g) Limitations on Indemnification. Notwithstanding the foregoing provisions:

(i) the total amount of indemnification for any one calendar year or for any one claim or series of related claims based on the same action or failure to take action shall be limited to forty million dollars (\$40,000,000) or such other amount as may be designated from time to time by resolution of the Board,

(ii) the limit of liability under this Article VII and the limit of liability under a self insurance plan that the Board may establish shall be a single, combined limit of forty million dollars (\$40,000,000) or such other amount as may be designated from time to time by resolution of the Board,

(iii) no indemnification shall be provided to the extent an Indemnitee receives reimbursement under insurance policies or a self-insurance program established by the Commonwealth (other than a self-insured plan established by the System),

(iv) in the event that a such claim is covered under an insurance policy maintained by the System or a self-insurance program established by the Commonwealth (other than a self-insurance plan established by PSERS,) the forty-million dollar (\$40,000,000) limit of indemnification stated in this Section 7.1(g)(i) shall be applied to cover any liability that is in excess of the limit of liability of such insurance policy or self-insurance program, and

(v) in the event of any payment under this Article VII on behalf of an Indemnitee, the System shall be subrogated to all of such Indemnitee's rights of recovery against any person or organization, and such Indemnitee shall execute and deliver all instruments and papers required and shall do whatever else is reasonably requested by the System to secure such rights, including, without limitation, the execution of such documents

necessary to enable the System effectively to bring suit in the name of such Indemnitee. The System shall not subrogate against any other person who is an Indemnitee hereunder unless such other person is guilty of criminal conduct, willful misconduct, or self dealing under Subsection (a)(i) of Article 7.1.

(h) Reservation of Immunities. The System reserves all immunities, defenses, rights, or actions arising out of its sovereign status or from the Eleventh Amendment to the United States Constitution. No provision of this Article VII shall be construed as a waiver of any such immunities, defenses, rights, or actions.

Section 7.2. Amendment.

The provisions of this Article VII shall constitute a contract between the System and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section 7.2. This Article VII may be repealed or amended without the consent of an Indemnitee for whom such repeal or amendment is adverse so long as such repeal or amendment applies to such Indemnitee only on a prospective basis and does not limit the rights of such Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment.

ARTICLE VIII

FINANCIAL REPORTING AND INDEPENDENT AUDITS

Section 8.1. Annual Financial Statement. The Board shall prepare and have published, on or before January 1 of each year, a financial statement as of the fiscal year ending June 30 of the previous year showing the condition of the fund and the various accounts thereof, and setting forth such other facts, recommendations and data as may be of use in the advancement of knowledge concerning the benefit plan or plans provided by the Public School Employees' Retirement Code. The Board shall submit the annual statement to the Governor of the Commonwealth and the members of the General Assembly and make it available to participating employers for the use of school employees and to the general public.⁵⁷

Section 8.2. Independent Audits. The Board shall provide for an annual audit of the System and the Plan by an independent certified public accounting firm.⁵⁸

⁵⁷ Section 8.1 based on 24 Pa. C.S. §8502(n).

⁵⁸ Section 8.2 based on 24 Pa. C.S. §8502(o).

ARTICLE IX

FISCAL YEAR

The Fiscal Year of the Board, the System, the Fund, the Plan, and the Trust shall be July 1 to and including the June 30 of the following year.

ARTICLE X

ADOPTION, AMENDMENT AND REPEAL

Section 10.1. Adoption and Effective Date. These Bylaws were originally adopted as the Bylaws of the Board on the 25th day of January, 1991, by the Board, effective upon adoption.

Section 10.2. Suspension of Rule. Any rule of order which is set forth in these Bylaws and which the Board is not bound to observe by any provision of the Constitution or laws of the Commonwealth may be suspended for the purpose of any order of business at any meeting of the Board or committee thereof by a majority vote of the members present.

Section 10.3. Amendment or Repeal.

a. By the Board. Consistently with the Constitution and laws of the Commonwealth, these Bylaws may be amended or repealed, in whole or in part, and new Bylaws may be adopted by a two thirds (2/3) vote of the members of the Board present and voting at any open meeting after 15 days advance written notice to all members. Such notice shall set forth the proposed amendment or amendments or specify the Bylaws or part thereof proposed to be repealed.

b. By operation of law. These Bylaws shall be deemed amended by, and to the extent of, any change in law (or change in regulations or orders having the force of law which shall have been duly promulgated by any authority of the Commonwealth within the scope of its jurisdiction) with which any provision of these Bylaws conflicts or is inconsistent. Any such amendment shall be effective by operation of law on the taking effect of the relevant constitutional amendment, statute, regulation or order in accordance with its terms without formal change in the text of the affected provision or provisions of these Bylaws. Any subsequent restatement of the Bylaws, as provided in Section 10.4 hereof, shall, with the advice of counsel, be conformed to incorporate or reflect any changes in law since the last prior restatement.

Section 10.4. Recording or Restatement. The text of each amendment to or repeal of these Bylaws, together with a notation of the date of such amendment or repeal, shall be permanently maintained by the Board. Following the Board's adoption of each amendment or repeal, an updated restatement of the Bylaws shall be prepared.

Sections Amended January 17, 1992

ARTICLE II

- Section 2.1 Composition
- Section 2.2 Ex-officio and Legislative Members; Design
- Section 2.3 Appointive and Elective Members; Term of Office
- Section 2.4 Vacancies
- Section 2.5 Oath of Office

ARTICLE IV

- Section 4.5 Agency Committees

ARTICLE V

- Section 5.8 Participation
- Section 5.10 Voting
- Section 5.12 Notational Voting
- Section 5.13 Executive Sessions
 - (a) Reasons for closed meeting

ARTICLE VI

- Section 6.2 Governor's Code of Conduct
- Section 6.3 Additional Standards
 - (a) Political activity
 - (b) Other solicitations

Sections Amended April 11, 1995

ARTICLE IV

- Section 4.2 Committees of the Board
 - (b) Audit and Budget Committee

Sections Amended March 8, 1996

ARTICLE IV

- Section 4.2 Committees of the Board
 - (i) Health Care Committee

ARTICLE V

- Section 5.10 Voting

Sections Amended June 21, 1996

Introduction

ARTICLE I

Section 1.3 Status and Purpose

ARTICLE II

Section 2.1 Composition

Section 2.2 Ex-officio and Legislative Members; Designees

Section 2.3 Appointive and Elective Members; Term of Office

Section 2.4 Vacancies

Section 2.8 Election of Board Members

ARTICLE III

Section 3.1 Chair

Section 3.2 Vice Chair

Section 3.3 Vacancies

ARTICLE IV

Section 4.1 Standing Committees

Section 4.2 Committee Duties and Responsibilities

(a) Appeals Committee

(e) Finance Committee

Operations Review Committee (Deleted)

(f) Personnel Committee

Corporate Relations Committee (Deleted)

(g) Health Care Committee

Cross Reference (Deleted)

ARTICLE V

Section 5.1 Scope and Intent of Article

Section 5.4 Call, Time and Place of Meetings; Meeting Agendas

Section 5.5 Public Notice of Meetings

Section 5.7 Minutes

Section 5.11 Voting Conflicts

Section 5.13 Executive Sessions

ARTICLE VI

Section 6.1 Public Official and Employee Ethics Act

ARTICLE X
Section 10.3 Amendment or Repeal

Section Amended April 16, 1998

ARTICLE IV
Section 4.2 Committees of the Board
(h) Technology Steering Committee

Sections Amended April 16, 1999

ARTICLE IV
Section 4.2 Committees of the Board
(a) Appeals/Member Services Committee
(b) Audit and Budget Committee
(c) Building Committee (deleted)
(c) Bylaws/Policy Committee
(h) Technology Steering Committee

Section Amended October 29, 1999

ARTICLE IV
Section 4.2 Committees of the Board
(a) Appeals/Member Services Committee

Section Amended November 30, 1999

ARTICLE VI
Section 6.3 Additional Standards
(c) Expenses of Official Business

Sections Amended January 1, 2000

The spelling of “employe” has been changed in all sections to “employee.”

Section Amended October 31, 2003

Article V
Section 5.4 Call, Time and Place of Meetings; Meeting Agendas

Section Amended December 11, 2003

Article VII Replaced Article VII

Sections Amended September 24, 2004

Article IV Committees of the Board
Section 4.2 Committee Duties and Responsibilities
 (e) Finance Committee
 (i) Corporate Governance Committee

Sections Amended April 29, 2005

Title and Introduction

Article II Board Membership and Terms and Conditions of Office
Section 2.1 Composition
Section 2.3 Appointive and Elective Members; Term of Office
Section 2.4 Vacancies
Section 2.5 Oath of Office
Section 2.6 Removal and Resignation from Office
Section 2.7 Compensation

Article III Chair and Vice Chair; Other Offices
Section 3.4 Other Offices

Article V Meetings
Section 5.2 Quorum
Section 5.10 Voting
Section 5.11 Voting Conflicts

Article VI Standards of Official Conduct
Section 6.1 Public Official and Employee Ethics Act

Article VII Indemnification of Members
Section 7.1 Indemnification and Insurance
Section 7.2 Amendment

Article VIII Financial Reporting and Independent Audits
Section 8.1 Annual Financial Statement
Section 8.2 Independent Audits

Article X Adoption, Amendments and Repeal
Section 10.1 Adoption and Effective Date
Section 10.3 Amendment or Repeal

Sections Amended May 2, 2008

Title and Introduction

Article IV Committees of the Board
Section 4.2 Committee Duties and Responsibilities

Article V Meetings
Section 5.1 Scope and Intent of Article
Section 5.5 Public Notice of Meetings
Section 5.7 Minutes
Section 5.13 Executive Sessions

Sections Amended August 14, 2008

Article II Board Membership and Terms and Conditions of Office
Section 2.2 Ex-officio and Legislative Members; Designees
Section 2.5 Oath of Office

Sections Amended June 11, 2009

Article VII Indemnification of Members
Section 7.1 Indemnification and Insurance

Automation Policy
of
The Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
The Board of Trustees
on March 6, 1998

Effective
March 6, 1998

Adopted: March 6, 1998
Date Last Revised: January 21, 2015
Date Last Reviewed by Chief Counsel: January 10, 2019

Public School Employees' Retirement Board Automation Policy

WHEREAS, the Public School Employees' Retirement System (PSERS) provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code (Retirement Code);¹ and

WHEREAS, the Public School Employees' Retirement Board (PSERB) is empowered by the Retirement Code with the exclusive control and management of PSERS;² and

WHEREAS, the members of the PSERB stand in a fiduciary relationship to the members of PSERS with respect, *inter alia*, to the disbursement of any moneys from the fund;³ and

WHEREAS, as fiduciaries, the members of the PSERB have the duty to invest and manage the funds of the PSERS for the exclusive benefit of the members of the PSERS;⁴ and

WHEREAS, as fiduciaries, the members of the PSERB also have a duty to invest and manage the funds of the PSERS with the care, skill and caution that a prudent investor would exercise under similar circumstances;⁵ and

WHEREAS, continued improvement in automated technology is being used to more prudently administer PSERS in accordance with the Retirement Code; and

WHEREAS, the PSERB acknowledges that the accuracy, timing, quantity, quality and form of data received/delivered and required by the members of the PSERB to perform their duties under the Retirement Code is ever changing with the advent of technological advances in personal computing devices; and

WHEREAS, the PSERB has determined that it is necessary that its members be provided with access and/or use of a personal computing device (such as Personal Computers including but not limited to Desktop Computers, Laptop Computers, Tablets, and Smartphones) and related Hardware/Software/Network Connectivity for them to continue to perform their fiduciary duties under the Retirement Code.⁶

NOW THEREFORE, the members of the PSERB establish the following Board Automation Policy to govern their conduct as Trustees of PSERS:

¹ 24 Pa.C.S. §8101 *et. seq.*

² 24 Pa.C.S. §8521(a).

³ 24 Pa.C.S. §8521(e).

⁴ Rest. 3rd, Trusts (Duty of Loyalty) §170.

⁵ 24 Pa.C.S. §8521(a). Rest. 3rd, Trusts (Prudent Investor Rule) §227.

⁶ See PSERB Resolution 1997-52, a copy of which is attached as Exhibit "A".

I. Definitions

- A. **Board Liaison:** The individual designated by the Secretary of the PSERB to administer this policy.
- B. **BIT:** The Bureau of Information Technology at PSERS.
- C. **Computer:** A general purpose device that can be programmed to carry out a finite set of arithmetic or logical operations and can solve more than one kind of problem. A computer consists of at least one processing element which carries out arithmetic and logical operations, and a sequencing and control unit that can change the order of operations based on stored information.
- D. **Designees:** Individuals duly designated in writing to the Secretary of the PSERB by either a legislative or ex officio member of the PSERB, with the authority to act on behalf of the designating member in his or her absence.
- E. **Desktop Computer:** A personal computer (PC) in a form intended for regular use at a single location, as opposed to a mobile device or portable computer.
- F. **Hardware:** The collection of elements that comprise a computer system. The physical parts or components of a computer such as monitor, keyboard, data storage, hard drive disk, mouse, printer, CPU (Central Processing Unit), graphic card, sound card, memory, motherboard, chips, all of which are physical objects that can be touched.
- G. **Laptop Computer:** A Personal Computer for mobile use. Contains most of the same components as a Desktop Computer including a monitor, keyboard, pointing device, and speakers in a single unit. Can be powered by an AC adaptor and can be used away from an outlet using a rechargeable battery.
- H. **Mobile Device:** A handheld computing device that has an operating system (OS), and can run various types of application software known as apps. Most handheld devices can also be equipped with Wi-Fi, Bluetooth, and GPS capabilities that can allow connections to the Internet and other Bluetooth-capable devices, such as an automobile or a microphone headset. A camera or media player feature for video or music files can also be typically found on these devices along with a stable battery power source such as a lithium battery.
- I. **Network Connectivity:** A generic term for connecting devices to each other in order to transfer data back and forth. It often refers to network connections, which embraces bridges, routers, switches and gateways as well as backbone networks. It may also refer to connecting a PC or mobile device to the Internet.
- J. **Peripheral Device:** An electronic device that is connected to a host computer, but not part of it. It expands the host's capabilities but does not form part of the core computer architecture. It is generally any auxiliary device such as a mouse, keyboard, hard drive, printer, scanner, microphone, speakers, and digital camera.

- K. **Personal Computer:** Any general-purpose computer whose size, capabilities, and original sales price make it useful for individuals, and which is intended to be operated directly by an end-user with no intervening computer operator.
- L. **PSERB:** The Public School Employees' Retirement Board.
- M. **PSERS:** The Public School Employees' Retirement System.
- N. **Retirement Code:** The Public School Employees' Retirement Code, 24 Pa.C.S. §8101 et. seq.
- O. **Secretary of the PSERB:** The duly appointed Secretary of the PSERB as provided in the Retirement Code.
- P. **Software:** Any set of machine-readable instructions (most often in the form of a computer program) that directs a computer's processor to perform specific operations.
- Q. **Tablet:** A general-purpose computer contained in a touch-screen panel. Tablets are operated by finger or a stylus and come with a Web browser and a variety of installed apps. In addition, a large number of free and paid apps are available from an online store.

II. General Guidelines

- A. Each member of the PSERB shall be entitled to request and receive the exclusive use of a Personal Computer or Mobile Device, required Peripheral Devices and related Software, during their term on the PSERB.
- B. Each member of the PSERB shall be entitled to the use of electronic mail, internet access, facsimile service and on-line access to designated PSERB materials.
- C. In the event a member of the PSERB does not require the use of a Personal Computer or Mobile Device, they are still entitled to use PSERS provided Peripheral Devices and/or Software.
- D. Each member of the PSERB shall be entitled to have installed at their personal residence a separate data connection such as cable, telephone line, or wireless device for internet connectivity, fax service, or other data connection requirements for use with the Hardware and Software provided hereunder.
- E. A member of the PSERB may authorize his or her Designee to utilize the Personal Computer or Mobile Device, Peripheral Devices and related Software provided to the member hereunder. In that case, the Designee shall be subject to the terms and conditions of this policy in the same manner as a member of the

PSERB.

F. All costs associated with providing the Hardware, Software and other services, including installation and use, under this policy shall be paid by PSERS.

III. Hardware and Software

A. All Hardware and Software provided to members of the PSERB pursuant to this policy shall be used primarily for PSERB-related work.

B. All Hardware and Software provided hereunder shall remain the property of PSERS. All PSERS data stored on Hardware provided hereunder shall remain the property of PSERS. Any other data stored on Hardware provided hereunder shall become the property of PSERS when the member's term on the PSERB expires.

C. Each member of the PSERB shall return all Hardware provided to him or her when his or her term on the PSERB expires. In addition, all PSERS Software loaded on a member's own Personal Computer shall be removed in the manner directed by the Board Liaison upon the expiration of the member's term on the PSERB.

D. Upon separation from the PSERB, each member of the PSERB shall have the option to have the separate data connection installed under this policy removed or transferred to the member's name.

E. Each member of the PSERB shall comply with the terms of the licensing agreements, which govern the Software provided hereunder.

F. No personal Software shall be installed on a Personal Computer provided to a member of the PSERB pursuant to this policy.

G. All Computer disks and/or files received from a source other than PSERS shall be scanned for Computer viruses with Software provided by PSERS before the disks and/or files are used on the Personal Computer.

IV. Maintenance and Support

A. All Hardware and Software provided to members of the PSERB under this policy shall be installed and/or configured as determined by BIT, in the manner directed by the Board Liaison.

B. BIT shall provide maintenance and support for the Hardware and Software provided hereunder. All maintenance and support shall be arranged

through and coordinated by the Board Liaison.

C. A member of the PSERB shall contact the Board Liaison immediately in the event of theft or damage to the Hardware provided to him or her pursuant to this policy.

D. A member of the PSERB shall contact the Board Liaison as soon as the member is aware that the Hardware and/or Software provided hereunder are malfunctioning.

E. Training shall be available to the members of the PSERB for the use of all Hardware and Software provided hereunder. All training shall be arranged through and coordinated by the Board Liaison.

F. The Board Liaison shall maintain an inventory or record of all Hardware, Software, data connection, training, maintenance and support provided pursuant to this policy.

V. Security

A. Each member of the PSERB shall take all reasonable steps to prevent theft or damage to the Hardware and Software provided to them under this policy.

B. Each member of the PSERB shall take all reasonable steps to protect access to and the confidentiality of PSERB materials obtained through the Hardware and/or Software provided hereunder.

C. Each member of the PSERB shall be assigned by the Board Liaison a username and confidential password to access PSERB materials through the Hardware and/or Software provided hereunder. In the event a member suspects that his or her password has been compromised, the member shall immediately notify the Board Liaison. PSERS retains the option to periodically change members' passwords or user names.

Sections Amended January 1, 2000

The spelling of “employe” has been changed in all sections to “employee.”

Sections Amended April 29, 2005

“Board Coordinator” changed to “Board Liaison” and “Bureau of Information” changed to “Bureau of Technology” in all sections.

Sections Amended January 21, 2015

Preamble- Para 6- “continued improvement in” replaces “increasingly”.

Preamble- Para 7-

“/delivered” was added to the 2nd line.

“is ever changing” replaces “has dramatically changed”.

“technological advances in personal computing” replaces “personal computers”.

Preamble- Para 8

“personal computing device (such as Personal Computers including but not limited to Desktop Computers, Laptop Computers, Tablets, and Smartphones)” replaces “Personal Computer”.

Added “Network Connectivity”.

Section I. Definitions

Computer: Deleted “An electronic, magnetic, optical, or other high-speed data processing device or system that performs logic, arithmetic or memory functions, and includes all input, output, processing, storage, Software, or communications facilities which are connected or related to a network.” and replaced with “A general purpose device that can be programmed to carry out a finite set of arithmetic or logical operations and can solve more than one kind of problem. A computer consists of at least one processing element which carries out arithmetic and logical operations, and a sequencing and control unit that can change the order of operations based on stored information.”

Desktop Computer: Deleted “A Personal Computer that generally remains stationary on a desk.” and replaced with “A personal computer (PC) in a form intended for regular use at a single location, as opposed to a mobile device or portable computer.”

Hardware: Deleted “The actual physical devices, components or equipment that makes up a Personal Computer or Peripheral Device, including but not limited to a keyboard, display monitor, disk drive, system box and Modem.” And replaced with “The

collection of elements that comprise a computer system. The physical parts or components of a computer such as monitor, keyboard, data storage, hard drive disk, mouse, printer, CPU (Central Processing Unit), graphic card, sound card, memory, motherboard, chips, all of which are physical objects that can be touched.”

Laptop Computer: Deleted “A portable Personal Computer that is usually notebook or briefcase size.” and replaced with “A Personal Computer for mobile use. Contains most of the same components as a Desktop Computer including a monitor, keyboard, pointing device, and speakers in a single unit. Can be powered by an AC adaptor and can be used away from an outlet using a rechargeable battery.”

Mobile Device: Added this definition “A handheld computing device that has an operating system (OS), and can run various types of application software known as apps. Most handheld devices can also be equipped with Wi-Fi, Bluetooth, and GPS capabilities that can allow connections to the Internet and other Bluetooth-capable devices, such as an automobile or a microphone headset. A camera or media player feature for video or music files can also be typically found on these devices along with a stable battery power source such as a lithium battery.”

Modem: This definition was deleted.

Network Connectivity: Added this definition- “A generic term for connecting devices to each other in order to transfer data back and forth. It often refers to network connections, which embraces bridges, routers, switches and gateways as well as backbone networks. It may also refer to connecting a PC or mobile device to the Internet.”

Peripheral Device: Deleted “A piece of equipment that can be used with a computer to increase its functional range or efficiency, such as a printer, scanner, disk, etc.” and replaced with “An electronic device that is connected to a host computer, but not part of it. It expands the host’s capabilities but does not form part of the core computer architecture. It is generally any auxiliary device such as a mouse, keyboard, hard drive, printer, scanner, microphone, speakers, and digital camera.”

Personal Computer: Deleted “A microcomputer designed for individual use. Personal computers generally consist of either desktop or laptop models.” and replaced with “Any general-purpose computer whose size, capabilities, and original sales price make it useful for individuals, and which is intended to be operated directly by an end-user with no intervening computer operator.”

Software: Deleted “The instructions or programs that tell a computer how to operate.” and replaced with “Any set of machine-readable instructions (most often in the form of a computer program) that directs a computer’s processor to perform specific operations.”

Tablet: Added this definition “A general-purpose computer contained in a touch-screen panel. Tablets are operated by finger or a stylus and come with a Web browser

and a variety of installed apps. In addition, a large number of free and paid apps are available from an online store.”

Section II. General Guidelines

Para A- replaced “Laptop Computer’ with “Personal Computer or Mobile Device”

Para C & E- Replaced “Personal Computer” with “Personal Computer or Mobile Device”

Para D-

Added “at their personal residence”

Added “data connection such as cable, telephone line, or wireless device for internet connectivity, fax service, or other data connection requirements”

Deleted “The telephone line shall remain in the name of PSERS”.

Para F- deleted “of a separate telephone line”

Section III. Hardware and Software, Para D- replaced “telephone line” with “data connection”

Section IV. Maintenance and Support, Para F- Added “data connection”.

Section V. Security, Para C- Reworded first sentence to read “Each member of the PSERB shall be assigned by the Board Liaison a username and confidential password to access PSERB materials through the Hardware and/or Software provided hereunder.”

Deleted the October 30, 1997 Board Automation/Computerization Plan

Education Policy
of
the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
the Board of Trustees
on June 22, 2007

Effective
June 22, 2007

Adopted: June 22, 2007
Date Last Revised: June 13, 2014
Date Last Reviewed by Chief Counsel: January 10, 2019

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Public School Employees' Retirement Board Education Policy

Preface

WHEREAS, the Public School Employees' Retirement System (PSERS) provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code (Retirement Code);⁵⁹ and

WHEREAS, the Public School Employees' Retirement Board (PSERB) is empowered by the Retirement Code with the exclusive control and management of PSERS;⁶⁰ and the PSERB is the trustee of the Public School Employees' Retirement Fund ("Fund");⁶¹ and

WHEREAS, the members of the PSERB stand in a fiduciary relationship to the members of PSERS with respect, *inter alia*, to the disbursement of any moneys from the Fund;⁶² and

WHEREAS, as fiduciaries, the members of the PSERB have the duty to invest and manage the assets of the Fund for the exclusive benefit of the members of the PSERS;⁶³ and

WHEREAS, as fiduciaries, the members of the PSERB also have a duty to invest and manage the assets of the Fund with the care, skill and caution that a prudent investor would exercise under similar circumstances;⁶⁴ and

WHEREAS, central to the fulfillment of their fiduciary duties, is the obligation of the members of the PSERB to participate in the activities of the PSERB and to be informed on issues and topics that may impact PSERS, which may include attendance at educational opportunities and interaction with other governmental pension plans;⁶⁵ and

WHEREAS, the Act of June 12, 2017, P.L. 11, No. 5 added Section 8501(f) to the Retirement Code (Section 8501(f)) that requires each member of the Board to obtain eight hours of mandatory training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis; and

WHEREAS, PSERB Members have an obligation to comply with Section 8501(f) and to select such methods of learning as will best enable each of them to satisfy Section 8501(f) and to acquire the information and skills needed to be effective trustees, taking into account that each PSERB Member has different skill sets and levels of expertise. In the process of making

⁵⁹ 24 Pa.C.S. §8101 *et. seq.*

⁶⁰ 24 Pa.C.S. §8521(a).

⁶¹ *Id.*

⁶² 24 Pa.C.S. §8521(e).

⁶³ Rest. 3rd, Trusts (Duty of Loyalty) §170.

⁶⁴ 24 Pa.C.S. §8521(a). Rest. 3rd, Trusts (Prudent Investor Rule) §227.

⁶⁵ Rest. 3rd, Trusts (Prudent Investor Rule) §227. Comment d.

that selection, PSERB Members also have the responsibility to ensure that any educational expenses incurred are both reasonable and necessary; and

WHEREAS, PSERB Members are entitled to receive reimbursement from the Fund for the Costs, as defined below, subject to the terms and conditions of this Policy.⁶⁶

NOW THEREFORE, the members of the PSERB establish the following Education Policy (Policy) to govern their conduct as trustees of the Fund:

I. Definitions

- A. **Academic Course:** An individual college level or advanced degree course offered by an accredited college or university that directly relates to a PSERB Member's duties as a trustee of a government pension plan. The course need not be for credit.
- B. **Board Liaison:** The individual designated by the Secretary of the PSERB to administer this Policy.
- C. **Chair of the PSERB:** The duly elected chairperson of the PSERB.
- D. **Costs:** Except as otherwise specifically limited by this Policy, all reasonable expenses including but not limited to, transportation, lodging, tuition, subsistence, and conference registration expenses incurred by PSERB Members or Designees in attending an educational event required or permitted under this Policy, including an Academic Course and an Educational/Industry Meeting.
- E. **Designees:** Individuals duly designated in writing to the Secretary of the PSERB by either a legislative or *ex officio* member of the PSERB, with the authority to act on behalf of the designating member in his or her absence.
- F. **Educational/Industry Meetings:** Meetings or conferences held for the primary purpose of either:
 - 1. Instructing the participants on topics which are directly related to the performance of their duties as trustees of governmental pension plans or;
 - 2. Sharing information and, through collective action, advancing policies and interests that are directly related to and beneficial for governmental pension plans.
- G. **International Meeting:** An Educational/Industry Meeting held outside the 50 United States and District of Columbia that has been qualified under this Policy for PSERB Members to attend.
- H. **Member Organization:** A national public pension industry organization in which PSERS maintains a membership, e.g. the National Council on Teacher Retirement (NCTR), the National Association of State Retirement Administrators (NASRA), the Council of Institutional Investors (CII) and the National Council on Public Employee Retirement Systems (NCPERS).
- I. **PSERB:** The Public School Employees' Retirement Board.

⁶⁶ 24 PA.C.S. §8501(d)

- J. **PSERB Member:** Appointed, elected, ex officio, or legislative members of the PSERB.
- K. **PSERS:** The Public School Employees' Retirement System.
- L. **Retirement Code:** The Public School Employees' Retirement Code, 24 Pa.C.S. §8101 *et. seq.*
- M. **Secretary of the PSERB:** The duly appointed Secretary of the PSERB as provided by the Retirement Code.
- N. **Vice Chair of the PSERB:** The duly elected vice chairperson of the PSERB.
- O. **Year:** The 12-month period beginning July 1 and ending June 30.

II. Policy Overview

- A. To provide each PSERB Member with the knowledge and understanding of complex issues and topics necessary to administer a large governmental pension plan and prudently manage its significant investment assets, including international investments, and to facilitate a PSERB Member's compliance with Section 8501(f), the PSERB's education program for its Members and their Designees shall consist of the following:
 1. An orientation program for all new PSERB Members and their Designees.
 2. Education sessions and presentations throughout the year for PSERB Members and their Designees organized by PSERS' staff.
 3. Other topic specific educational materials and/or educational events for PSERB Members and their Designees provided by PSERS' staff and/or PSERS' service providers, including but not limited to PSERS' actuary, auditors, health care, and investment consultants.
 4. Attendance at Academic Courses and Educational/Industry Meetings subject to the limitations set forth herein.

III. General Guidelines

- A. This Policy only applies to PSERB Members and Designees while engaged in PSERS' business.
- B. This Policy governs all reimbursement requests for Costs incurred by PSERB Members and Designees while attending an educational event permitted under this Policy, including an Academic Course or Educational/Industry Meeting. Subject to any limits or other requirements set forth in this Policy, Costs incurred by PSERB Members and Designees while attending an educational event permitted under this Policy, including an Academic Course or Educational/Industry Meeting, are deemed to be necessary expenses incurred in the performance of their fiduciary duties and thus are eligible for reimbursement from the Fund by PSERS in accordance with this Policy.
- C. Nothing contained herein shall prevent a PSERB Member or Designee from attending any educational event required or permitted under this Policy, including but not limited to an Academic Course or Educational/Industry Meeting, personally at his or her own expense or on behalf of another organization at its expense.

- D. This Policy shall be reviewed by the PSERB from time to time but not less frequently than annually.
- E. Attendance by a Designee at Academic Courses, Educational Events, Industry Meetings, and/or International Meetings on behalf of the Designee's principal, for the purposes of this Policy, shall be the same as if the PSERB member attended, and shall count towards any limits established in this Policy.
- F. All PSERB Members or their Designees who attend an Educational/Industry Meeting at PSERS expense will make available all educational materials received at the meeting to the Board Liaison. The materials shall be available at PSERS' Headquarters for a period of three months for review and use by all other PSERB Members, their Designees, and PSERS' staff. The Board Liaison shall promptly notify all PSERB Members and their Designees of the submission of new educational materials pursuant to this provision.
- G. Individual exceptions to this Policy must be approved by the Chair and Secretary of the PSERB prior to the PSERB Member or Designee's engaging in the activity that is the subject of the request for approval. All requests for individual exceptions to the Policy shall be made in writing to the Chair and Secretary of the PSERB. The Vice Chair and the Secretary of the PSERB shall approve any exceptions requested by the Chair. The Board Liaison shall promptly notify all PSERB Members and their Designees of the submission of a request for an exception to this Policy and the action taken with respect to it.
- H. Except as otherwise specifically provided for herein, PSERB Members and their Designees shall also be subject to the same rules and procedures which govern training by Commonwealth employees, which rules and procedures are incorporated herein by reference. These rules and procedures are primarily set forth in Management Directives 230.10, Commonwealth Travel Policy, as periodically amended and 535.3, Out Service Training, as periodically amended.
- I. In addition to the Commonwealth Management Directives cited above, reimbursable expenses for PSERB Members and Designees are also governed by Article VI Section 6.3(c) of the PSERB Bylaws.

IV. Orientation Program

- J. Each new PSERB Member and Designee will attend, prior to his or her first PSERB meeting as a voting member, a PSERS' staff prepared PSERB Member orientation program.
- K.
- L. The PSERB Member orientation program will, at a minimum, include the following elements:
- M.
- N. A brief history and overview of PSERS, including the mission and vision of PSERS
- O. A description of the principal laws governing PSERS and PSERB
- P. A description of PSERB and the fiduciary duties of PSERB Members under the prudent investor rule
- Q. A review of the PSERB Committees and their purposes
- R. A review of the existing PSERB policies
- S. A review of the legislative process and PSERS' relation to it
- T. A review of the actuarial valuation process and funding of PSERS
- U. A briefing on current issues
- V. A briefing on the Investment Office functions

- W. A review of PSERS' pension benefits plan design
- X. A review of the School Employees' Defined Contribution Plan and the School Employees' Defined Contribution Trust
- Y. A review of PSERS' health care programs
- Z. A briefing on the administrative operations of PSERS, including its operating funds and financial management
- AA. A list of the names and addresses of all PSERB Members and Designees
- BB. The current schedule of PSERB and Committee meetings
- CC. A list of PSERS' key service providers
- DD. An optional tour of the PSERS' Headquarters
- EE. Instructions on how to access the PSERB's secure website
- FF. Any other relevant information or documents deemed appropriate by the Secretary of the PSERB
- GG.
- HH.

V. Annual Training Program

- A. In accordance with the provisions of Act 5 of 2017, all members of the PSERB are required to receive at least eight hours of training in investment strategies, actuarial cost analysis and retirement portfolio management. In addition, all members are required to receive one hour of ethics training annually. This nine hour total represents the Board's member's minimal annual training requirement. The Board could and should receive training in others areas related to their duties and responsibilities (e.g. health care, pension benefits, etc.), however, those areas will not count toward the eight hours of required training addressed in Act 5 of 2017 or the one hour of ethics.
- B. Both trustees and designees must each complete the 9 hours of training by December 31st of each year. If a designee fails to complete the training, then the designee cannot participate in Board deliberations or vote on behalf of the trustee at any Board or committee meeting beginning with the Board meeting following the determination of noncompliance. The designee may, however, attend Board and committee meetings on behalf of the trustee. If a trustee fails to complete the 9 hour training requirement, neither he/she or the designee(s) may participate in Board deliberations or voting beginning with the Board meeting following the determination of noncompliance. The trustee and/or designee may, however, attend Board and committee meetings. Once the training requirement is fully satisfied, full participation in Board deliberations and voting will be reinstated.
- C. A trustee or designee who is appointed to the Board mid –year will be required to complete the required training beginning the following calendar year.
- D. Annually, Board members will be given the opportunity to provide guidance to the staff for the development of the upcoming year's training program. Board members may, however, at any time during the year suggest potential training topics for inclusion in the current or upcoming year's training program. The annual training program will be formally adopted by the Board each year at the Board's final meeting in December. Once approved this program may be amended at any time, if the Board so desires, should the need arise to alter a topic or if additional presentations are needed as a result of changing priorities.

- E. The Annual Training Program will consist of presentations by PSERS staff or service providers, attendance at presentations approved by the State Employees' Retirement System ("SERS") as part of the training requirements of Act 5 of 2017, attendance at industry related conferences or workshops (e.g. the Pennsylvania Association of Public Employee's Retirement System (PAPERS), National Association of State Retirement Administrators (NASRA), National Council on Teachers Retirements (NCTR), etc.), and other educational events identified by Board members or staff. In addition, Board members may supplement the training sponsored or previously approved by PSERS with attendance at the members cost at other professional continuing education events. If the Board member desires to apply such supplemental training as credit towards the Act 5 requirement, suitable documentation of attendance must be provided to the Board Liaison. (See the sample at Exhibit C) Credit towards the Act 5 training requirement resulting from supplemental training is subject to review and approval by the Board Secretary.
- F. Up to four qualifying investment training hours earned in excess of the required 8 hours may be applied to the next calendar year. Up to one qualifying ethics training hour may be applied to the next calendar year.

VI. Academic Courses

- A. PSERB Members shall be entitled to reimbursement for the allowable Costs incurred to attend not more than one Academic Course per Year. Moreover, attendance by a PSERB Member at an Academic Course shall count towards the annual limit set forth in Section VIII (B).
- B. To be eligible for reimbursement of the allowable Costs, each Academic Course must be approved by the Chair and Secretary of the PSERB prior to the PSERB Member or Designee's enrollment in the Academic Course. All requests for approval to the Chair and Secretary of the PSERB shall be made in writing on the approved form attached hereto as **Exhibit A**. The Vice Chair and the Secretary of the PSERB shall be responsible to pre-approve all Academic Courses attended by the Chair of the PSERB.
- C. Reimbursement by PSERS from the Fund for the Costs incurred to attend an Academic Course shall not exceed \$2,000 per Academic Course. Matriculation fees, books, student fees, and activity fees shall not be reimbursed.

Reimbursement of the allowable Costs for an Academic Course will be processed only after the PSERB Member or Designee successfully completes the Academic Course. In the case of a non-credit Academic Course, a certificate of completion issued by the college or university that provided the Academic Course shall evidence successful completion of the Academic Course. In the case of an Academic Course taken for credit, a copy of the official transcript showing a "C" grade or better for any undergraduate course, or "B" grade or better for any advanced degree course, shall evidence successful completion of the Academic Course.

VII. Educational/Industry Meetings

- A. The Chair and the Secretary of the PSERB will annually create a list of qualified Educational/Industry Meetings that PSERB Members and Designees may attend, subject to the terms of this Policy. The list of qualified Educational/Industry Meetings for PSERB Members and Designees attendance shall be posted by the Board Liaison on the PSERB's website. Subject to the Secretary's review and approval, during the year, the Board Liaison will update this list when new qualified Educational/Industry Meetings arise and post such on the PSERB's web site. The PSERB may act at any time to revise the current list of qualified Educational/Industry Meetings established under this Policy.
- B. PSERB Members shall be entitled to reimbursement by PSERS from the Fund for the Costs incurred to attend not more than two qualified Educational/Industry Meetings per Year. In addition, PSERB Members shall also be entitled to reimbursement by PSERS from the Fund for the Costs incurred to attend all qualified Educational/Industry Meetings held within the Commonwealth of Pennsylvania sponsored by the Pennsylvania Association of Public Employees' Retirement Systems (PAPERS).
- C. With the exception of the conferences sponsored by PAPERS and NCTR, not more than four PSERB Members or their respective Designees may be eligible for reimbursement of Costs for attending the same qualified Educational/Industry Meeting, unless their attendance is required to fulfill committee assignments and/or voting obligations for a Member Organization. Moreover, attendance by a PSERB Member at a Member Organization meeting to fulfill PSERS' membership obligations to these organizations is excluded from the limit set forth in Section VIII (B).

VIII. International Meetings

- A. PSERB Members shall be entitled to reimbursement by PSERS from the Fund for the Costs incurred to attend not more than one International Meeting every three Years.
- B. To be eligible for reimbursement of Costs, each International Meeting must be approved by the Chair and Secretary of the PSERB prior to the PSERB Member or Designee's registering for the International Meeting. All requests for approval to the Chair and Secretary of the PSERB shall be made in writing on the approved form attached hereto as **Exhibit B**. The Vice Chair and the Secretary of the PSERB shall approve all International Meetings attended by the Chair of the PSERB.
- C. Attendance by a PSERB Member at a qualified International Meeting shall not count towards the annual limit set forth in Section VIII (B).
- D. Not more than two PSERB Members or their respective Designees may be eligible for reimbursement of Costs for attending the same International Meeting.

IX. Annual Reports

- A. The Board Liaison shall maintain a list of all educational events required or permitted under this Policy during the current Year that have been attended or will be attended by PSERB Members or their Designees within the next six months, including but not limited to Academic Courses and Educational/Industry Meetings. The list, together with a list of the materials received by

PSERB members or their Designees at the attended educational events, shall be posted on the PSERB's Web Site.

- B. The Board Liaison shall prepare within 60 days of the end of each Year a report for the Secretary of the PSERB listing individual PSERB Member and Designee attendance at and the Costs incurred on their behalf for all educational events required or permitted under this Policy, including but not limited to Academic Courses and Education/Industry meetings. The Board Liaison shall also annually prepare an individual version of the report for each PSERB Member and Designee listing the same information for that PSERB Member and their Designees.

Exhibit A

PSERB Academic Course Request

Requestor's Name:

Course Name: _____

Course Provider: _____

Location of Course: _____

Course Provider's Contact Information:

Course Description:

Estimated Cost of Course: _____

Timeframe for Course: _____

Date of Request: _____

Required Action:

Approved: _____

Disapproved: _____

Date of Action: _____

Exhibit B

PSERB International Meeting Request

Requestor's Name:

Meeting Name: _____

Meeting Provider: _____

Location of Meeting: _____

Meeting Provider's Contact Information:

Meeting Description:

Estimated Cost of Meeting: _____

Timeframe for Meeting: _____

Date of Request: _____

Required Action:

Approved: _____

Disapproved:

Date of Action: _____

Exhibit C

PSERB Certification of Training Attendance*

This is to certify the below named individual attended training which may be creditable towards the annual training requirements set forth in PSERS Education Policy.

Event (Conference/Workshop/etc): _____

Sponsor: _____

Date of Training Attendance: _____

Name of Course/Training: _____

Description/Total Time: _____

Facilitator/Instructor: _____

Signature:

*Represents a sample form. Other evidence of attendance may be used if provided by hosting agency.

Elections Procedures and Guidelines Policy

of

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

As adopted by

the Board of Trustees

on January 25, 1991

Effective January 25, 1991

Adopted: January 25, 1991

Revised: May 23, 2019

Date Last Reviewed by Chief Counsel: January 8, 2019

Public School Employees' Retirement Board
Election Procedures and Guidelines Policy

WHEREAS, the Public School Employees' Retirement Board ("PSERB") is an independent administrative board of the Commonwealth of Pennsylvania consisting of 15 members; and

WHEREAS, the Public School Employees' Retirement Code ("Retirement Code") 24 Pa. C.S. § 8501(a) governs the election of six of the members to the PSERB; three elected by the active certified (professional) members of the Public School Employees' Retirement System ("System") and Class DC participants of the School Employees' Defined Contribution Plan ("Plan"); one by the annuitants and eligible Class DC participants; one by the active non-certified (non-professional) members of the System and active non-certified (non-professional) Class DC participants of the Plan; and one by the school board membership; and

WHEREAS, each member elected will serve for a term of three years beginning on January 1 and ending on December 31 of the third calendar year and until his successor is qualified and elected; and

WHEREAS, the PSERB reserves the right to determine any and all conditions regarding the election of members to the PSERB; and

WHEREAS, pursuant to Sections 2.8 and 4.2(d) of the Statement of Organization, Bylaws, and other Procedures of the Commonwealth of Pennsylvania Public School Employees' Retirement Board, all elections are conducted under the direction of the PSERB's Elections Committee, in accordance with the approved procedures and guidelines for conducting elections;

NOW THEREFORE, the members of the PSERB adopt the following Election Procedures and Guidelines Policy.

I. Definitions

- A. *Active Certified (Professional) member/participant and Active Non-Certified (Non-Professional) member/participant.* For purposes of this Policy, includes full time members and Class DC participants and part time members and Class DC participants who have an active or contributing work status and are qualified in the current year, and part time members and Class DC participants who were active and qualified in the prior year and have an active or contributing work status and a qualification status of pending qualified or pending purchase of service in the current year.
- B. *Annuitant/Eligible Class DC Participant.* For purposes of this Policy, includes annuitants of the System and eligible Class DC participants.
- C. *Biographical Form:* A form that allows candidates to submit information to be placed on the ballot along with the candidate's name.
- D. *Candidate's Affidavit:* A form that must be notarized and submitted with the Nominating Petition to ensure a candidate's eligibility for office.
- E. *Nominating Petition:* A form that is signed by eligible voting members to certify a candidate. It includes identifying information for validation of membership.
- F. *Nomination Packet:* A packet of information provided to members upon request; the packet includes the Election's Procedures and Guidelines Policy, Nominating Petition form, Candidate's Affidavit, Biographical Form, and summary of responsibilities of a PSERB member.
- G. *Office of the Executive Director:* The Executive Director of PSERS and his designee.
- H. *PSERB:* The Public School Employees' Retirement Board.
- I. *PSERS:* The Public School Employees' Retirement System.
- I. *Public School Board Member –* A member of a public school board, but does not include a member of a board of a charter school.⁶⁷
- J. *Regular Election:* An election for an active certified (professional), active non-certified (non-professional), annuitant/eligible Class DC participant, or school board member to the PSERB.
- K. *Special Election:* An election for an active certified (professional), active non-certified (non-professional), annuitant/eligible Class DC participant, or school board member to the PSERB because a vacancy has occurred to shorten the original three-year term.

II. Procedures and Guidelines

A. Regular Election

1. The Office of the Executive Director will publicize the election to the appropriate group, either the active member/participant or annuitant/eligible Class DC participant members, or the employers (for the school board member election), subject to the rest of these guidelines.

⁶⁷ See Opinion No. 2009-06 by Gerald Gornish, Chief Counsel, dated April 13, 2009 regarding Eligibility of Charter School Board Members for PSERB Membership and Voting.

2. The Office of the Executive Director may provide information on a particular election to any interested organization upon written request.
3. The Office of the Executive Director will develop a schedule of events for each election to be held during the year. The schedule will include the dates for the distribution and return of all election-related material.
4. All candidates for a PSERB seat must request a Nomination Packet in writing. All such requests should be directed to the Office of the Executive Director, PSERS, 5 N 5th St., Harrisburg, PA 17101.
5. A Candidate's Nominating Petition, Affidavit, and Biographical Form must be received by PSERS at its headquarters on or before the close of business on the date selected by the Office of the Executive Director. Nominating Petitions received after the deadline will be deemed invalid.
6. The Office of the Executive Director will review and validate all Nominating Petitions. All decisions regarding the validation of the Nominating Petitions will be final.
7. To be valid, a Nominating Petition must be timely filed and include a signed, notarized Candidate's Affidavit; a Biographical Form completed in accordance with these guidelines; and the required number of signatures as provided herein.
8. The required number of signatures by election classification is as follows:
 - a) *Active Certified (Professional)* - At least 500 signatures of active certified (professional) members of the System and Class DC participants. Five different employers must be represented by no less than 25 signatures each.
 - b) *Active Non-Certified (Non-Professional)* - At least 250 signatures of non-certified (non-professional) members of the System and Class DC participants. Five different school districts must be represented by no less than 15 signatures each.
 - c) *Annuitant* - At least 125 signatures of annuitant/eligible Class DC participant members.
 - d) *Public School Board Member* - At least 25 signatures of public school board members from a minimum of five different school districts.
9. The Office of the Executive Director will notify each candidate of the validation or invalidation of his Nominating Petition.
10. If an election has only one candidate who qualifies to appear on the ballot, no election will be conducted. The Office of the Executive Director will notify the Chairperson of the Elections Committee and the Chairperson of the PSERB that only one candidate qualifies. The Chairperson of the PSERB will

declare the candidate *elected by acclamation*, at the next regularly scheduled meeting of the Board, in accordance with Section 46 of Robert's Rules of Order⁶⁸.

11. If there is more than one candidate who qualifies, the Office of the Executive Director will report the names of the approved candidates to the Chairperson of the Elections Committee for announcement at the next PSERB meeting.

12. After all petitions have been validated, a drawing will be conducted to determine the ballot position of each approved candidate for the election, according to the following:

- a) The drawing will be held at PSERS' Headquarters at a date and time determined by the Office of the Executive Director.
- b) Each candidate will receive written notification of the drawing.
- c) Each candidate has the right to attend or be represented at the drawing.
- d) The drawing will be conducted in the presence of PSERS' Executive Director or designee and PSERS' Internal Auditor or designee.

13. The Office of the Executive Director retains the right to edit the biographical information to conform to printing requirements or if the information provided is not biographical in nature. All decisions of the Office of the Executive Director will be final.

14. A third party election contractor will conduct the election.

15. Ballots containing each candidate's biographical information will be mailed to all eligible active certified (professional) members of the System and Class DC participants, active non-certified (non-professional) members of the System and Class DC participants, annuitants/eligible Class DC participants, or school board members for whom addresses are available, in accordance with the election schedule established by the Office of the Executive Director.

16. Only ballots timely returned to the election contractor in accordance with the schedule established by the Office of the Executive Director will be counted.

17. The election contractor will certify the results of the election to the Office of the Executive Director.

18. The Office of the Executive Director will submit the election results to the Chairperson of the Elections Committee for announcement to PSERB.

⁶⁸Robert's Rules of Order, Newly Revised, 10th Edition. "When only one nominee is put up and the bylaws do not require a ballot, the chair can take a voice vote, or declare that the nominee is elected, thus effecting the election by unanimous consent or "acclamation.""

19. The Office of the Executive Director will notify all candidates in writing of the election results.

20. In the event of a dispute over the results of an election, a candidate may request a recount from PSERB within 30 days of the date of the letter notifying him of the election results.

B. Special Election

1. If the remainder of the three-year term is over eighteen months, PSERB will conduct a Special Election for the remainder of the term as soon as possible. The elected member will serve only the unexpired term of his predecessor.

2. If the remainder of the three-year term is eighteen months or less, PSERB will conduct a Special Election for the remainder of the term AND for a subsequent three-year term. The intention is to reduce the costs involved in conducting two separate elections.

3. The Office of the Executive Director will determine the date for submission of biographical information and Nominating Petitions, allowing adequate time to publicize the Special Election.

4. A Special Election may be conducted concurrently with a regularly scheduled election if the timing is appropriate.

5. Candidates may not appear on the ballot for both the Special Election and the Regular Election.

6. The candidate must declare on the petition form whether he wishes to be placed on the ballot for the Special Election or the Regular Election. Failure to do so will result in the candidate being placed on the ballot for the Regular Election.

All other procedures of a Regular Election will be followed. (See A, 1 -20).

C. Withdrawal

1. A candidate who wishes to withdraw from the election must notify the Office of the Executive Director of his desire to do so by the close of business (4:30 p.m.) on the day preceding the drawing for ballot positions.

2. If a candidate is certified by the election contractor as the winner and does not wish to accept the office, the candidate must notify the Office of the Executive Director in writing. The PSERB will conduct a new election in accordance with

the procedures set forth under B, 1 - 6.⁶⁹

D. Death or ineligibility

1. If a candidate dies or for any reason is found to be ineligible before the ballots are printed, his name will not be printed on the ballot.
2. If the death or ineligibility of a candidate occurs after the ballots are printed but before they are mailed, a new ballot will be printed dropping that candidate from the ballot. The ballot positions will be adjusted accordingly. For example, if candidate one is removed from the ballot, candidate two will appear first on the new ballot.
3. If the death or ineligibility of a candidate occurs after the ballots are mailed, but before the winner is seated on the PSERB, and the deceased or ineligible candidate wins, the PSERB will conduct another election in accordance with the procedures set forth under B, 1 – 6.³
4. If an elected PSERB member dies or otherwise becomes ineligible to serve on the PSERB, the PSERB will conduct an election in accordance with the procedures set forth under B, 1 – 6.⁴

III. Application

- A. **This Election Procedures and Guidelines Policy applies to the conduct of all elections as governed by the Retirement Code.**
- B. **The PSERB will review this Policy from time to time.**

⁶⁹See also Statement of Organization, Bylaws, and other Procedures of the Commonwealth of Pennsylvania Public School Employees' Retirement Board, Section 2.4.

³ Ibid

⁴ Ibid

Exhibit A

**ELECTION OF MEMBERS
to the
Public School Employees' Retirement Board**

Public School Employees' Retirement Code

Section 8501. Public School Employees' Retirement Board

(a) Status and membership. -- The board shall be an independent administrative board and shall consist of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; the Secretary of Banking and Securities, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; one to be appointed by the Governor; three to be elected by the active professional members of the system and active professional participants in the plan from among their number; one to be elected by annuitants or participants in the plan who have terminated school service and are receiving or are eligible to receive distributions from among their number; one to be elected by the active nonprofessional members of the system or active nonprofessional participants in the plan from among their number; and one to be elected by members of Pennsylvania public school boards from among their number. The appointments made by the Governor shall be confirmed by the Senate and each election shall be conducted in a manner approved by the board. The terms of the appointed and nonlegislative elected members shall be three years. The members from the Senate shall be appointed by the President pro tempore of the Senate and shall consist of one member from the majority and one member from the minority. The members from the House of Representatives shall be appointed by the Speaker of the House of Representatives and shall consist of one member from the majority and one member from the minority. The legislative members shall serve on the board for the duration of their legislative terms and shall continue to serve until 30 days after the convening of the next regular session of the General Assembly after the expiration of their respective legislative terms or until a successor is appointed for the new term, whichever occurs first. The chairman of the board shall be elected by the board members. Each ex officio member of the board and each legislative member of the board may appoint a duly authorized designee to act in his stead. In the event that a board member, who is designated as an active participant or as the participant in the plan who is receiving or is eligible to receive distributions, receives a total distribution of the board member's interest in the plan, that board member may continue to serve on the board for the remainder of his term.

(b) Vacancies. -- A vacancy occurring during the term of any member shall be filled for the unexpired term by a successor appointed or elected as the case may be in the same manner as his predecessor.

(c) Oath of office. -- Each member of the board shall take an oath of office that he will, so far as it devolves upon him, diligently and honestly administer the affairs of said board, the system and the plan and that he will not knowingly violate or willfully permit to be violated any of the provisions of law applicable to this part. Such oath shall be subscribed by the member making it and certified by the officer before whom it is taken and shall be immediately

filed in the office of the Secretary of the Commonwealth.

(d) Compensation and expenses. -- The members of the board who are members of the system or participants in the plan shall serve without compensation. Members of the board who are members of the system or participants in the plan and who are employed by a governmental entity shall not suffer loss of salary or wages through serving on the board. The board, on request of the employer of any member of the board who is an active professional or nonprofessional member of the system or active professional or nonprofessional participant in the plan, may reimburse such employer for the salary or wages of the member or participant, or for the cost of employing a substitute for such member or participant, while the member or participant is necessarily absent from employment to execute the duties of the board. The employer of any such member shall provide leave to allow such member to execute the duties of the board, including but not limited to, attendance at the location of all regular and special board and committee meetings. The members of the board who are not members of either the school system or the State Employees' Retirement System may be paid \$100 per day when attending meetings and all board members shall be reimbursed for any necessary expenses. However, when the duties of the board as mandated are not executed, no compensation or reimbursement for expenses of board members shall be paid or payable during the period in which such duties are not executed.

(e) Corporate power and legal advisor. -- For the purposes of this part, the board shall possess the power and privileges of a corporation. The board shall be an independent agency under the act of October 15, 1980 (P.L. 950, No. 164), known as the Commonwealth Attorneys Act.

(f) Board training. -- Each member of the board will be required to obtain eight hours of mandatory training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis.

Sections Amended January 30, 2004

Format and grammatical changes.

Section B, Subsection 4. Sentence referred to only the active certified Special Elections, whereas, the intent was to apply to all Special Elections.

Sections Amended December 9, 2005

Format and grammatical changes

Section III B Changed to conform to actual practice

Amendments January 25, 2007

Format and grammatical changes

Section II A 6 Combined II A 10 with II A 6

Section II A 10 Revised to read “If an election has only one candidate who qualifies to appear on the ballot, no election will be conducted. The Office of the Executive Director will notify the Chairperson of the Elections Committee and the Chairperson of the PSERB that only one candidate qualifies. The Chairperson of PSERB will declare the candidate *elected by acclamation at the next regularly scheduled meeting* in accordance with Section 46 of Robert’s Rules of Order.”

Section II B 3 “PSERB....” changed to “The Office of the Executive Director”

Exhibit A Replaced Section 501(a) and (b) to reflect the amendments to the Retirement Code made with Act No. 9 of 2001.

Amendments June 11, 2009

Section I H. Added a definition of “Public School Board Member”

Section II A 8(d). Changed the terminology to “Public School Board Member”.

Amendment April 30, 2010

Section I A. Added a definition of “Active Certified (Professional) member and Active Non-Certified (Non-Professional) member”.

Amendment March 22, 2018

Exhibit A Replaced Section 8501(a), (c) and (d) to reflect amendments to Retirement Code made with Act 5 of 2017.

Exhibit A Added Section 8501(e) and (f) to reflect amendments to Retirement Code made with Act 5 of 2017.

Ethics Policy
of
the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
the Board of Trustees
on April 30, 2010
Effective July 1, 2010

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Exhibit A 15

Public School Employees' Retirement Board
Ethics Policy

PREAMBLE

WHEREAS, the Public School Employees' Retirement System (PSERS) provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code (Retirement Code);¹ and

WHEREAS, the Public School Employees' Retirement Board (PSERB) is empowered by the Retirement Code with the exclusive control and management of PSERS;² and

WHEREAS, the Trustees of the PSERB stand in a Fiduciary relationship to the members of PSERS with respect, *inter alia*, to the disbursement of any moneys from the Fund;³ and

WHEREAS, as fiduciaries, the Trustees of the PSERB have the duty to invest and manage the funds of the PSERS for the exclusive benefit of the members of the PSERS;⁴ and

WHEREAS, as fiduciaries, the Trustees of the PSERB also have a duty to invest and manage the funds of the PSERS with the care, skill and caution that a prudent investor would exercise under similar circumstances;⁵ and

WHEREAS, central to the fulfillment of their Fiduciary duties, is the obligation of the Trustees of the PSERB to maintain the highest ethical and Fiduciary standards as it serves the members of the System, including not only avoidance of actual impropriety, but also the perception of impropriety;

NOW THEREFORE, the Trustees of the PSERB establish the following Ethics Policy (Policy) to govern their conduct as more particularly set forth herein:

¹ 24 Pa.C.S. §8101 *et. seq.*

² 24 Pa.C.S. §8521(a).

³ 24 Pa.C.S. §8521(e).

⁴ Rest. 3rd, Trusts (Duty of Loyalty) §170.

⁵ 24 Pa.C.S. §8521(a). Rest. 3rd, Trusts (Prudent Investor Rule) §227.

1. **DEFINITIONS**

Unless the context clearly indicates otherwise, the following words and terms when used herein shall have the respective meanings defined as follows:

- a. Agent.** A Person, other than an Employee, who is authorized to act for another (the Agent's principal) through employment, by contract, or apparent authority, and receives compensation therefor.
- b. Board.** The Board of Trustees of the Public School Employees' Retirement System.
- c. Broker.** A Person who provides assistance in the buying or selling of stocks, bonds, commodities, options, and other securities, including related analysis or research, *e.g.*, on a security, company, industry, or sector, and receives compensation therefor. If any question exists regarding who constitutes a Broker for purposes of this Policy, the Office of the Executive Director shall make that determination.
- d. Commonwealth.** The Commonwealth of Pennsylvania.
- e. Conflict or Conflict of Interest.** Use by a Trustee of the authority of his office or employment or of any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated. The term does not include an action having a De Minimis Economic Impact or Value which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group that includes the public official or public employee, a member of his immediate family or a business with which he or a member of his immediate family is associated.
- f. Consultant.** A Person, other than an Employee or Trustee who provides advice to PSERS and receives compensation therefor.
- g. Contractor.** A collective term that includes Agents, Brokers, Consultants, and Service Providers, as each separate term is defined herein and who provide goods and/or services to PSERS and receive compensation in exchange therefor.
- h. De Minimis Economic Impact or Value.** An economic consequence that is insignificant in its effect or is no greater than that which accrues to a large class or the general public.
- i. Employee.** A Person working for PSERS in an employer-employee relationship and not in an independent Contractor capacity, and includes both permanent and temporary salaried and wage positions.
- j. Fiduciary.** Of, relating to, or involving one that holds something in trust for another and who is charged with the duties of prudence and loyalty to the beneficiaries of the trust.

k. Fund. The Public School Employees' Retirement Fund.

l. Gift. Any payment, thing or other benefit provided to a Trustee for which the Trustee did not provide goods or services of equal or greater value, including a discount or a rebate that is not available to the general public. This does not include goods or services which are of De Minimis Economic Value.

m. Honorarium/Honoraria. Payment(s) made in recognition of published works, appearances, speeches and presentations and which is not intended as consideration for the value of such services. The term does not include tokens presented or provided which are of De Minimis Economic Value.

n. Immediate Family. A parent, spouse, child, brother, or sister.

o. Kickbacks. Transactions where Persons seeking to do business with PSERS provide some personal benefit to a Trustee to influence a decision.

p. Office of the Executive Director. The Executive Director of PSERS, his immediate subordinates, (excluding his administrative staff) and designee(s) for performing specific duties under this Policy.

q. Pay-to-Play. A transaction where a Person provides a benefit unrelated to PSERS' business requirements to participate in a business process such as a bidding competition, or to influence a decision, or to maintain an existing contract or business association.

r. Person. A business, governmental body, individual, corporation, union, association, firm, partnership, limited liability company, committee, club, group of Persons or any other organization existing under the laws of any jurisdiction.

s. Policy. This Ethics Policy.

t. Political Contribution. Any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance or deposit of money or any valuable thing, to a candidate or political committee made for the purpose of influencing any election in this Commonwealth or for paying debts incurred by or for a candidate or committee before or after any election. This shall also include the purchase of tickets for events such as dinners, luncheons, rallies and all other fund-raising events; the granting of discounts or rebates not available to the general public; or the granting of discounts or rebates by television and radio stations and newspapers not extended on an equal basis to all candidates for the same office; and any payments provided for the benefit of any candidate, including any payments for the services of any person serving as an agent of a candidate or committee by a person other than the candidate or committee or a person whose expenditures the candidate or committee must report under this act. The word "contribution" includes any receipt or use of anything of value

received by a political committee from another political committee and also includes any return on investments by a political committee.

u. PSERS. The Public School Employees' Retirement System.

v. Related Parties. Related Parties to Trustees include any child, step-child, foster child, grandchild, parent, step-parent, grandparent, spouse, brother, sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any member of the household, whether or not related. A Person adopted into a family is considered a relative on the same basis as a natural born family member.

w. Retirement Code. The Public School Employees' Retirement Code, 24 Pa.C.S. sections 8101-9102.

x. Service Provider. A Person, other than an Employee or Trustee who receives compensation in exchange for work performed for PSERS.

y. Trustee. A member of the Board and his or her designee(s).

z. Waste. Any conduct or omission that results in substantial abuse, misuse, destruction, or loss of funds or resources belonging to or derived from the Commonwealth or PSERS.

2. SCOPE OF POLICY

This Policy provides a framework for the ethical conduct of Trustees and a basis for the evaluation of that conduct. This Policy, however, should not be relied upon as an exclusive or comprehensive list of applicable legal, ethical or Fiduciary requirements of conduct for Trustees. It does not attempt to specify every possible activity that might be inappropriate or prohibited under applicable laws and regulations. Nothing in this Policy shall exempt any Trustee from any federal or Commonwealth law, regulation or policy. The standards of conduct set forth in this Policy are designed to supplement such laws, regulations or policies.

3. ETHICAL STANDARDS

a. General Rules

Trustees shall not engage in any employment, activity, or enterprise for compensation that is inconsistent with their Fiduciary duties or where the performance of their duties will be subject to improper influence or control by any other Person. Trustees should not engage in any other conduct that creates either an actual or the appearance of a Conflict of Interest.

As provided in the Bylaws, Section 5.11, Trustees must disclose in writing to the Board any Conflicts of Interest regarding any matter that is before the Board and must

recuse themselves and not become personally involved in any aspect of the decision-making process relating to that matter.

b. Personal Interest in PSERS' Activities

Trustees may not have a financial or personal interest in PSERS' activities that conflicts with PSERS' interests or affects or appears to affect their independence, objectivity, or loyalty to PSERS. They cannot take any official action on matters that will result in a benefit to themselves, Immediate Family, or their business associates, unless such benefit is no greater than that which accrues to a large class, such as across-the-board retirement benefit increases.

c. Personal Interest in Outside Activities/Employment

Trustees may not have a financial or personal interest in activities outside of PSERS that conflicts with PSERS' interests or affects or appears to affect their independence, objectivity, or loyalty to PSERS. They may not borrow from Contractors unless such entities are normally engaged in such lending in the usual course of their business, and then only on customary terms offered to others under similar circumstances to finance proper and usual activities. They may not knowingly refer PSERS' members to a Contractor without the prior written approval of the Office of the Executive Director. Likewise, they may not knowingly refer a Contractor to a PSERS' member. Trustees also may not knowingly engage in outside employment with Contractors. Further, neither Trustees, their Immediate Family, nor their business associates may sell or provide goods or services to PSERS.

d. Financial Interests

Trustees shall abide by those provisions of the Governor's Code of Conduct, the Public Official and Employee Ethics Act, the Legislative Code of Ethics, and the Commonwealth Adverse Interest Act that are applicable to them and that prohibit Trustees from making, participating in making, or using their positions to influence Board and PSERS decisions in which they have a financial interest.

In addition, Trustees shall abide by the disclosure provisions of the Public Official and Employees Ethics Act and as applicable, the Governor's Code of Conduct.

e. Nepotism

To prevent Related Party Conflicts of Interest or the appearance of a Conflict of Interest, PSERS shall not employ a Person who is a Related Party to a Trustee. This rule shall not prevent the continued employment of a Person who has been employed by PSERS for thirty consecutive days prior to the date that a Trustee acquired his or her position, or the Related Party became a Related Party.

f. Hiring Contractors

To protect the integrity of the decision-making process, at such time as PSERS commences search procedures for the retention of a Contractor and identifies specific candidates to be interviewed to provide the desired goods and/or services, Trustees involved in the selection process shall refrain from knowingly having any contact with the candidates, their representatives, and supporters, other than unintended incidental interactions. Any questions from contractors shall be referred to the project manager of the contract.

All Trustees shall avoid any involvement in the decision-making process, particularly with respect to hiring, contracting, or investments that involve "Kickbacks" or "Pay-to-Play" practices.

Any violation of this Policy may result in the removal of such potential Contractor's proposal from consideration. If the violation is discovered subsequent to the award of the contract, the contract may be terminated.

g. Employment Negotiations and Post Employment Restrictions

A Trustee must disclose any employment negotiations with a Person that the Trustee is aware is a Contractor. Employment negotiations means participating in an employment interview, discussing an offer of employment, or accepting an offer of employment, even if precise terms of employment are not yet defined.

A Trustee, for one year after termination of his or her service on the Board, shall not appear before the Board in relation to any business dealing with PSERS. A Trustee shall not appear before the Board at any time in relation to any case, proceeding, determination or any other matter upon which he or she took any discretionary action during his or her term on the Board or employment with PSERS.

h. Gifts

Trustees shall comply with the provisions contained in §1103. Restricted Activities of the Public Official and Employee Ethics Act.

Trustees subject to the Governor's Code of Conduct shall comply with the provisions contained in Part 1, Paragraph 3.

Trustees subject to the Legislative Code of Ethics shall comply with the provisions of §143.5. Prohibitions.

Notwithstanding the above, Trustees shall not, directly or indirectly, solicit, accept or receive for themselves or another any Gift, whether in the form of money, gift certificates, service, loan, travel, gratuity, favor, Honoraria, entertainment, hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably

be considered that the Gift was intended, or could reasonably be expected, to influence them in the performance of their duties.

i. Political Contributions

A Trustee who has received a Political Contribution of \$250 or more within the past two years from an individual or an officer or director of a corporation or other business entity shall disclose the fact of the contribution and recuse themselves from participation in any matter pending before the board that involves the business entity or the individual.

j. Honoraria

Trustees shall comply with the provisions of the Public Official and Employee Ethics Act, Section 1103 (d) and as applicable, the Governor's Code of Conduct, Part 1, Paragraph 7, prohibiting the acceptance of Honoraria.

k. Travel and Incidental Reimbursements

Trustees should be reimbursed consistent with Commonwealth travel guidelines for expenses that meet the "actual," "reasonable" and "necessary" tests.

Actual expenses are those expenses that were paid by Trustees and not reimbursed by another entity.

Reasonable expenses include the costs of travel or supplies that enable the Trustee to achieve their objectives in an efficient, safe and cost-effective manner. Trustees should locate and secure accommodations at moderately priced hotels. Hotels generally may be chosen in part to facilitate efficient conduct of business and to minimize daily travel time while at the business site, when reasonable costs are obtainable. Trustees attending conferences may stay at the hotel hosting the conference.

Necessary expenses are those that are required to achieve the goals of PSERS. With the communication methodologies available today, however, the need for travel should be carefully evaluated. When travel is deemed necessary, efforts should be made to keep the trip as short as possible.

l. Attendance at Functions

Trustees may accept invitations to seminars, conferences, educational meetings or other functions paid for by any Person that are not intended to promote a certain business relationship or product. Trustees should use reasonable care and judgment to avoid placing themselves in a situation that might cause, or be perceived to cause, a Conflict of Interest or a loss of independence or objectivity.

m. Use of Commonwealth Assets

Commonwealth property or resources should be used only to achieve the business purposes of the Commonwealth or PSERS and not for personal interest, pleasure or profit.

Certain exceptions are commonly made for items of nominal value, and as provided for in Commonwealth policies.

Trustees are required to diligently protect Commonwealth assets, including data, from theft or Waste.

n. Confidentiality

Although PSERS is a public entity that fosters accountability and transparency to its stakeholders and the general public, PSERS is also entrusted with confidential information including but not limited to:

- Nonpublic, individually identifiable information of its members and Employees,
- Privileged information developed through the attorney-client relationship or other legally recognized privileges,
- PSERS' security information,
- PSERS' specific investment transactions, or
- Protected Health Information as provided by the Health Insurance Portability and Accountability Act (HIPAA).

Trustees may not access, disclose, or use confidential information acquired in their positions without proper authorization or as may be required by applicable law.

Trustees shall not access, disclose, or use confidential information for any purpose other than in the performance of lawful PSERS duties and responsibilities.

Trustees shall not accept employment or engage in any business or professional activity that will require them to disclose confidential information that they have gained by reason of their official position with PSERS.

o. Criminal Conduct

No Trustee may engage in or condone any conduct that is in violation of a criminal law arising in the course of or from the performance of an official duty or function; including but not limited to, violations of law constituting misfeasance or malfeasance in office. No Trustee may engage in activities involving dishonesty, fraud, deceit or misrepresentation in connection with the performance of their official duties.

p. Investments

All Trustees are obligated to conduct their personal securities transactions in a manner that does not conflict with PSERS' business and their Fiduciary responsibilities, interfere with PSERS' portfolio transactions or create an actual or potential Conflict of Interest with PSERS. No Trustee shall become an endorser, surety, or obligor on, or have any personal interest, direct or indirect, in the making of any investment for the Board, or in the gains or profits accruing therefrom. Trustees shall not share insider information or use that information to benefit either themselves, PSERS or the Fund. Trustees are to place the interests of PSERS above their own, so that PSERS' execution of trades must take priority over personal trades.

q. Board Interaction with Outside Parties and PSERS Members

Communications with Contractors and Other Non-PSERS Persons and Entities:

A Trustee shall not correspond with a non-PSERS Person or entity using PSERS' letterhead unless the communication is authorized by the Board and processed through the Office of the Executive Director. The Office of the Executive Director shall make available a copy of all such written communications to all Trustees.

A copy of any written communication (other than purely personal or social correspondence, routine announcements, generally distributed newsletters, and the like) received by a Trustee from a current or potential Contractor, or Person related to a current Contractor, shall be forwarded to the Office of the Executive Director for subsequent distribution to all Trustees. Unless authorized by the Board, no Trustee shall disseminate or otherwise disclose any information obtained as a result of membership on the Board, which has not been released, announced, or otherwise made available publicly.

No Trustee may speak in an official capacity for PSERS and/or the Board without prior Board authorization. If a Trustee other than the authorized spokesman makes a statement without authorization, orally or in writing, the Trustee must explicitly acknowledge that it is not an authorized PSERS or Board statement.

A Trustee shall be respectful of the Board and its decisions in all external communications, even if he or she disagrees with such decision.

To mitigate the risk of miscommunication with PSERS members, Trustees will refrain from providing explicit advice or counsel, with respect to retirement plan provisions, policies or benefits, and will refer inquiries in this area to appropriate PSERS Employees through the Office of the Executive Director.

r. Board Oversight of PSERS' Management and Staff

(1) Collective Authority

The Board collectively is empowered to direct Employees on all matters of its operations. The orderly conduct of PSERS' operations requires that Board directives be implemented through the Office of the Executive Director. If the Board determines that the Office of the Executive Director's ability to faithfully serve PSERS' interests has been compromised, the Board may initiate corrective actions that temporarily circumvent the compromised individual(s) in the Office of the Executive Director.

(2) Individual Authority

Except as set forth in other policies of the Board, each Trustee shares in the Board's oversight responsibility, but may issue directives to Employees only in conjunction with the full Board or one of its committees.

Nothing in this Policy prohibits a Trustee from interacting with any Employees in a non-managerial function.

4. ADMINISTRATION OF POLICY

a. Ethics Policy Questions

Questions on this Policy should be referred to the Office of the Executive Director. Written opinions concerning the interpretation of this Policy will be provided to Trustees who file a written request. Copies of all opinions concerning a Trustee or the Office of the Executive Director will be furnished to the Board. All other opinions will be furnished to the Board upon its request. The Office of the Executive Director may use whatever resources are reasonably needed to provide the opinion. All Trustees may rely on such opinions to apply this Policy.

b. Training

Training with regard to this Policy will be given by the Office of the Executive Director within thirty days of election or appointment of new Trustees.

In addition to initial training, ethics updates will be communicated to all Trustees as needed. Trustees will comply with the provisions of the Education Policy, paragraph V.A. Annual Training Program, regarding ethics training.

c. Addressing Conflicts of Interest

Trustees who become aware of a Conflict of Interest have an obligation to disclose that Conflict to the Office of the Executive Director through the Board Chair.

If either the Trustee or the Trustee's designee has a Conflict of Interest, both must recuse themselves from any action on the matter in which the Conflict exists.

d. Incident Reporting

The Board is responsible for governing the conduct of its individual Trustee members. In adopting this Policy, the Board seeks to promote the orderly, ethical and professional resolution of disputes, as well as alleged Trustee misconduct.

Misconduct by a Trustee shall be addressed in accordance with the Board's Fraud, Waste, and Abuse Reporting and Investigation Policy by the full Board. Appropriate actions include, but are not limited to:

- resolving the matter within the current or future meetings of the Board,
- referring the matter to an existing or ad-hoc Board or agency committee for further action,
- appointing appropriate staff or outside Consultants for further action, or
- referring the matter to outside agencies, such as the State Ethics Commission or the Attorney General.

e. Enforcement

The Board is responsible for the enforcement of this Policy with respect to violations by individual Trustees through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation. Enforcement actions may include removing the offender from the position of Chair or Vice-Chair of the Board, or from any other assignment on behalf of the Board.

The Board may also pursue all of its legal remedies against any Trustee who violates the provisions of this Policy.

f. Assessment of Program- Internal Audit Department

An effective organizational ethics program should establish basic policies, regularly communicate them to Trustees, provide a means for Trustees to confidentially ask questions and express concerns, monitor transactions that are high risk, resolve any identified problems and make adjustments to both Policy and process as needed. As such, the Internal Audit Department will assess, every three years, the effectiveness of the Policy and recommend any needed revisions thereto.

A report on the assessment will be provided to the Board for consideration of recommended changes, if any.

g. Acknowledgement of Policy

All Trustees shall agree in writing to comply with this Policy at the commencement of their service with PSERS as a Trustee and annually thereafter. This acknowledgement will be kept on file with the Board Liaison. A copy of the required acknowledgement is attached as Exhibit A.

h. Effective Date

This Policy shall become effective July 1, 2010 and shall remain in effect until amended.

EXHIBIT A

Public School Employees' Retirement System
Ethics Policy

Acknowledgement

I hereby certify to the Chairman of the Board of Trustees of the Commonwealth of Pennsylvania Public School Employees' Retirement System that I have reviewed and understand the Ethics Policy of the Public School Employees' Retirement Board. I agree to comply with the provisions of the Policy, including the applicable statutes, rules, guidelines, and policies referred to and discussed within.

Name: _____ Date: _____

Signature: _____

***External Board Appointment and
Attendance at Meetings Policy***

of

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

**As adopted by
the Board of Trustees
on August 1, 2002
Effective
August 1, 2002**

Adopted: August 1, 2002
Date last Revised: September 23, 2005
Date Last Reviewed by Chief Counsel: January 5, 2018

Public School Employees' Retirement Board
External Board Appointment and Attendance Policy

WHEREAS, the Public School Employees' Retirement System ("PSERS") provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code, 24 Pa. C.S. §8101 et seq. ("Retirement Code"); and

WHEREAS, the Public School Employees' Retirement Board ("PSERB") is empowered by the Retirement Code with the exclusive control and management of PSERS; and

WHEREAS, as a result of PSERS' investment activities, PSERS sometimes acquires the right to designate individuals to serve on boards of directors, advisory boards, advisory committees, valuation committees, and other bodies of entities in which it has a financial interest ("External Boards"); and

WHEREAS, the members of the PSERB desire to establish guidelines regarding the appointment of individuals to External Boards and matters relating to their service thereon.

NOW, THEREFORE, the members of the PSERB adopt the following External Board Policy.

I. Definitions

A. **Annual Meeting:** Once-a-year meeting when the managers of an entity report to stakeholders.

B. **Appointee:** A member of PSERS' Investment Staff appointed to serve on an External Board.

C. **Beneficial Owner:** An individual is considered a Beneficial Owner of an entity if he has, in his individual capacity, as opposed to his capacity as a member of the PSERS Investment Staff,

- a. a direct or indirect pecuniary interest in the securities of, or an investment in, the entity;
- b. the power to vote or direct the voting of the shares of the securities of, or an investment in, the entity; or

- c. the power to dispose or direct the disposition of the securities of, or an investment in, the entity.

D. **Chief Investment Officer:** The duly appointed Chief Investment Officer of PSERS.

E. **Designees:** Individuals duly designated in writing to the Secretary of the PSERB by either a legislative or ex officio PSERB Member, with authority to act on behalf of the designating PSERB Member in his absence.

F. **PSERB Member:** Appointed, elected, *ex officio*, or legislative members of the PSERB.

G. **PSERS' Investment Staff:** Investment Office Professionals of PSERS.

II. Application of Policy

A. This Policy applies to all PSERB Members, Designees, and PSERS' Investment Staff.

B. Except as otherwise provided herein, individual exceptions to this Policy shall be made only by vote of the PSERB. Requests for such an exception shall be presented, in writing, to the Secretary of the PSERB for inclusion on the agenda at the next meeting of the PSERB.

C. This Policy shall be reviewed by the PSERB from time to time.

III. General Guidelines

A. Only PSERS' Investment Staff shall be designated as Appointees on External Boards.

B. The Chief Investment Officer shall designate all Appointees to External Boards. The Chief Investment Officer has the authority to designate himself as the Appointee to any External Board with the concurrence of the Executive Director. In addition, the Chief Investment Officer may revoke any appointments at his discretion.

C. An Appointee shall not be a Beneficial Owner in the entity that the External Board represents.

D. An Appointee shall not have been an employee of an entity that the External Board represents within the previous two years.

E. A PSERB Member may request the Chief Investment Officer, subject to approval by the entity and the Chair of the PSERB, for approval to accompany an Appointee to one or more domestic Annual Meetings of the External Boards. No more than one (1) PSERB Member may attend each Annual Meeting. These meetings shall be considered Program Meetings under the PSERB Travel and Education Policy.

F. A PSERB Member may request the Chief Investment Officer, subject to approval by the entity and the Chair of the PSERB, for approval to accompany an Appointee to one or more domestic advisory board meetings, advisory committee meetings, or valuation committee meetings of the External Boards. No more than one (1) PSERB Member may attend each such meeting. These meetings shall be considered Program Meetings under the PSERB Travel and Education Policy.

G. Any fees, honorariums or other monetary compensation received from External Board participation shall be relinquished to PSERS.

Sections Amended August 11, 2005:

General statement	Re-ordered and renumbered
Whereas clauses	Stylistic changes to the third clause
Definitions	Added "Appointee" Added "Beneficial Owner" Replaced "PSERS' Professional Staff" with "PSERS' Investment Staff"
Application of Policy	Revised C to conform to actual practice
General Guidelines	Amended B to require Executive Director's concurrence Clarified E Added F

***Fraud, Waste and Abuse
Reporting and Investigation Policy***

of

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

As adopted by

the Board of Trustees

on May 24, 2018

Effective May 24, 2018

Revised: May 23, 2019
Date Last Reviewed by Chief Counsel:

Purpose

To facilitate the development of internal controls that will aid in the detection and prevention of fraud, waste and abuse (FWA) against the Public School Employees' Retirement System (PSERS).

Definitions

Fraud: The intentional, false representation, or concealment of a material fact for the purpose of inducing another to act upon it to his or her detriment; or the intentional, false representation, or concealment of a material fact for the purpose of financial or personal gain.

Waste: The careless or needless expenditure of PSERS' funds, or the consumption of PSERS' property, that results from deficient practices, systems, controls, or decisions.

Abuse: The intentional excessive or intentional improper use of PSERS' or, if applicable, state resources to the detriment or potential detriment of PSERS. This definition includes the intentional destruction, damage, sabotage, diversion, manipulation, misapplication, maltreatment, or misuse of said resources.

Policy

PSERS stakeholders should have assurance that adequate internal controls exist to prevent, detect, and investigate FWA perpetrated against or by PSERS. Accordingly, management is responsible for developing and maintaining an adequate system of internal control to prevent and detect FWA. If suspected FWA is reported, it is PSERS' Internal Audit Office's policy to fully investigate the matter and as such has instituted a program of FWA reporting and investigation that is designed to protect PSERS assets.

Scope of Policy

This policy applies to any FWA or suspected FWA involving PSERS' employees, Board members and their designees, as well as members, participants, beneficiaries, survivor annuitants, alternate payees, employers, consultants, investment managers, vendors, contractors, and any other parties that have a business relationship with PSERS. Any investigative activity required will be conducted without regard to the suspected wrongdoer's position/title, membership status, length of service, or relationship to PSERS. The use of one's authority or position to influence or coerce another to commit FWA will be viewed the same as having committed the act directly and will subject that individual to corrective action as well.

Acts Constituting FWA

An illustrative list of acts that are covered by this FWA policy is presented below. This list is not comprehensive and is provided only as an example of the acts covered by this FWA policy.

- Providing intentionally deceptive information.
- Embezzlement and/or misappropriation of cash, securities, supplies, property, equipment, or other assets.
- Improperly in the handling or reporting of money or financial transactions.
- Questionable accounting or operating practices.
- Unauthorized disclosure of confidential, personally identifiable, or proprietary information to outside parties.
- PSERS' employee use of confidential and proprietary information for their own personal gain.
- PSERS' employee accepting or seeking anything of value from PSERS Board members and their designees, members, participants, beneficiaries, survivor annuitants, alternate payees, employers, contractors, vendors, consultants, investment managers or persons providing services/materials to PSERS.
- Forgery, alteration, or falsification of records.
- Conflicts of interest, bribery, and other forms of official corruption.
- Disclosing to other individuals' securities activities engaged in or contemplated by PSERS.
- Using PSERS resources (e.g., email, servers, computers, facilities, or personnel) to conduct any business that does not relate to PSERS business or directly benefit PSERS, excluding incidental personal use.
- Intentionally taking any action that results in a benefit, advantage, or outcome to which the recipient is not entitled, such as circumventing established procedures or policy to meet targets resulting in increased incentive compensation, or intentionally misrepresenting performance data to another PSERS employee or agent, to the Board of Trustees, or externally.
- Intentionally distorting the truth to a member, participant, beneficiary, survivor annuitant, alternate payee, employer, or an entity in a contractual relationship with PSERS to convince the person, employer, or entity to give up money, property, some right or entitlement, or other possession rightfully belonging to that person, employer, or other entity for personal reasons, such as personal gain or recognition, or to benefit PSERS improperly.
- Intentionally falsifying retirement information.
- Falsely claiming a disability retirement.
- Continuing to receive retirement benefits of a deceased member.
- Any intentional deceptive practice designed to improperly inflate a member's pension benefit.
- Any intentional deceptive practice designed to improperly inflate a participant's account.
- Contractual agreements or other arrangements intended to inflate a member's salary prior to retirement.
- Mischaracterization of non-regular compensation as base salary.
- Salary giveback schemes intended to inflate earnings for pension calculation purposes.
- Intentional misreporting of service credit.
- Improper enrollment of consultants or independent contractors (e.g., school solicitor) as members for service credit purposes.
- Earnings after retirement abuses.
- Improper school district approval of a prior service credit request.

Irregularities involving a PSERS employee's conduct that do not also involve FWA should be resolved by departmental management and Human Resources rather than the Internal Audit Office. The Internal Audit Office will refer any such reports to the Director of Human Resources.

Reporting and Investigation Process

The Internal Audit Office has the primary responsibility for the investigation of all suspected FWA. FWA should be reported to the Internal Audit Office through: a complaint form, which can be submitted:

- Electronically
- Mail Printable Copy to: Fraud, Waste and Abuse Unit, PSERS, 5 North 5th Street, Harrisburg, PA 17101-1905

In addition, an FWA can be reported by calling (888) 222-0549 or Local phone number (717) 720-4602.

Great care must be taken in the investigation of suspected FWA to avoid mistaken accusations or alerting suspected individuals that an investigation is or may be under way. Unless the report is anonymous, the reporting individual should be advised of the following:

- Do not attempt to personally conduct investigations or interviews/interrogations related to any suspected FWA act.
- Do not contact the suspected individual to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Office of Chief Counsel or the Internal Audit Office.
- Information concerning the status of the investigation will not be provided.

The Internal Audit Office will thoroughly investigate all reports, with the assistance of appropriate operating departments who act as subject matter experts.

- The Director of Benefits Administration or delegate will generally be notified and consulted on any allegation pertaining to PSERS' members, participants, beneficiaries, survivor annuitants, or alternate payees.
- The Director of Communications and Counseling or delegate will generally be notified and consulted on any allegation pertaining to PSERS' employers.
- The Director of Human Resources or delegate will generally be notified and consulted on any allegation pertaining to PSERS' employees.
- Chief Counsel or delegate will generally be notified and consulted on any allegation pertaining to PSERS' Board members and their designees, executive staff members, consultants, investment managers, vendors, contractors, and any other parties that have a business relationship with PSERS as well as any other allegation that might lead to prosecution or litigation.

The Executive Director and/or Deputy Executive Director will be notified of FWA allegations, as appropriate. The Internal Audit Office will issue reports on their findings and recommendations to appropriate management and to the PSERS Board through the Audit/Compliance Committee.

Subsequent Actions

PSERS management has the responsibility to resolve incidents of FWA and take appropriate actions based on the investigation conducted by the Internal Audit Office. If reports of FWA activity are substantiated through the investigation process, all actions allowed by law should be recommended, including, but not limited to: referral to appropriate law enforcement and/or regulatory agencies, reduction in retirement

benefits or service credit (where appropriate), termination of business relationships, corrective disciplinary action up to and including termination of employment and any appropriate civil remedies.

Confidentiality

The Internal Audit Office treats all information received as confidential. To the extent allowed by law or as required to thoroughly investigate the matter, the source of the reports and the results of the investigation will be kept confidential and will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know.

Whistleblowers shall remain anonymous to the extent practicable and shall be protected from retaliation pursuant to Management Directive 205.16 Amended – *Compliance with the Whistleblower Law, Act 1986-169, as Amended*.

Related Policies

Executive Order 1980-18 (Revision #3) – Governor’s Code of Conduct

Management Directive 205.16 Amended – Compliance with the *Whistleblower Law, Act 1986-169, as Amended*

PSERS Employee Ethics Policy (Effective July 1, 2010, as may be revised)

Code of Conduct for Investment Operations Policy (Effective April 1, 2017, as may be revised)

**Public School Employees' Retirement System
Code of Conduct for Health Options Program
Prescription Drug Plan**

**Adopted by the
Public School Employees' Retirement Board**

Effective: December 6, 2019

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Mission

The Public School Employees' Retirement Board (Board) has adopted this Code of Conduct (Code) to promote and support the highest standards of conduct and ethical behavior throughout the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) Health Options Program (HOP) Prescription Drug Program (PDP), across all staff that work for PSERS and are associated with the PDP along with any First Tier, Downstream and Related Entities (FDRs).

Introduction and General Policy Statement

This Code provides a framework for the proper standard of conduct and ethical conduct for those involved in PDP activities of the HOP and a basis for the evaluation of that conduct.

This Code should not, however, be relied upon as an exclusive or comprehensive list of applicable legal, ethical, or fiduciary requirements of conduct. It does not attempt to specify every possible activity that might be inappropriate or prohibited under applicable laws and regulations. Nothing in this Code shall exempt any person from any PSERS policy or any applicable federal or state law, regulation, or policy. The standards of conduct set forth in this Code are designed to supplement such laws, regulations, and policies. Moreover, members of professional organizations that promulgate standards of conduct must comply not only with this Code, but also with those professional standards, as applicable.

As a general policy, all PSERS employees shall comply with all laws and regulations applicable to PSERS business. The policies and procedures embodied in this document are designed to foster and implement this requirement with respect to those specifically involved in HOP PDP.

This Code's guidelines along with:

- (i) the Pennsylvania Public Official and Employee Ethics Act (Act),
- (ii) the Employee Ethics Policy of the Commonwealth of Pennsylvania Public School Employees' Retirement System (Employees Ethics Policy),
- (iii) the Ethics Policy of the Commonwealth of Pennsylvania Public School Employees' Retirement Board (the Board Ethics Policy and collectively with the Act and the Employees Ethics Policy, the Ethics Policies), and
- (iv) the HOP PDP Compliance Program (Compliance Program) and its policies and procedures

establish an overview of expectations regarding HOP PDP's business activities.

The following questions may assist a Covered Party in evaluating specific situations:

- Will my actions comply with the intent and purpose of the HOP PDP's policies and procedures and the Compliance Program?
- If this action becomes known to my supervisor, colleagues, business associates, or other external parties will I harm my reputation or the reputation of the HOP PDP?
- Is this action honest in every aspect?
- Could this action appear inappropriate to others even if it is technically legal?

Regardless of the specific situation a Covered Party encounters, the Covered Party must always be honest and should strive to be forthright at all times.

Responsibility for the Policies and Procedures

This Code is applicable to all employees involved in HOP PDP identified in Exhibit A (a Covered Party or the Covered Parties). Each Covered Party is required to be familiar with all policies and procedures applicable to his or her activities and adhere to them. Adherence to PSERS' policies and procedures is mandatory, and any questions should be discussed with the PDP Compliance Officer or the Executive Director. Covered Parties who are PSERS employees (Covered Employees) may also address questions to their supervisor or manager. Covered Employees who violate this Code may be subject to disciplinary action, up to and including termination of employment.

As a condition of employment with PSERS, all Covered Employees are required to acknowledge in writing within:

- (i) ninety (90) days of employment; and
- (ii) annually, in conjunction with his or her annual performance evaluation

that the Covered Employee has received, read, and agrees to comply with the Code by signing an Acknowledgement Statement. A copy of the required Employee Acknowledgement Statement is attached as Exhibit B.

All Covered Parties, who are Board members or designees are required to acknowledge in writing:

- (i) at the time of the individual's orientation; and
- (ii) within ninety (90) days of the Board's adoption of any amendments to the Code.

that the Covered Party has received, read, and agrees to comply with the Code by signing an Acknowledgement Statement. A copy of the required Board and Designee Acknowledgement Statement is attached as Exhibit C.

The PDP Compliance Officer will maintain an electronic file of the signed Acknowledgment Statements along with an accompanying log and forward a copy of each signed Acknowledgement Statement to the PSERS Human Resource Office to be retained in the employee's official personnel folder.

Compliance Program

The HOP PDP adopted and implemented a Compliance Program to reinforce compliance expectations embodied in this Code. The HOP PDP Compliance Program includes measures to prevent, detect, and correct instances of noncompliance to the HOP PDP policies and procedures and actual and potential fraud, waste, and abuse (FWA). The HOP

PDP Compliance Program is tailored to the HOP PDP operations and specific circumstances.

Compliance Policies and Procedures

The HOP PDP has written compliance policies and procedures that are:

- (i) detailed and specific,
- (ii) describe the operation of the HOP PDP Compliance Program, and
- (iii) address topics such as:
 - (a) the compliance reporting structure,
 - (b) compliance and FWA training requirements,
 - (c) the confidential reporting requirements, and
 - (d) how suspected, detected or reported noncompliance and FWA issues are investigated, addressed, and remediated.

All policies and procedures are updated to incorporate changes in applicable laws, regulations, and other requirements. HOP PDP compliance policies, which are set forth in the Compliance Program are listed in Appendix A.

Distribution of the Code

A. Employees

The PSERS Human Resources Department will distribute the Code to Covered Employees, within ninety (90) days of:

- (i) hire, and
- (ii) the Board's adoption of any amendments to the Code.

B. FDRs

The PDP Compliance Officer shall ensure that the Code will be shared and reviewed annually with FDRs as a part of the FDRs' provision of its annual attestation.

C. Board Members

The PSERS Human Resources Department will distribute to Board members and their designees the Code within ninety (90) days of:

- (i) the applicable appointment date, and
- (ii) the Board's adoption of any amendments to the Code.

Interpretation and Application of the Code

The Code establishes the institutional principles and guidelines that are carried out through: (i) specific HOP PDP compliance policies and procedures and (ii) instructions set forth by authorized Covered Parties.

All Covered Parties and FDRs are expected to act, make business decisions, and manage efforts on behalf of the HOP PDP in a responsible, professional, ethical, and legally compliant manner. All Covered Parties must exercise appropriate judgement to ensure that work-related decisions are: (i) prudent and fair, and (ii) based on an accurate understanding of the underlying facts and reflect adherence to the Code.

In the event of a conflict between the provisions of this Code and the Act, the provisions of the Act shall control. In the event of a conflict between the provisions of this Code and (i) HOP PDP policy or procedures or (ii) any other of the Ethical Policies except the Act, the provisions of this Code shall control.

Training

Covered Parties must receive training to help them conduct business in an ethical and compliant manner. Covered Parties who are employees (inclusive of temporary employees) shall receive, at a minimum, a general compliance and FWA training, at the following times:

- (i) within ninety (90) days of initial hiring,
- (ii) within ninety (90) days of updates to the training; and
- (iii) at least annually commencing in the calendar year after the year of hire.

Covered Parties who are Board members or designees shall receive, at a minimum, a general compliance and FWA training, at the following times:

- (i) within ninety (90) days of their appointment,
- (ii) within ninety (90) days of updates to the training; and
- (iii) at least annually commencing in the calendar year after the calendar year of appointment.

FDR employees who have involvement in the administration or delivery of Parts C and D benefits must, at a minimum, receive FWA training within 90 days of initial hiring (or contracting) and annually thereafter.

Attendance and participation in these trainings are a mandatory condition of employment for Covered Employees and to contract with the HOP PDP per Chapter 9 of the Medicare Prescription Drug Manual for FDRs. These training and education programs help prevent and detect possible violations to the Code and Ethics Policies. Records of these trainings must be maintained by the HOP PDP and applicable FDRs for a period of ten (10) years. The PDP Compliance Officer is required to ensure that all Covered Parties participate in the training mandated by this Code. All Covered Employees who are supervisors are required to ensure that the Covered Employees who report to them complete the training required by this Code.

At least annually, the PDP Compliance Officer shall report to the Board's Audit/Compliance Committee and the Executive Director the names of all Board members and designees, who are not in compliance with the Code's training requirements. The PDP Compliance Officer shall report to the Executive Director and PSERS Human Resources Department the names of Covered Employees who are not in compliance with the Code's training requirements.

Responsibilities of Covered Parties

All Covered Parties

Covered Parties are responsible for understanding and adhering to federal, state, and local laws and regulations, PSERS' policies such as this Code, and the HOP PDP Compliance Program, policies, and procedures that pertain to their areas of responsibility. They are also responsible for recognizing and reporting issues of non-compliance, including any instance of potential or suspected FWA. Covered Parties will cooperate, allow access, and provide requested records to auditors acting on behalf of federal, state, or local government. All Covered Parties are responsible for seeking clarification if they are uncertain about any requirements.

The HOP PDP will provide to the Centers of Medicare and Medicare Services, the National Benefit Integrity Medicare Drug Integrity Contractor, and other federal, state, or local agencies and their authorized contractors access to all requested facilities and records associated in any manner with the HOP PDP. Any concerns regarding the scope of any request for documents or information will be promptly communicated to the PDP

Compliance Officer or the Executive Director. Audits and the production and/or inspection of records will be coordinated to ensure minimal disruption to normal operations. Each Covered Party is responsible for responding timely to requests for information during audits and inquiries along with participating in the HOP PDP training and education programs when requested.

Covered Parties are further required to report any suspected or actual cases of non-compliance or potential FWA through at least one of the Confidential Reporting Lines listed in this Code.

Covered Employees

Covered Employees are responsible for: (i) supporting and adhering to this Code, the Ethics Policy, the HOP PDP Compliance Program and (ii) ensuring that they conduct their operations in strict adherence to the principles set out in each of these policies and programs. Covered Employees are expected to have a working knowledge of the regulations, federal, state, and local laws that govern their areas of responsibility and for ensuring that policies, procedures, forms, letters, and other documents are compliant with these respective mandates.

FDRs

FDRs must conduct business in a compliant, ethical manner and must ensure that their employees abide by this Code or by their own comparable code of conduct and compliance program per Chapter 9 of the Medicare Prescription Drug Manual. All FDRs are responsible for reporting as soon as practicable in writing to the HOP PDP Compliance Officer and the HOP PDP Director of Health Insurance Office of any instances of non-compliance including suspected or detected FWA. Moreover, FDRs must ensure that their employees understand how to report suspected or actual cases of noncompliance and FWA and attest to this on an annual basis. The HOP PDP retains the right to validate the effectiveness of FDR compliance programs, including validation of 'new hire' and annual general compliance and FWA training, as well as the Office of Inspector General and General Services Administration monthly exclusion screenings.

Reporting, Investigation and Confidentiality

When to Seek Advice

The people listed in the section below titled "WHERE TO GO FOR ADVICE OR TO REPORT A VIOLATION" will be available to address any questions a Covered Party has about the appropriate legal or ethical course of action in any given instance. If a Covered Party has a question, doubt, or concern about a practice or activity, the Covered Party should not speculate about the correct answer or course of action. This includes situations when:

- Applicable policies and/or procedures seem difficult to interpret under the circumstances.
- The relevant laws or standards are complex.
- A Covered Party has limited experience in dealing with the subject matter.

- A Covered Party feels that the Covered Party may be in a 'gray area', where the proper course of action seems unclear and the Covered Party needs guidance.
- A Covered Party finds that consultation would be helpful for any reason.
- A Covered Party feels pressured to adopt a course of action, and the Covered Party is unsure whether it is the correct path.

Where to Go for Advice or to Report a Violation

A Covered Party must report suspected or actual violations of noncompliance or FWA through one of the following Confidential Reporting Lines:

- A Covered Employee's immediate supervisor or manager
- The PDP Compliance Officer or members of the Internal Audit Office
- The PSERS PDP Confidential Hotline (717) 772-3883; toll free (800) 778-2703
- Email: RA-PSFWA@pa.gov
- Chief Counsel

A Covered Party may also ask relevant questions to the above parties listed as Confidential Reporting Lines.

If the Covered Party is uncomfortable using any of the Confidential Reporting Lines listed above for reporting violations or concerns, the Covered Party may contact the Executive Director or PSERS Board Chair.

Covered Parties have a duty to report potential or suspected violations of the Code, the Ethics Policies, and any wrongdoing. This includes situations where the Covered Party knows or suspects that a Covered Party is, or those with whom the HOP PDP does business with, are about to engage in FWA or any other illegal or unethical activity.

A Covered Employee's failure to report misconduct or adhere to any other Code requirements may result in disciplinary actions up to and including termination of employment.

When a PSERS contractor or FDR fails to report misconduct or adhere to any other requirements of this Code or the FDR's equivalent code, PSERS may: (i) require the FDR or contractor to institute a corrective action plan, (ii) impose a monetary penalty, or (iii) terminate the applicable party's contract.

If a Covered Party wishes to report anonymously a suspected or actual violation of this Code, the Ethics Policies, or any other behavior that is of concern to the Covered Party, the Covered Party may:

- call the PSERS PDP Confidential Hotline (717) 772-3883; toll free (800) 778-2703, or
- email RA-PSFWA@pa.gov.

If the Covered Party chooses to reveal the Covered Party's identity, the Covered Party's identity will not be disclosed unless it becomes absolutely necessary during an

investigation.

Non-retaliation and Non-intimidation

PSERS prohibits retaliation and intimidation against any Covered Party for good faith participation in the compliance program and reporting concerns about actual or potential wrongdoing, including violations of: (i) this Code, (ii) the Ethics Policies, (iii) the HOP PDP Compliance Program, policies and procedures, and (iv) any applicable law or regulation, included but not limited to those laws referenced in the Ethics Policies, the Whistleblower Law, Act 1986-169, as amended, and Management Directive 205.16.

No adverse action will be taken by the PSERS against Covered Parties for complaining about, reporting, participating, investigating, or assisting in the investigation of a suspected violation, unless the allegation made, or information provided is found to be intentionally false. Retaliation and intimidation against any Covered Party, who in good faith assists in the investigation of any reported concern, is also prohibited. Any person, who engages in retaliation, intimidation and/or harassment, may be subjected to disciplinary action in the case of employees, or other appropriate action in the case of contractors or FDRs.

Concerns about retaliatory or intimidating behavior should immediately be reported through the Confidential Reporting Lines.

Confidential Reporting

The HOP PDP Compliance Program strives to preserve the confidential nature of the reports it receives, including the identity of the individual making the report. As outlined in this Code, Covered Parties have the option of reporting compliance concerns anonymously through the Confidential Hotline or the confidential email address set forth above. If a Covered Party reports confidentially, the Covered Party should feel secure that their anonymity will be maintained, except when (a) disclosure becomes necessary for a proper investigation, and even then, disclosure will be made solely on an as-needed basis, or (b) when disclosure is legally required by subpoena or court order.

The HOP PDP conducts investigations of any actual, potential, or suspected misconduct with the utmost discretion and confidentiality, being careful to protect the reputation and identities of those being investigated as far as practical.

Investigation of Compliance Concerns

Upon receipt of a report of suspected or actual non-compliance or FWA through the reporting mechanisms, the HOP PDP will initiate an investigation as quickly as possible, but no later than two (2) weeks after the date when the potential non-compliance or potential FWA incident was identified or reported. Investigation activities include, but are not limited to, a review of all related documentation, and interviews of appropriate individuals. A determination will be made, with consultation of the Office of Chief Counsel and Human Resources as appropriate, and cases of confirmed non-compliance may result in enforcement and disciplinary actions, up to and including employment or contract termination.

Audits and Investigations

All Covered Parties are required to fully cooperate with all audits, inquiries, investigations and other reviews conducted by the HOP PDP, its designees, outside parties, and/or regulators.

Full cooperation includes promptly, completely, and truthfully complying with all requests for

documents, information, and interviews, including, but not limited to:

- Retaining and producing, as requested, all potentially relevant records,
- Attending interviews and responding completely and truthfully to interview questions,
- Complying with the outside party's requests as directed by the HOP PDP Compliance Officer, Executive Director, or Office of Chief Counsel.

Failure to comply with this provision of the Code may result in corrective action, up to and including employment and/or contract termination. Appropriate measures will be undertaken in the case of contractors and FDRs.

Enforcement and Disciplinary Actions

The HOP PDP program expects the conduct of all Covered Parties to be governed by the highest ethical standards, good judgement, and consideration to others and to fully meet their job responsibilities or contractual obligations. Any act, that may violate federal, state, or local laws, this Code and/or the Ethics Policies, the HOP PDP Compliance Program, and/or the HOP PDP policies and procedures, may result in employee disciplinary actions, up to and including employment termination and for FDRs and contractors, contract termination.

The Board is responsible for the enforcement of all aspects of this Code with respect to violations by individual Board members and their designees through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation. Code enforcement actions may include removing the offender from the position of Chair or Vice-Chair of the Board, or from any other assignment on behalf of the Board. The Board may also pursue all of its legal remedies against any Board member or designee who violates the provisions of this Code.

Acts that are subject to immediate corrective actions will be timely and include, but are not limited to, the following:

- Violating laws, regulations, this Code, the Ethics Policies, the HOP PDP Compliance Program, policies, and procedures,
- Failing to satisfactorily implement corrective actions as a result of non-compliance actions,
- Directing or encouraging others to violate laws, regulations, this Code, the Ethics Policy, the HOP PDP Compliance Program, policies, and procedures,
- Failing to report known or suspected violations of laws, regulations, this Code, the Ethics Policies, the HOP PDP Compliance Program, policies, and procedures,
- Failing to exercise reasonable due diligence to detect misconduct on the part of employees or FDRs,
- Interfering with or being uncooperative during an internal or external investigation or audit,

- Knowingly, willfully, or negligently providing false or incorrect information to the HOP PDP or to a government agency, beneficiaries or contractors, or falsifying any document(s) or HOP PDP record(s),
- Intentional or willful destruction of the HOP PDP records or of any evidence relevant to an investigation of suspected violation of law, regulations, this Code, the Ethics Policies, the HOP PDP Compliance Program, policies, and procedures,
- Intimidating or retaliating against others for reporting a concern or a suspected or actual violation.

Each Covered Party should be mindful that violations of laws, regulations, this Code, the Ethics Policies, the HOP PDP Compliance Program, policies, and/or procedures could trigger external legal actions against the Covered Party. Criminal or government enforcement action can include: suspension or revocation of licenses, sanctions, monetary fines, criminal penalties, and imprisonment.

Conclusion

Commitment to act in a compliant manner and follow this Code is key to ensuring a culture of trust and integrity in the HOP PDP.

Exhibit A – Covered Parties

- A. All Board of Trustee members and designees
- B. Executive Office
 - a. Executive Director
 - b. Deputy Executive Director and Director of Defined Contribution Investments
 - c. Privacy Officer
 - d. PDP Compliance Officer/Internal Auditor
 - e. All Internal Audit Office Staff
- C. Health Insurance Office
 - a. Director of Health Insurance Office
 - b. Deputy Director of Health Insurance Office
 - c. Administrative Officer
- D. Office of Financial Management
 - a. Chief Financial Officer
 - b. Director of Annuitant & Healthcare Accounting
 - i. Accountant 3
 - ii. Accountant 2
 - iii. Accountant 1
- E. Office of Information Technology
 - a. Chief Information Officer
 - b. Chief Information Security Officer
- F. Additional employee titles may be added to this list with the approval of the PDP Compliance Officer and the immediate supervisor of the position.

Exhibit B – Employee Acknowledgement

Employee Certification of Compliance
with the
Public School Employees' Retirement System (PSERS)
Code of Conduct for Health Options Program (HOP) Prescription Drug Plan (PDP)

Effective December XX, 2019

I hereby certify that I have reviewed and am familiar with the Code of Conduct for HOP PDP (Code) of PSERS.

I have had the opportunity to ask questions about any provisions of this Code that are unclear to me.

I certify that I have been since the date the Code applied to me, currently am, and will remain in compliance with the provisions of the Code, including the applicable statutes, rules, guidelines, and policies referred to and discussed within the Code.

I acknowledge that failure to comply with the provisions of this Code may result in disciplinary action up to and including termination.

I hereby state that the facts above set forth are true and correct. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Name: _____ Date: _____

Signature: _____

Exhibit C – Board and Designee Acknowledgement

Board and Designee Certification of Compliance
with the
Public School Employees' Retirement System (PSERS)
Code of Conduct for Health Options Program (HOP) Prescription Drug Plan (PDP)

Effective December XX, 2019

I hereby certify that:

(1) I have reviewed and am familiar with the Code of Conduct for HOP PDP (Code) of PSERS; and

(2) I have been since the date the Code applied to me, currently am, and will remain in compliance with the provisions of the Code.

I hereby state that the facts above set forth are true and correct. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Name: _____ Date: _____

Signature: _____

Appendix A - HOP PDP Compliance Policies

PSERS HOP Program Employer/Union Prescription Drug Plan Compliance Plan
001 PDP General Compliance and FWA Training Requirements
002 PDP Compliance Risk Assessment and Auditing & Monitoring Work Plan
003 Medicare Part D FDR Oversight

Policies are maintained by the PDP Compliance Officer and are available upon request.

Health Options Program Eligibility and Enrollment
of
the Commonwealth of Pennsylvania
Public School Employees' Retirement

As adopted by the Board of Trustees
on December 10, 2013 Effective
January 1, 2014

Adopted: 12/10/2013
Date Last Reviewed by Chief Counsel: January 8, 2019

PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
Health Options Program Eligibility and Enrollment Policy

Preface

WHEREAS, the Public School Employees' Retirement System (PSERS) provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code;¹ and

WHEREAS, the Public School Employees' Retirement Board (PSERB) is empowered by the Retirement Code with the exclusive control and management of PSERS;² and

WHEREAS, the PSERB may sponsor a participant-funded group health insurance program for annuitants, spouses of annuitants, survivor annuitants and their dependents;³ and

WHEREAS, the PSERB may promulgate regulations regarding the prudent and efficient operation of the program, including the determination of the benefits structure⁴ and determination of enrollment procedures.⁵

NOW THEREFORE, the members of the PSERB establish the following PSERS Health Options Program Eligibility and Enrollment Policy (Policy):

I. Policy Definitions

- A. ***Annuitant:*** Any Member on or after the effective date of retirement until his annuity is terminated.
- B. ***Eligible Person:*** As authorized by the Retirement Code; annuitants, spouses of annuitants, survivor annuitants and their dependents (§8502.2(a)).
- C. ***Dependent:***
 - 1. Unmarried children under age 19, including: natural children, stepchildren, legally adopted children, and children legally placed for adoption.
 - 2. Unmarried children age 19 to 23, who are enrolled as full-time students in an accredited college or university or in a technical or specialized school and who are not regularly employed by one or more employers on a full-time basis.
 - 3. Unmarried children disabled by a mental and/or physical disability prior to reaching the maximum age limit, who meet all of the following conditions:

¹ 24 Pa. C. S. §8101 et seq.

² 24 Pa. C. S. §8521(a).

³ 24 PA. C. S. §8502.2(a)

⁴ 24 Pa. C. S. §8502.2(a)(2)

⁵ 24 Pa. C. S. §8502.2(a)(3)

- a. Incapable of self-sustaining employment
 - b. Dependent on the Annuitant for support
 - c. Lives with the Annuitant
- D. **Member:** Active member, inactive member, annuitant, or vestee.
- E. **PSERB:** The Public School Employees' Retirement Board.
- F. **PSERS:** The Public School Employees' Retirement System.
- G. **Qualifying Event:** An event, as more specifically described herein, that allows an Eligible Person to enroll in or change options under the PSERS Health Options Program.
- H. **Retirement Code:** The Public School Employees' Retirement Code, 24 Pa.C.S. §8101 *et. seq.*
- I. **Survivor Annuitant:** The person or persons last designated by a Member under a joint and survivor annuity option to receive an annuity upon the death of such Member.
- J. **Spouse:** A person who is married to another in a legally recognized union between a man and a woman.

II. Policy Objectives

The PSERS Health Options Program is a voluntary group health insurance program providing Eligible Persons with access to basic hospital, medical and major medical coverage in plans approved by PSERB. The object of this Policy is to encourage enrollment among Eligible Persons that have a financial relationship with PSERS while allowing current participants to continue their health insurance coverage.

III. PSERS Health Options Program Eligibility and Enrollment Policy

Pursuant to these objectives, the PSERB establishes the following PSERS Health Options Program Eligibility and Enrollment Policy:

- A. The following **Eligible Persons** may enroll in the PSERS Health Options Program with a Qualifying Event.
 - 1. **Annuitant:** An Annuitant is eligible to enroll in the PSERS Health Options Program provided their premium is deducted from their monthly retirement benefit. If the Annuitant's monthly retirement benefit is less than the amount

of the premium, premiums must be paid directly and timely to the PSERS Health Options Program.

2. ***Survivor Annuitant:*** Upon the effective date of Member's retirement, the last designated Survivor Annuitant is eligible to enroll in the PSERS Health Options Program provided that Survivor Annuitant's premium is deducted from the Annuitant's monthly benefit. Upon the Member's death, a Survivor Annuitant is eligible to enroll in the PSERS Health Options Program if they are receiving a monthly annuity from PSERS. A Survivor Annuitant converting their PSERS annuity into a lump sum payment, who is already enrolled in the PSERS Health Options Program, may continue to participate in the program provided they make direct and timely premium payment to the PSERS Health Options Program. A Survivor Annuitant, not already enrolled in the PSERS Health Options Program, converting their PSERS annuity into a lump sum payment may not enroll in the program.
3. ***Spouse:*** The Spouse of the Annuitant is eligible to enroll in the PSERS Health Options Program provided their monthly premium is deducted from the Annuitant's monthly retirement benefit. The Spouse of a deceased Annuitant, who is already enrolled in the PSERS Health Options Program, may continue to participate in the program upon the death of the Annuitant provided they make direct and timely premium payments to the PSERS Health Options Program. A Spouse of a deceased Annuitant may enroll in the PSERS Health Options Program if they, as a beneficiary, are receiving a monthly annuity for PSERS. A Spouse of a deceased Annuitant who is not receiving a monthly annuity from PSERS, as a beneficiary, may not enroll in the program.
4. ***Dependent of Annuitant or Survivor Annuitant:*** The Dependent of an Annuitant or Survivor Annuitant is eligible to enroll in the PSERS Health Options Program provided their monthly premium is deducted from the Annuitant's or Survivor Annuitant's monthly retirement benefit. The Dependent of a deceased Annuitant may continue to participate in the PSERS Health Options Program upon the death of the Annuitant or Survivor Annuitant until such time as they attain the maximum age limitation of a Dependent, provided they make direct and timely premium payments to the PSERS Health Options Program. A Dependent of a deceased Annuitant may enroll in the PSERS Health Options Program if they, as a beneficiary, are receiving a monthly annuity from PSERS. A Dependent of a deceased Annuitant who is not receiving a monthly annuity from PSERS may not enroll in the program.

- B. The following *Qualifying Events* provide the specified Eligible Persons with a 180-day window to enroll in the PSERS Health Options Program. The 180-day window commences on the date of the Qualifying Event.
1. Upon the Annuitant's retirement or loss of health care coverage under a school employer's health plan, the following Eligible Persons may enroll in the PSERS Health Options Program regardless of whether the Annuitant enrolls in the PSERS Health Options Program:
 - a. Annuitant
 - b. Survivor Annuitant
 - c. Spouse
 - d. Dependent of Annuitant
 - e. Dependent of Survivor Annuitant
 2. Upon the involuntary loss of health care coverage⁶ under a non-school employer's health plan the following Eligible Persons may enroll in the PSERS Health Options Program regardless of whether the Annuitant enrolls in the PSERS Health Options Program:
 - a. Annuitant, provided the Annuitant loses coverage.
 - b. Survivor Annuitant, provided the Survivor Annuitant loses coverage. If the Annuitant is enrolled in the PSERS Health Options Program and the Survivor Annuitant loses coverage and enrolls in the PSERS Health Options Program the Annuitant may change options.
 - c. Spouse, provided the Spouse loses coverage. If the Annuitant is enrolled in the PSERS Health Options Program and the Spouse loses coverage and enrolls in the PSERS Health Options Program the Annuitant may change options.
 - d. Dependent of Annuitant, provided the Dependent of the Annuitant loses coverage. If the Annuitant is enrolled in the PSERS Health Options Program and the Dependent of Annuitant loses coverage and enrolls in the PSERS Health Options Program the Annuitant may change options.
 - e. Dependent of Survivor Annuitant, provided the Dependent of the Survivor Annuitant loses coverage. If the Annuitant is enrolled in the PSERS Health Options Program and the Dependent of Survivor Annuitant loses coverage and enrolls in the PSERS Health Options Program the Annuitant may change options.

⁶ An Eligible Person may elect COBRA coverage provided by the non-school employer. If COBRA coverage is elected, the 180 day window begins when the individual voluntarily or involuntarily terminates COBRA coverage.

3. If an Annuitant, Survivor Annuitant, or Spouse attains age 65 or becomes eligible for Medicare, the following Eligible Persons may enroll in the PSERS Health Options Program regardless of whether the Annuitant enrolls in the PSERS Health Options Program:
 - a. Annuitant
 - b. Survivor Annuitant
 - c. Spouse
 - d. Dependent of Annuitant
 - e. Dependent of Survivor Annuitant

4. Upon a change in family status as described below, the following Eligible Persons may enroll in the PSERS Health Options Program:
 - a. Annuitant and Spouse divorce,
 - i. Annuitant may enroll in the PSERS Health Options Program or change options
 - ii. Spouse's PSERS Health Options Program coverage terminates.
 - b. Death of Annuitant,
 - i. Survivor Annuitant may continue participation and change options or enroll in the PSERS Health Options Program provided premiums are deducted from the Survivor Annuitant's monthly benefit.
 - ii. Spouse may continue participation and change options or enroll in the PSERS Health Options Program provided the Spouse, as a beneficiary, receives a monthly benefit and premiums are deducted from the Spouse's monthly benefit.
 - iii. Dependent of Annuitant may continue participation.
 - iv. Dependent of Survivor Annuitant may continue participation.
 - c. Death of Survivor Annuitant,
 - i. Annuitant may change options if the Survivor Annuitant was participating in the PSERS Health Options Program.
 - d. Death of Spouse,
 - i. Annuitant may change options if the Spouse was participating in the PSERS Health Options Program.
 - e. Death of Annuitant's Dependent,
 - i. Annuitant may change options if the Dependent was participating in the PSERS Health Options Program.
 - f. Death of Survivor Annuitant's Dependent,

- i. Annuitant or Survivor Annuitant may change options if the Dependent was participating in the PSERS Health Options Program.
 - g. Marriage of Annuitant,
 - i. Annuitant may change options only if the new Spouse enrolls in the PSERS Health Options Program.
 - ii. Spouse (new) may enroll in the PSERS Health Options Program.
 - h. Annuitant adopts Dependent,
 - i. Annuitant may change options if the new Dependent enrolls in the PSERS Health Options Program.
 - ii. Dependent (new) may enroll in the PSERS Health Options Program.
 - i. Dependent loses eligibility under the PSERS Health Options Program,
 - i. Annuitant may change options if a Dependent enrolled in the PSERS Health Options Program loses coverage.
5. If an Annuitant becomes newly eligible for Premium Assistance due to a change in legislation, the following Eligible Persons may enroll in the PSERS Health Options Program:
- a. Annuitant,
 - b. Survivor Annuitant, if the Annuitant enrolls in the PSERS Health Options Program,
 - c. Spouse, if the Annuitant enrolls in the PSERS Health Options Program,
 - d. Dependent of Annuitant, if the Annuitant enrolls in the PSERS Health Options Program,
 - e. Dependent of Survivor Annuitant, if the Annuitant enrolls in the PSERS Health Options Program.
6. Upon a loss of coverage due to the termination of a plan approved for Premium Assistance or moving out of the service area of a plan approved for Premium Assistance, the following Eligible Persons may enroll in the PSERS Health Options Program:
- a. Annuitant, provided the Annuitant loses coverage,
 - b. Survivor Annuitant, provided the Survivor Annuitant loses coverage,
 - c. Spouse, provided the Spouse loses coverage,
 - d. Dependent of Annuitant, provided the Dependent of the Annuitant loses coverage,

- e. Dependent of Survivor Annuitant, provided the Dependent of the Survivor Annuitant loses coverage.
- C. The following is a partial list of events that are not considered Qualifying Events
- 1. Survivor Annuitant
 - a. Marries following death of Annuitant.
 - b. Produces or adopts a dependent following death of Annuitant.
 - 2. Spouse:
 - a. Attains age 65 following the death of an Annuitant unless they are receiving a monthly annuity from PSERS as beneficiary. A Spouse enrolled in the program may change options at age 65.
 - b. Remarries following death of Annuitant.
 - c. Produces or adopts a dependent following death of Annuitant.
 - 3. Dependent:
 - a. Becomes eligible for Medicare following the death of an Annuitant unless they are receiving a monthly annuity from PSERS as beneficiary. A Dependent enrolled in the program may change options when becoming eligible for Medicare.

IV. Implementation of the PSERS Health Options Program Eligibility and Enrollment Policy

This Policy shall become effective January 1, 2014. Any individual who is currently enrolled in the PSERS Health Options Program, but who does not otherwise meet the Policy criteria to be a participant, may continue their participation in the PSERS Health Options Program but will have no future Qualifying Events.

***Investment Policy Statement,
Objectives, and Guidelines***

of

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

**As adopted by
the Board of Trustees
on December 7, 2016**

Last revised: September 15, 2017

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I. Introduction and Purpose

Purpose of Investment Policy Statement

The purpose of this Investment Policy Statement (the “Policy”) is to provide clear guidelines for the management of the assets by or on behalf of the Board. This Policy establishes policies and guidelines for the investment practices of the Board. The Board shall endeavor to review and revise the Policy annually and make changes as necessary. The Policy outlines objectives, goals, restrictions, and responsibilities to assure that:

1. The Board, Staff, Investment Consultants, Investment Managers, and the State Treasurer clearly understand the objectives and policies of the Board and the System;
2. The Investment Managers shall be given guidance and limitations on the investment of the System’s assets; and,
3. The Board has a meaningful basis for evaluating the investment performance of individual Investment Managers, as well as for evaluating overall success in meeting its objectives.

The System shall at all times be managed in accordance with all applicable state and federal laws, rules, and regulations.

The Board

The Board was established on July 18, 1917, under the provisions of Pamphlet Law 1043, No. 343. It was most recently established by state law as an independent administrative board of the Commonwealth, which acts as a board of trustees, exercising exclusive control and management of the System, including the investment of its assets. Membership in the System is mandatory for nearly all qualifying public school employees in the Commonwealth of Pennsylvania. The Board administers a governmental cost-share multiple-employer plan that provides retirement allowances and other benefits to members. As part of the Board’s function, it has the responsibility for the implementation of investment policy, Asset Allocation, retention of Investment Managers, and ongoing supervision of investment results. The Board is also responsible for establishing policies with respect to fees and commissions for all Investment Consultants, Investment Managers, and agents to the plan assets. The Board has fifteen members including the Commonwealth’s Secretary of Education, the State Treasurer, the Executive Director of the Pennsylvania School Boards Association, two members appointed by the Governor, six elected members (three from among the System’s certified members, one from among the System’s non-certified members, one from among the System’s annuitants, and one from among school board members in

Pennsylvania), two members from the Senate, and two members from the House of Representatives.

Mission of Board

The Board and the employees of the System serve the members and stakeholders of the System by:

- Prudently investing the assets of the System;
- Maintaining a financially sound System;
- Providing timely and accurate payment of benefits;
- Clearly communicating members' and employers' rights and responsibilities;
- and
- Effectively managing the resources of the System.

Fiduciary Standard

As fiduciaries, the members of the Board and Staff must act solely in the interests of the members of the System and for the exclusive benefit of the System's members. In performance of their duties, the members of the Board and Staff delegated with investment authority shall act in accordance with the Prudent Investor Standard.

In performance of their duties for the System, Outside Service Providers shall act in accordance with the Prudent Expert Standard.

Implementation

Investment Office Staff Implementation Policies are Policies implemented pursuant to the discretion granted to IOS by the Board and are organized into three broad categories – Program Policies, Committee Policies, and Operational Policies. The Board will be provided access to each IOS Implementation Policy and material revisions thereto.

II. Roles and Responsibilities

The Board relies on Investment Office Staff and others in executing its investment functions. Each entity's role as fiduciary are identified below to ensure clear lines of communication, operational efficiency, and accountability in all aspects of the System's operation.

- **The Board:** The Board has the responsibility of managing the investment process and setting the Asset Allocation. The Board, through the Investment Committee with the assistance of Staff, contracts with External Portfolio Managers and Investment Consultants, monitors the performance of investments; ensures funds are invested in accordance with Board policies; studies, recommends, and implements policy and operational procedures that will enhance the investment program of the System; and ensures that proper internal controls are developed to safeguard the assets of the System.
- **Investment Office Staff (IOS):** IOS is responsible for the day-to-day administration of the investment operations of the System in accordance with Board policies as well as for reporting to the Board. Major items included in the day-to-day administration are working with and monitoring the performance of the outside service providers; developing, implementing, and monitoring the Asset Allocation plan; direct investment in and trading of securities; recommendation and oversight of Investment Managers; reporting of investment results, including both performance and assets held; oversight of the proxy voting process; and governmental and regulatory reporting.
- **Office of Financial Management (OFM):** OFM is responsible for processing, monitoring, and recording all investment transactions as well as supporting the day-to-day administration of the investment operations of the System in accordance with Board policies. OFM prepares daily, monthly and quarterly reports and analysis for IOS and the Board on cash management, the net asset value of the System, Asset Allocation, Investment Manager fees, and securities class action recoveries. OFM is also responsible for various regulatory and government reporting of investments, including the System's Comprehensive Annual Financial Report. In addition, OFM is the primary liaison with the State Treasurer's office on daily cash movement and treasury operations, oversees the Custodian Bank and the IAASP and interfaces with the Investment Managers, brokers and Investment Consultants on investment accounting and operational issues.
- **Investment Consultants:** Investment Consultants shall have the responsibility of assisting the Board and Staff in managing the investment process. The Board shall determine their specific responsibilities, which shall be set forth in their respective contracts with the Board.
- **State Treasurer:** The State Treasurer is the legal custodian of not only the System's assets but also those of the entire Commonwealth. The State Treasurer has subcontracted the custodian function to the Custodian Bank for the Commonwealth,

including the System. The Custodian Bank holds all cash and securities (except for those held in partnerships, commingled funds, mutual funds, etc.), and regularly accounts for these holdings to the System.

- ***Investment Managers:*** All External Investment Managers shall be retained pursuant to written contracts. Investment Managers shall construct and manage investment portfolios consistent with the investment philosophy and disciplines for which the Board retained them and their specific investment guidelines, all of which shall be set forth in their Investment Objectives and Guidelines with the Board. They shall buy and sell securities and modify the asset mix within their stated guidelines. The guidelines shall be subject to periodic amendment at the discretion of the Board and IOS. The Board believes that investment decisions are best made when not restricted by excessive procedure. Therefore, full discretion shall be delegated to the Investment Managers to carry out investment policy within their stated guidelines, as amended. Investment Managers shall comply with the specific limitations, guidelines, and philosophies stated herein and within the Addendum(s) to the Investment Objectives and Guidelines assigned to them, or as expressed in written amendments thereto. Investment Managers shall communicate to Staff, in writing, any developments that may affect the System's portfolio within five business days of occurrence. Examples of such events include, but are not limited to, the following:
 - A significant change in the Investment Manager's investment philosophy;
 - A change in the ownership structure of the firm;
 - A loss of one or more key portfolio management personnel; and/or,
 - Any occurrence that might adversely impact the management, professionalism, integrity, or financial position of the firm.

III. Investment Objectives

The overall objective of the System is to provide benefits to its members through a carefully planned and well-executed investment program.

IV. Strategic Asset Allocation

The Board believes that the level of Risk assumed by the System is largely determined by the Board's strategic Asset Allocation plan. The Board, in determining its long-term Asset Allocation, shall take the following factors into consideration:

- The System's investment time horizon;
- The demographics of the plan participants and beneficiaries;
- The cash flow requirements of the System;
- The actuarial assumptions approved by the Board;
- The funded status of the System;
- The Board's willingness and ability to take Risk; and,
- The employers' (Commonwealth and school districts) financial strength.

In establishing the Asset Allocation for the System, the Board considers capital market expectations for expected return, volatility, and asset class correlations as prepared by its general Investment Consultant. The current long-term, top-down Asset Allocation targets of the Board, based on the market value of the System's assets, are below.

Monthly, OFM will prepare the Moneyline Report of Investment Asset Values and post on the Board's secure intranet web site. The Moneyline Report will present the month-end Asset Allocation of the System as compared to the Asset Allocation plan targets approved by the Board.

Asset Class Rebalancing

The Board is responsible for the System's Asset Allocation decisions and will meet to review target allocations at least annually or more frequently as needed based on market conditions. Until such time as the Board changes allocations, it will be necessary to periodically rebalance the portfolio as a result of market value fluctuations. The Board delegates to the CIO the duty of implementing such rebalancing. IOS will review the Asset Allocation on a monthly basis. Any asset class that falls outside the policy ranges described in the Risk Management and Controls section will be rebalanced to within the policy range within a reasonable and prudent period of time by the CIO. The CIO has the authority to tactically allocate between asset classes as long as the amount allocated to each asset class is within the policy ranges.

Asset Allocation rebalancing may be accomplished by using the cash markets or through the use of Derivative securities. When feasible, index funds will be used to facilitate rebalancing to minimize the transition time frame and costs to implement. Any account may be increased or decreased to achieve the rebalancing objective based on the judgment of the CIO. When a rebalancing is required, consideration will be given to the unique characteristics of each asset class, the degree of over/underweight, liquidity characteristics, current market conditions, and any other relevant considerations to ensure prudence and care.

The purpose of this structured rebalancing policy is to provide a disciplined approach to Asset Allocation.

Investment Structure

Annually, the general Investment Consultant shall provide the Board with the recommended investment structure of the System. The investment structure includes, among other things, the Investment Managers approved by the Board as well as the pro forma targets as a percentage of the total fund by Investment Manager. These target percentages represent the portion of the total fund allocated to each Investment Manager for investment management. IOS shall, when able and within a reasonable period of time, implement the investment structure within the target ranges noted in the Risk Management and Controls section. The CIO shall have discretion in the timing of such implementation and have discretion in implementing changes, taking into account factors including transaction costs and liquidity.

IOS shall endeavor to invest any underweight in private real estate in public market real estate securities until such a time as the money is invested by a private real estate fund. In addition, IOS shall invest any underweight in private markets (private debt, private equity, and venture capital), in public market equities until the money is allocated to and invested by an alternative investment fund. Should either private real estate or private markets be overweight versus target, then IOS shall reduce the allocation to the public market real estate securities/public market equities allocation.

Index Portfolio Rebalancing

Throughout the year, the index portfolios need to rebalance positions to minimize the tracking error of the portfolios. At times, rebalancing may lead to inefficient buying and selling of securities. To minimize the costs associated with rebalancing the portfolios, the CIO shall have discretion to fund the internally managed index accounts, as necessary, with additional cash consistent with the Asset Allocation.

Cash

The System currently has cash outflows (primarily benefit payments) in excess of cash inflows (primarily contributions and investment income received). In addition, Frictional Cash is minimized in the System through the commingling of the cash in various investment portfolios and reallocation of excess cash through the Asset Allocation plan. Therefore, there will be various points in time where the CIO will need to increase cash through allocation reductions to meet the liquidity needs of the System. As such, the CIO shall have the discretion to raise cash from any of the public market equity or fixed income portfolios as he considers prudent. The CIO shall consider the current positioning of the Asset Allocation, liquidity, cost, etc. in determining where to raise cash.

Allocation Approval Process

For internal control purposes, all Investment Manager fundings, including but not limited to those for new Investment Managers, private market investment managers' capital calls, index portfolio rebalancing, termination of Investment Managers, and cash flow related activities initiated by the CIO, will be reviewed, audited for compliance with the Investment Policy Statement, Objectives, and Guidelines, and approved by OFM. Once approved, OFM will process and execute all allocations with the State Treasurer and its Custodian Bank. Monthly, the OFM will prepare and post on the Board's secure intranet web site a report of allocation changes that will detail each allocation increase and decrease.

Securities Lending Program

The Securities Lending Program Policy is more fully described in the [Risk Management and Controls](#) section.

Long-Term Target Allocation

The Long-Term Target Allocation shown below represents the long-term strategic allocation that is intended to be achieved over a period beyond the next year. In addition to maintaining an attractive risk-adjusted return profile, it takes into consideration the liquidity needs of PSERS, particularly relative to the current allocation to illiquid asset classes, which typically cannot be changed prudently in the short term. The Current Target Allocation represents the target allocation against which the PSERS portfolio will be managed commencing October 1, 2017. For the purposes of performance reporting and measurement, the focus is on the Current Target Allocation. Staff and the Investment Consultant reexamine the Current Target Allocation on an annual basis and present to the Board recommended changes, as needed, based on changing liquidity circumstances and opportunities in the marketplace.

	Long-Term Target Allocation	Policy Range	
		Low	High
Equity Exposure			
Publicly-traded Global Equity	20.00%		
Private Markets	15.00%		
Total Equity Exposure	35.00%	25.00%	45.00%
Fixed Income Exposure			
Investment Grade	11.00%		
Credit-Related	10.00%		
Inflation Protected	15.00%		
Total Fixed Income Exposure	36.00%	26.00%	46.00%
Real Asset Exposure			
Infrastructure	8.00%		
Commodities	8.00%		
Real Estate	10.00%		
Total Real Asset Exposure	26.00%	16.00%	36.00%
Risk Parity	10.00%	5.00%	15.00%
Absolute Return	10.00%	5.00%	15.00%
Opportunity Allocation¹	0.00%	0.00%	5.00%
Net Leverage			
Cash	3.00%		
Leverage	(20.00%)		
Net Leverage	(17.00%)	10.00%	(30.00%)
TOTAL	100.00%		

The Policy Ranges for the Target Allocation represent rebalancing triggers and tactical allocation constraints around the target allocations. For purposes of this analysis, cash and cash equivalents held in each Investment Manager's portfolio will be considered fully invested based on that advisor's objectives (i.e. cash in an equity Investment Manager's account will be considered as part of the Publicly-traded Global Equity in the table above). For classification purposes, cash equivalents include fixed income securities maturing in less than one year.

¹The Opportunity Allocation is reserved for attractive or innovative strategies that may not fit into the Current or Long-Term Target Allocation but offer a compelling return enhancement and/or diversification benefit (risk reduction). Funding for these investments may come from any other part of the asset allocation, including leverage.

Current Target Allocation

The current long-term, top-down Target Allocation of the Board, based on the market value of the System's assets as of October 1, 2017, subject to the provisions discussed below:

	Cash		Current Target Allocation	Policy Range	
	Markets	Leverage		Low	High
Equity Exposure					
Publicly-traded Global Equity	19.00%		19.00%		
Private Markets	15.00%		15.00%		
Total Equity Exposure	34.00%	0.00%	34.00%	24.00%	44.00%
Fixed Income Exposure					
Investment Grade	6.00%	3.00%	9.00%		
Credit-Related	11.00%		11.00%		
Inflation Protected	7.00%	8.00%	15.00%		
Total Fixed Income Exposure	24.00%	11.00%	35.00%	25.00%	45.00%
Real Asset Exposure					
Infrastructure	5.50%	0.50%	6.00%		
Commodities	4.00%	4.00%	8.00%		
Real Estate	10.50%	0.50%	11.00%		
Total Real Asset Exposure	20.00%	5.00%	25.00%	15.00%	35.00%
Risk Parity	9.00%	1.00%	10.00%	5.00%	15.00%
Absolute Return	10.00%		10.00%	5.00%	15.00%
Opportunity Allocation¹	0.00%		0.00%	0.00%	5.00%
Net Leverage					
Cash	3.00%		3.00%		
Financing Cost of Leverage		(17.00%)	(17.00%)		
Net Leverage	3.00%	(17.00%)	(14.00%)	10.00%	(28.00%)
TOTAL	100.00%	0.00%	100.00%		

Cash markets represent investments which are fully-funded by cash. Leverage represents economic exposures obtained generally through derivative exposure, other forms of financing, or leveraged funds. For example, exposure to Gold can be obtained with very little cash through the swap market.

The portfolio will be managed against the Current Target Allocation shown in the table above. The use of leverage within asset classes as shown reflects how leverage is currently deployed within the PSERS portfolio. It is not intended to be a target leverage allocation. Staff continually monitors the marketplace for opportunities to improve portfolio efficiency. Leverage may be deployed across any asset class in the portfolio where it is prudent to do so, based on efficient use of leverage within the constraints of the Policy Range and maximum net leverage permissible under this Policy.

The Policy Ranges for the Asset Allocation represent rebalancing triggers and tactical allocation constraints around the target allocations. For purposes of this analysis, cash and cash equivalents held in each Investment Manager's portfolio will be considered fully invested based on that advisor's objectives (i.e. cash in an equity Investment Manager's account will be considered as part of the Publicly-traded Global Equity in the table above). For classification purposes, cash equivalents include fixed income securities maturing in less than one year.

¹The Opportunity Allocation is reserved for attractive or innovative strategies that may not fit into the Current or Long-Term Target Allocation but offer a compelling return enhancement and/or diversification benefit (risk reduction). Funding for these investments may come from any other part of the asset allocation, including leverage.

V. Performance Objectives

The overall return objective is to realize a return sufficient to achieve funding adequacy on an inflation-adjusted basis. Funding adequacy is achieved when the actuarial market value of assets is at least equal to the System's projected benefit obligations. The System has a return objective of meeting or exceeding the actuarial rate (currently 7.25%) over the long-term. In addition, the Board has the following broad objectives:

- The assets of the System shall be invested to maximize the returns for the level of Risk taken; and,
- The System shall strive to achieve a return that exceeds the Policy Index.

Policy Index

The Board adopts the following weighted policy benchmarks to measure the performance of the System beginning October 1, 2017, subject to footnotes 1 & 4:

	Policy Weight	
Equity Exposure		
Publicly-traded Global Equity		
MSCI USA IMI Gross Index	7.40% ¹	
MSCI ACWI Ex USA IMI with Developed Market Currencies (75% Hedged to USD) Index Net	11.10%	
MSCI Emerging Markets Index IMI Net	0.50%	
Private Markets		
Burgiss Median, one-quarter lagged ²	15.00% ¹	
Total Equity Exposure	34.00%	
Fixed Income Exposure		
Investment Grade		
Barclays Capital U.S. Aggregate Index	5.00%	
Barclays Capital Global Aggregated GDP-weighted Developed Market ex-U.S. (Hedged to USD) Index	1.00%	
Barclays Capital U.S. Aggregate Long Treasury Index	3.00%	
Credit-Related		
Barclays Capital EM Local Currency – Government - MV Weighted (Unhedged) - 10% Country Cap Index	1.00%	
Barclays Capital U.S. High Yield Index	10.00%	
Inflation Protected		
Barclays Capital World Government Inflation-Linked Bond Index (Hedged to USD)	15.00%	
Total Fixed Income Exposure	35.00%	
Real Asset Exposure		

Infrastructure	
S&P MLP Index	4.00%
FTSE Developed Core Infrastructure 50/50 (Hedged to USD) Index Net	2.00%
Commodities	
Bloomberg Commodity Index	5.00%
Bloomberg Commodity Gold Subindex	3.00%
Real Estate	
Private	
NFI and Burgiss Median, one- quarter lagged ³	10.00% ⁴
Publicly-traded	
FTSE EPRA/NAREIT Developed Index (Hedged to USD) Net	1.00% ⁴
Total Real Asset Exposure	25.00%
Risk Parity	
Custom Benchmark ⁵	10.00%
Absolute Return	
3-Month LIBOR + 3.50%	10.00%
Net Leverage	
Cash	
Merrill Lynch U.S. Treasury Bill 0 - 3 Months	3.00%
Financing Cost of Leverage⁶	
3-Month LIBOR	(17.00%)
Net Leverage	(14.00%)
TOTAL	100.00%

Footnotes to Policy Index:

¹ As the Private Markets allocation is funded (or distributions received) and/or the allocation increases/decreases due to the total market value of the Fund changing, the Publicly-traded Global Equity policy weight (specifically, the combination of MSCI USA IMI Gross Index and MSCI ACWI Ex USA IMI with Developed Market Currencies hedged to USD Index policy weights) will be proportionately and conversely revised to reflect these changes using a 60-40 split between the ex. USA (60%) and USA (40%) indices. For example, if the allocation to Private Markets increases by 100 basis points due to a change in the market value of the total Fund in the fourth quarter, then starting with the first quarter the policy weight will include this 100 basis points increase in the Private Markets benchmark and the Publicly-traded Global Equity policy weights will also be proportionately reduced by 100 basis points. Adjustments to the Private Markets policy weight will be completed in 50 basis point increments (adjustment will be made to the nearest 0.50%) on a quarterly basis.

Footnotes to Policy Index (continued):

² The benchmark returns are calculated on a weighted vintage year (VY) basis using median VY returns obtained from Burgiss that accounts for the timing of commitments made by the System.

³ PSERS weights each of the real estate investment strategies actual net asset values of the System's private real estate investments quarterly to produce a customized, blended benchmark return. The NFI-ODCE (NCREIF Open-end Diversified Core Equity) is used for the core strategy whereas returns for value-added and opportunistic strategies are calculated on a weighted vintage year (VY) basis using median VY returns obtained from Burgiss that accounts for the timing of commitments made by the System. This provides a single blended Real Estate policy benchmark return for the System.

⁴ As the Private Real Estate allocation is funded (or distributions received) and/or the allocation increases/decreases due to the total market value of the Fund changing, the Publicly-traded Real Estate policy weight will be proportionately and conversely revised to reflect these changes. For example, if the allocation to Private Real Estate increases by 100 basis points due to a change in the market value of the total Fund in the fourth quarter, then starting with the first quarter the policy weight will include this 100 basis points increase in the Private Real Estate benchmark and the Publicly-traded Real Estate policy weight will also be proportionately reduced by 100 basis points. Adjustments to the Private Real Estate policy weight will be completed in 50 basis point increments (adjustment will be made to the nearest 0.50%) on a quarterly basis.

⁵ Custom benchmark is structure as follows: MSCI ACWI (\$Net) (50%); Barclays Capital U.S. Treasury Index (75%); Barclays Capital World Inflation Linked Bond Index Hedged (55%); Bloomberg Commodity Index (Total Return) (15%); Bloomberg Gold Subindex (5%); and 3-Month LIBOR (-100%).

⁶ Financing Cost of Leverage represents the amount of leverage embedded in the asset allocation. Financing may be deployed across any asset class in the portfolio where it is prudent to do so, based on efficient use of leverage within the constraints of the policy range and maximum net leverage permissible under this Policy.

VI. Risk Management and Controls

Risk Objectives

1. The assets of the System shall be diversified to minimize the Risk of losses within any one asset class, investment type, industry or sector exposure, maturity date, or geographic location. Failure to do so could seriously impair the System's ability to achieve its funding and long-term investment goals and objectives; and,
2. The System's assets shall be invested so that the probability of investment losses (as measured by the Policy Index) in excess of 15% in any one year is no greater than 2.5% (or two standard deviations below the expected return).

Constraints

1. The System shall maintain adequate liquidity to meet required benefit payments to the System's beneficiaries.
2. The System's assets shall be invested in a manner that is consistent with the System's long-term investment horizon.
3. As a tax-exempt investor, the System's assets may be invested without distinction between returns generated from income and returns generated from capital gains.

Public Market Investment Manager Target Ranges

All allocations to individual Investment Manager portfolios shall be subject to the limits established by the Board through the Current Target Allocation in the **Strategic Asset Allocation** section. IOS is permitted to manage the allocation of capital to each Investment Manager portfolio within the target ranges to public market Investment Manager portfolios of the total fund noted below. The CIO shall have discretion on the timing of reducing any Investment Manager portfolio exceeding the maximum ranges approved below. However, the CIO is not permitted to allocate additional capital to those portfolios currently above the target ranges.

Target Capital Ranges
as a Percentage
of the Total Fund

Equity Portfolios:

Public Markets U.S. Equity Portfolios

Internally Managed S&P 500 Index	0.0% - 20.0%
Internally Managed S&P 400 Index	0.0% - 5.0%
Internally Managed S&P 600 Index	0.0% - 5.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 5.0%

Public Markets Non-U.S. Equity Portfolios

Internally Managed MSCI ACW Index ex. U.S.	0.0% - 15.0%
Internally Managed MSCI World Small Cap Index ex. U.S.	0.0% - 2.5%
Internally Managed MSCI Emerging Markets Index	0.0% - 2.5%
Non-U.S. Equity	0.0% - 2.5%
Non-U.S. Small Cap Equity	0.0% - 1.0%
Emerging Markets Equity	0.0% - 1.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 5.0%

Fixed Income Portfolios:

Investment Grade Portfolios

Internally Managed U.S. Core Fixed Income	0.0% - 5.0%
U.S. Core Plus or Non-U.S. Developed Fixed Income	0.0% - 3.0%
Internally Managed U.S. Long Treasuries	0.0% - 3.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 5.0%

Credit-Related Portfolios

Emerging Market Fixed Income	0.0% - 1.5%
U.S. High Yield Fixed Income	0.0% - 2.0%
Specialty Finance Debt Strategy	0.0% - 1.0%

Multi-Sector Fixed Income Portfolios

	0.0% - 3.0%
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Inflation Protected (TIPS) Portfolios

Internally Managed U.S. TIPS	0.0% - 20.0%
U.S. and Non-U.S. TIPS	0.0% - 8.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 2.0%

¹ The maximum amount of internally managed synthetic beta replication will be 11% of the total fund (excludes beta synthetically replicated within the actively managed and indexed Separate Account portfolio).

Target Capital Ranges
as a percentage
of the Total Fund

Real Asset Portfolios:

Infrastructure Portfolios

Externally Managed Enhanced and Full Discretion	0.0% - 2.0%
Internally Managed U.S. Master Limited Partnership Index	0.0% - 5.0%
Internally Managed Infrastructure Index Portfolio	0.0% - 5.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 2.0%

Commodities Portfolios

Externally Managed Full Discretion and Enhanced Index Commodity	0.0% - 2.0%
Internally Managed Enhanced Commodities Index Portfolio	0.0% - 7.0%
Internally Managed Gold Index Portfolio	0.0% - 5.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 2.0%

PTRES Portfolios

Externally Managed U.S., Non-U.S., and Global PTRES	0.0% - 1.0%
Internally Managed PTRES Index Portfolio	0.0% - 5.0%
Internally Managed Synthetic Beta Replication ¹	0.0% - 2.0%

Risk Parity Portfolios:

Externally Managed Risk Parity Portfolios	0.0% - 4.0%
Internally Managed Risk Parity Portfolio	0.0% - 15.0%
<u>Absolute Return Portfolios:</u>	0.0% - 2.0%

Short Duration Fixed Income Portfolios:

Internally Managed LIBOR-Plus Short-Term Investment Pool	0.0% - 10.0%
Externally Managed LIBOR-Plus Short-Term Investment Pool	0.0% - 5.0%
Externally Managed Short Duration Non-Agency RMBS Portfolios	0.0% - 2.0%
Internally Managed Short-Term Investment Pool	No limit

Foreign Currency Hedge Overlay: Up to 100% of the Foreign Currency Exposure²

Public Markets In-House Co-Investment Program

\$100 million

- \$15 million limit for each initial investment
- \$10 million limit for follow-on investments

Internally Managed Synthetic Beta Replication represents market exposures in the various asset classes achieved through Derivative exposures such as futures, options, swaps, etc. IOS will synthetically achieve beta exposures to either assist in a transition from one actively managed portfolio to another or to generate alpha. It excludes synthetic beta replication within the actively managed and indexed Separate Account portfolios.

¹ The maximum amount of internally managed synthetic beta replication will be 11% of the total fund (excludes beta synthetically replicated within the actively managed and indexed Separate Account portfolio).

² The Total Fund (both public market and private market) foreign currency exposure may be hedged up to 100% back to the U.S. dollar.

Private Market and Real Estate Discretionary Structure Capital Limits

All allocations to individual Private Market and Real Estate Discretionary Structure (i.e. Separate Account, Open-end Fund, Co-Investment and Secondary Investment) strategies shall be subject to the limits established by the Board through the Current Target Allocation in the Strategic Asset Allocation section. IOS is permitted to manage the allocation of capital to each Private Market and Real Estate strategy up to the capital limits noted below. The CIO shall have discretion on the timing of reducing any strategy exceeding the limits approved below. However, the CIO is not permitted to allocate additional capital to those strategies currently above the limits.

	<u>Capital Limits</u>
<u>Private Markets:</u>	
Private Markets In-House Co-Investment and Secondary Investments	\$500 million
• \$15 million limit for each initial investment	
• \$25 million limit for each secondary investment	
• \$10 million limit for follow-on investments	
Private Debt In-House Co-Investment and Secondary Investments	\$100 million
• \$15 million limit for each initial investment	
• \$25 million limit for each secondary investment	
• \$10 million limit for follow-on investments	
<u>Real Estate:</u>	
Open-end Real Estate Fund Investments	\$500 million
• \$200 million limit per open-end Real Estate Fund	
Farmland Investments	\$100 million
Real Estate In-House Co-Investment and Secondary Investments	\$300 million
• \$15 million limit for each initial investment	
• \$25 million limit for each secondary investment	
• \$10 million limit for follow-on investments	
<u>Other:</u>	
Private Markets and Real Estate Pennsylvania In-House Co-Investments	\$250 million
• \$25 million limit for each initial investment	
• \$10 million limit for follow-on investments	

Investment Manager Objectives and Guidelines

A. Separate Account Policies and Guidelines

The following represent general portfolio guidelines that are applicable to all Investment Manager Separate Account portfolios.

Adherence to Investment Style

Each Investment Manager is expected to adhere to the investment philosophy and style that was presented to the Board, IOS, and Investment Consultant at the time of its hiring and as set forth in its contract with the Board.

Measurement Process

Passive Investment Managers

Each portfolio shall be measured on a total return basis (yield plus appreciation). On a one-year and three-year annualized rolling return basis, results will be judged, net of all manager fees and transaction costs, versus a pre-established performance band based on the liquidity, volatility, and difficulty in replicating of the benchmark assigned.

Active Investment Managers

Each portfolio shall be measured on a total return basis (yield plus appreciation). On a one-year and three-year annualized rolling return basis, results will be judged as follows, net of all manager fees and transaction costs:

- A. Relative performance versus a relevant peer Investment Manager universe selected by IOS:
 - 1. Median and above Acceptable
 - 2. Below median Unacceptable; Watch Closely

- B. Information Ratio (excess return/excess Risk vs. the Benchmark assigned to the Investment Manager) as follows:
 - 1. Information Ratio \geq assigned level¹ Acceptable
 - 2. Information Ratio $<$ assigned level¹ Unacceptable; Watch Closely

Quarterly performance shall be evaluated to monitor progress toward attainment of these goals. It is understood that there are likely to be short-term periods during which performance deviates from market indexes. During such times, greater emphasis shall be placed on performance comparisons with Investment Managers employing similar styles. The IOS, the CIO, and the Investment Consultant shall

¹The assigned level will be provided in the addendum to the guidelines for each mandate.

monitor firms experiencing poor short-term performance or disruption at the organizational level. These include changes of ownership, significant personnel changes and substantial deviation from their investment style.

Investment Management Fees

Invoices for investment management fees shall be submitted to the System by each External Portfolio Manager on a quarterly basis. Fees will be paid out of the External Portfolio Manager's account as administered by OFM. External Portfolio Managers are responsible for having sufficient cash available to cover the amount of the quarterly investment management fee. The CIO, or a DCIO in the CIO's absence, shall have discretion to waive this provision for any External Portfolio Manager. On a quarterly basis, OFM will prepare a report of investment management fees to be posted on the Board's secure intranet web site.

Brokerage Commissions

Equity Investment Managers

Brokerage commissions are a plan asset and, as such, shall be monitored by the System. The Investment Managers are obligated to seek best execution on all trades.

Investment Managers trading U.S. equities shall be required to execute trades through the System's Trading Desk unless otherwise approved by the CIO or a DCIO in the CIO's absence.

U.S. equity Investment Managers not trading through the System's Trading Desk and non-U.S. equity Investment Managers shall be required to participate in the System's commission recapture program. The System has retained a Commission Recapture Agent to manage this program and the Investment Managers are required to send monthly reports to the Commission Recapture Agent indicating the commissions directed to each broker, including non-designated brokers. Best efforts must be made to execute trades through commission recapture brokers for initial and subsequent fundings and partial liquidations. **All commissions generated through the System's approved commission recapture brokers are considered to be directed trades and should be so communicated by the Investment Manager to the broker.**

Commissions recaptured by the System shall be remitted to the restricted revenue account held by the State Treasurer on behalf of the System unless otherwise required by law. The monies in this account shall be used to support the investment operations of the System. All expenditures from the account shall follow the rules established for any other expenditure of the System.

The Investment Managers are permitted to enter into Soft-dollar Arrangements for commissions not executed through the System's Trading Desk or through the System's approved commission recapture brokers provided that:

- Such arrangements are consistent with applicable law and best execution obligations;
- All amounts paid for brokerage and related services are reasonable; and,

- The Investment Manager submits an annual report to the System within six weeks of the end of each calendar year that contains:
 1. A list of each soft dollar broker with which the Investment Manager executes trades on behalf of the System and, for each such broker, the amount of soft dollars that have accrued to the Investment Manager as a result of trading activity on behalf of the System;
 2. An item-by-item listing of the expenditure of said soft dollars, with the cost associated with each expenditure;
 3. A description of the manner in which the cost of each such expenditure was allocated to the System; and,
 4. An explanation of how the System benefited for each such expenditure.

Fixed Income Investment Managers

Fixed income Investment Managers shall use their best efforts to execute trades and all new issue designations with the System's Commission Recapture Agent. National Association of Securities Dealers' rule 2740, "Selling Concessions, Discounts, and Other Allowances," regarding new issue designations preclude the remittance of selling concessions recaptured to be remitted to the System. Those selling concessions, however, may be used to pay for qualified investment research.

Proxies

All proxies shall be voted by the System in accordance with the Board's U.S. and Non-U.S. Proxy Voting Guidelines. Should the Investment Manager have a strongly held position on specific proxy issues as they relate to holdings in the portfolio managed by it, the Investment Manager should state its positions in writing to the CIO for consideration.

The Board, through the Corporate Governance Committee of the Board, has adopted a separate U.S. Proxy Voting Policy and a separate Non-U.S. Proxy Voting Policy. These policies are carried out by a third-party proxy-voting agent that has been retained by the Board and are located at the following web link:
www.pasers.state.pa.us/invest/invest.htm.

Class Actions

The Board or its appointed delegate shall be responsible for the filing of all necessary papers or documentation regarding class action settlements proposed or received as a result of holdings in the System. Investment Managers shall promptly forward any papers or documentation received by it regarding class actions to the Board.

Mutual/Commingled Funds and Unit Investment Trusts

Mutual funds (both closed and open-ended), Commingled Funds, Unit Investment Trusts, ETFs, or any equivalent fund type funds are prohibited investment vehicles without the express permission of the CIO or a DCIO in the CIO's absence.

Market-Driven Breaches

The System recognizes that the portfolio will always be subject to fluctuations in market value. Market-driven breaches of the guidelines (breaches that occur due to market fluctuations) shall not be considered a violation of the guidelines as long as the Investment Manager corrects these breaches within 10 business days of the breach (unless an extended period of time is granted elsewhere in the guidelines and/or written permission is received from the CIO providing an extended period of time). Active breaches (breaches that occur due to purchase and sale activity) shall be considered a violation of the guidelines and must be corrected as soon as prudently possible. Consistent patterns of active breaches may be cause for termination.

Insurance

External Investment Managers managing Separate Accounts are required to carry both errors and omissions (E&O) insurance and fidelity bond coverage. The insurer from which the Investment Manager obtains coverage must have a financial strength rating of A- or better and a financial size category rating of VII or higher, both by A.M. Best. The fidelity bond must name the Board as either a loss-payee or additional insured party. To the extent that such terms can be obtained, both the E&O insurance and fidelity bond should contain a provision or endorsement that the insurance carrier shall provide the Board with written notice at least 30 days prior to any cancellation or material policy change. In the event that either (i) the External Investment Manager's insurance carrier refuses to agree in writing to provide such notice after best efforts by the External Portfolio Manager or (ii) the External Portfolio Manager's insurance carrier expressly disavows liability for its failure to provide such notice, the External Portfolio Manager shall assume the duty to provide such notice to the Board. In the event that the External Portfolio Manager fails to provide such notice, the External Portfolio Manager shall be liable to the System for losses incurred by the Board that could have been covered by E&O insurance or a fidelity bond but for the cancellation or change of coverage. Insurance coverage may be in the name of the Investment Manager's parent organization as long as the Investment Manager is named in that policy or bond as an insured party.

The External Portfolio Manager is required to maintain E&O coverage amounting to at least 1 percent of assets under management for the System. The External Portfolio Manager must maintain a fidelity bond coverage amounting to at least 0.5 percent of cumulative assets under management for the System. The minimum amount of E&O and fidelity bond coverage shall be \$500,000. The maximum deductible on both the Errors and Omissions coverage and the Fidelity Bond must be either: (a) no greater than \$500,000 if the External Portfolio Manager has less than \$1 billion in firmwide assets under management and no greater than \$1 million if the External Portfolio Manager has \$1 billion or more in firmwide assets under management, or (b) no greater than 10 percent of the External Portfolio Manager's retained earnings (equity) as disclosed in the External Portfolio Manager's annual audited balance sheet which must be provided to the Board annually in a timely fashion.

For purposes of evaluating the sufficiency of insurance coverage, the System considers coverage and deductible amounts of the parent company when applicable.

Derivatives

The Board's objectives for using Derivatives are to manage and/or reduce the Risk of the overall investment portfolio in an efficient manner. Through the use of Derivatives, the complex Risks that are bound together in traditional cash market investments can be separated and managed independently. If used appropriately, derivative contracts can be a productive component of an investor's portfolio by reducing Risk and/or providing a cheaper, more efficient way to obtain market exposure or to expand the opportunity set in which qualified investment managers seek to add value. Unless written permission is obtained from the CIO, or a DCIO in the CIO's absence, or unless otherwise specified in the portfolio specific guidelines, derivative investments, including but not limited to, forwards, futures, interest only and principal only strips, options, structured notes, swaps, etc. are prohibited.

Communications

Written and/or oral reports must be supplied by the Investment Manager, in sufficient detail and with supporting commentary, so the CIO and DCIO's are apprised of status and any changes in philosophy or investment strategy. Periodic meetings shall be held with the Investment Manager to discuss performance results, economic outlook, investment strategy, organizational changes and other pertinent matters.

The Board requires continual awareness of the System's activity and position, both absolute and relative. To accomplish this, the following shall be provided by the public market Investment Managers:

A. Promptly -

1. When requested by the Staff - a complete listing of all holdings, pending trades, transaction history and any additional related information.
2. Notification to the CIO, DCIO's, and the Compliance Officer of any compliance exceptions as they relate to these policies and applicable amendments.
3. Notification to the CIO, DCIO's, and the Compliance Officer of any material personnel or organizational changes that could affect the management of the System's portfolio.

B. Daily - To the Custodian Bank, OFM, and the IAASP:

1. On a daily basis all trades, including foreign currency exchange transactions, must be sent via e-mail to OFM and IAASP in a Microsoft

Excel-readable formatted file. The trade file should include, but not be limited to, the following: Custodian Account Number, Buy/Sell indicator, Broker Identification Code, Broker Name, Trade Date, Settle Date, Ticker, CUSIP, Security Description, Shares, Price, Principal, Commission, Fees, and Net Amount (all monetary amounts to be provided in base and local currency).

- C. On an as needed basis** - information for the State Treasurer's staff to perform their pre-audit function.
- D. Monthly** - To the Investment Consultant, CIO, DCIO's, Compliance Officer, and OFM:
1. End of month valuations in accordance with the System's requested format or, if PSERS does not request a specific format, the Investment Manager's usual format, containing cost and market valuations by security (including FX forward and spot positions), holdings by sector segmentation, transaction summary register (purchases, sales, dividends/interest, other distributions/receipts), and holdings by country, with cost and market valuation in local currency and in U.S. dollar terms. These reports shall be in electronic form (i.e. Microsoft Excel, Adobe Acrobat files, etc.) and shall be sent via e-mail to the System and the System's general or designated Investment Consultant unless written permission is received from the CIO to send reports other than by e-mail.
- E. Monthly** - To the DCIO's, Compliance Officer, and OFM:
1. Total commissions incurred by broker, and segregated by those in the Commission Recapture Program and those not in the Commission Recapture Program.
 2. Performance reports for the month, quarter-to-date, year-to-date, rolling one-year, rolling three-year, and portfolio-to-date (since inception) as well as the benchmark performance figures for each of those periods. Information is to be sent via e-mail to a designated Internet address within five business days from the end of each month.
- F. Monthly** - To Custodian Bank, OFM, and IAASP:
1. Each Investment Manager is required to complete a month-end reconciliation of its account balance to the balance per the Custodian Bank. A reconciliation template in the form of a Microsoft Excel spreadsheet shall be sent via e-mail from the Custodian Bank not later than the seventh business day of the following month. The Investment Manager is required to transmit its reconciliation via e-mail to the Custodian Bank and OFM by the third business day (not later than the tenth business day of the following month) following receipt of the reconciliation template. The Custodian Bank in those cases where there are variances between the Investment Manager and the Custodian Bank above a certain threshold and the Custodian Bank is deemed to be

incorrect will issue a letter restating the month-end net asset value of the account. Restated net asset values will be used for performance and billing purposes.

2. The final or closed account holdings and amounts, including cash and pending trades, must be sent via e-mail to OFM and IAASP in a Microsoft Excel-readable formatted file. The holdings spreadsheet should include at least the following headings and information: custodian account number, CUSIP, security description, shares, base cost, local cost, base market value, and local market value.

G. Quarterly - To the DCIO's and Compliance Officer:

1. Provide written confirmation of adherence to these Investment Objectives and Guidelines in the format provided by the System within 30 days after the end of each calendar quarter. Consistent patterns of failing to complete the compliance certifications within 30 days after the end of each calendar quarter may be cause for termination.
2. Provide a detailed attribution of returns for the portfolio for the previous quarter and year versus the established benchmark for the portfolio within 30 days after the end of each calendar quarter.
3. Provide a quarterly report showing the dispersion of the System's returns versus a representative composite return for the quarter, rolling one-year, rolling three-year, and since inception in a format provided by the DCIO's within 45 days after the end of each calendar quarter.

H. Annually - The Investment Manager is expected to visit IOS in Harrisburg to provide an update on the firm, provide a portfolio overview, staff changes, etc.

I. Other - To the Investment Consultant, CIO, and DCIO's:

Immediate telephone and/or letter advice should be forthcoming from the Investment Manager when information of an important nature, such as a change in ownership of the advisor, a change in the portfolio manager(s) managing the System's portfolio, or unusual market activity (oil embargo, monetary crisis, etc.) that is causing, or may cause, material impact on the System.

Portfolio Specific Guidelines

The portfolio specific guidelines are included as an addendum to this document. The following are the various addendums (by letter and by name), one of which will be assigned to each Separate Account portfolio or program:

Equity Guidelines:

U.S. Equity Guidelines

E INTERNALLY MANAGED INDEXED PORTFOLIOS
E1 INTERNALLY MANAGED ALPHA GENERATION PROGRAM
E2 EQUITY REBALANCING PROGRAM

Non-U.S. Equity Guidelines

E INTERNALLY MANAGED INDEXED PORTFOLIOS
M NON-U.S. EQUITIES
N NON-U.S. SMALL CAP EQUITIES
O EMERGING MARKETS EQUITIES
O1 EMERGING MARKETS SMALL CAP EQUITIES

Currency Guidelines

P PASSIVE CURRENCY HEDGING OVERLAY PROGRAM

Other

X4 PUBLIC MARKETS IN-HOUSE CO-INVESTMENT POLICY

Fixed Income Guidelines:

Investment Grade Guidelines:

I U.S. CORE PLUS FIXED INCOME PORTFOLIOS
I-2 COLLATERALIZED LOAN OBLIGATION FIXED INCOME PORTFOLIOS
J FIXED INCOME REBALANCING PROGRAM
Q NON-U.S. DEVELOPED MARKETS FIXED INCOME PORTFOLIOS
I-1 INTERNALLY MANAGED U.S. LONG TREASURIES FIXED INCOME PORTFOLIO

Credit-Related Guidelines:

Q1 EMERGING MARKETS FIXED INCOME PORTFOLIOS
K U.S. HIGH YIELD FIXED INCOME PORTFOLIOS
K1 RESIDENTIAL MORTGAGE BACKED SECURITIES PORTFOLIOS

Inflation Protected Guidelines:

L INTERNALLY-MANAGED TREASURY INFLATION PROTECTION SECURITIES PORTFOLIOS

Other

X4 PUBLIC MARKETS IN-HOUSE CO-INVESTMENT POLICY

Real Asset Guidelines:

Master Limited Partnership Guidelines

B U.S. MASTER LIMITED PARTNERSHIP PORTFOLIOS
E INTERNALLY MANAGED INDEXED PORTFOLIOS

Infrastructure Guidelines – Public

E INTERNALLY MANAGED INDEXED PORTFOLIOS

Commodity Guidelines

H FULL DISCRETION COMMODITY PROGRAM
H1 ENHANCED COMMODITY INDEX PROGRAM

H2 INTERNALLY MANAGED ENHANCED COMMODITY INDEX PORTFOLIO

Real Estate Guidelines – Public

E INTERNALLY MANAGED INDEXED PORTFOLIOS

Other

X4 PUBLIC MARKETS IN-HOUSE CO-INVESTMENT POLICY

Risk Parity Guidelines:

G INTERNALLY MANAGED OPTIMAL LIQUID BETA PORTFOLIO

Short-Term Investment Pool Guidelines

Y INTERNALLY-MANAGED SHORT-TERM INVESTMENT POOL

Y1 LIBOR-PLUS SHORT TERM INVESTMENT POOLS

Y2 SHORT DURATION NON-AGENCY RMBS PORTFOLIOS

Y3 ULTRA-SHORT HIGH YIELD PORTFOLIOS

Investment Policies Deviations

This Policy is intended to state the position of the Board concerning investments in the various approved asset classes. While a prudent investor could adopt policies that would subject the fund to more Risk, the policies adopted herein are statements of the level of Risk that the Board is currently willing to accept consistent with its fiduciary obligation to support the present and future pension obligations of the System.

The following procedures should be employed when there is a variation between adopted policies and actual practice:

1. When an Investment Manager is given permission to invest in a particular manner pursuant to an exception to the policies granted by the CIO, or a DCIO in the CIO's absence, as explicitly permitted in the guidelines, that permission shall be given in writing to the Investment Manager and reported to the Investment Committee by way of posting on the Board's secure intranet web site. Notification is provided to the Board regarding the availability of these reports.
2. When an Investment Manager violates a policy, the CIO (in the interest of preserving capital), or a DCIO in the CIO's absence, may give the Investment Manager reasonable time to liquidate the position that is violative of the policy or the CIO, or a DCIO in the CIO's absence, may allow an exception to the policy. When appropriate, the Investment Manager shall be notified in writing of its liability in the event of a loss. In all cases, the Investment Committee shall be notified at its next meeting of any material violation and the action taken by the CIO. Exceptions to the guidelines permitted by the CIO shall be reported to the Investment Committee via posting on the Board's secure intranet web site. Notification is provided to the Board regarding the availability of these reports.

3. When an Investment Manager wishes (a) to invest in a manner inconsistent with specific Board policies, (b) the investment is not covered by paragraph (1) and (c) the CIO believes that under the circumstances the proposed investment is appropriate notwithstanding the Board policies, the CIO shall grant a waiver of Board policy and report material waivers to the Investment Committee at its next meeting. All waivers granted shall be reported to the Investment Committee via posting on the Board's secure intranet web site. Notification is provided to the Board regarding the availability of these reports.
4. The Board may waive any of its limitations on any investments if the need for a waiver is specifically referred to in the materials presented to the Investment Committee and the Board and any discussion of that waiver is included in the minutes of the Investment Committee and the Board.

The CIO shall notify the Investment Committee and the Board of the waivers currently in effect and the waivers issued since the previous update through a posting on the Board's secure intranet web site.

Review and Amendments

The Board shall review Investment Manager compliance with this Policy and any addendum related to the Investment Manager's mandate plus any amendments thereto.

In the application and implementation of the Investment Policy Statement, Objectives, and Guidelines, the CIO has the authority to interpret the guidelines to meet individual portfolio needs and to determine the appropriateness of any investment. On material policy issues and amounts, the CIO and/or the Executive Director, in conjunction with the Chair of the Investment Committee and/or Chair of the Board, will evaluate and determine the appropriateness of any investment. All interpretations of material policy issues and dollar amounts will be reported to the Investment Committee at the next regularly scheduled meeting.

If at any time the Investment Manager believes that the objectives cannot be met, or the guidelines constrict performance, the CIO, or a DCIO in the CIO's absence, should be notified in writing. The Investment Manager shall be encouraged to suggest changes in these guidelines as necessary. By signature the Investment Manager shall agree to these Investment Policy Statement, Objectives, and Guidelines and shall perform in accordance therewith.

B. Absolute Return Policies and Guidelines

The following represents the Absolute Return Policy

- X2 ABSOLUTE RETURN POLICY
- Other**
- X4 PUBLIC MARKETS IN-HOUSE CO-INVESTMENT POLICY

C. Private Market Policies and Guidelines

The following represent Private Market program policies and guidelines.

Pennsylvania Mortgage Program Guidelines

R PENNSYLVANIA MORTGAGE PROGRAM GUIDELINES & PROCEDURES

Real Estate Guidelines – Private

S OPEN-END REAL ESTATE FUND INVESTMENTS

U CLOSED-END OPPORTUNISTIC AND VALUE-ADDED REAL ESTATE INVESTMENTS

V REAL ESTATE PROGRAM

W FARMLAND INVESTMENT PROGRAM

X3-RE REAL ESTATE IN-HOUSE CO-INVESTMENT AND SECONDARY INVESTMENT POLICY

X-5 PRIVATE MARKETS AND REAL ESTATE PENNSYLVANIA IN-HOUSE CO-INVESTMENT INVESTMENT POLICY

Private Market Guidelines

X PRIVATE INVESTMENT AND VENTURE CAPITAL POLICY

X1 PRIVATE DEBT POLICY

X3-PD PRIVATE DEBT IN-HOUSE CO-INVESTMENT AND SECONDARY INVESTMENT POLICY

X3-PM PRIVATE MARKETS IN-HOUSE CO-INVESTMENT AND SECONDARY INVESTMENT POLICY

X-5 PRIVATE MARKETS AND REAL ESTATE PENNSYLVANIA IN-HOUSE CO-INVESTMENT INVESTMENT POLICY

Derivatives Policy

Objective and Investment Standards

The Board's objectives for using Derivatives are to manage and/or reduce the Risk of the overall investment portfolio in an efficient manner. Through the use of Derivatives, the complex Risks that are bound together in traditional cash market investments can be separated and managed independently. If used appropriately, derivative contracts can be a productive component of an investor's portfolio by reducing Risk and/or providing a cheaper, more efficient way to obtain market exposure or to expand the opportunity set in which qualified investment managers seek to add value.

Permitted Uses of Derivatives

Consistent with the objectives set out in this Policy, Derivative applications may be used by Investment Managers engaged to manage the asset allocation and/or Separate Account portfolios to:

- Implement investment strategies in a lower cost and more efficient manner;
- Implement overlay strategies in search of alpha (i.e. excess return);
- Replicate the return of a passive benchmark (i.e. market return);
- Efficiently manage the Asset Allocation by altering the System's market exposure (Systematic or Market Risk) in lieu of trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives;
- Construct portfolios with Risk and return characteristics that could not be created with cash market securities consistent with the objectives in this Policy;
- Hedge and control Risks so that the System's risk-return profile is more closely aligned with the System's targeted risk-return profile through purchases or short sales, or both, of appropriate derivatives; and/or,
- Facilitate transition trading when holdings must be rebalanced or reallocated among permissible investments as a result of changes to applicable benchmark indexes or policy changes.

The only authorized uses of Derivative transactions are:

- to support efficient portfolio management and/or reduction of Risk in portfolios;
- or,
- to implement investment strategies authorized by this Policy more effectively or at a lower cost than would be possible in the cash market.

Investment Managers may not engage in Derivative applications that are inconsistent with their general and portfolio specific guidelines, as amended.

Prohibited Uses of Derivatives

Derivatives may not be used for any activity whose primary purpose is speculation while materially increasing the Risk to the System. Derivatives are considered speculative if their uses have no material relation to the general and portfolio specific guidelines, as amended, and their use is not reasonably and substantially intended to produce efficiency in portfolio management and/or reduce market, credit, or liquidity Risks applicable to the portfolio. Derivatives may not be used for circumventing limitations or restrictions imposed by this Policy or applicable regulatory requirements.

The term to expiration or delivery date or roll period of an OTC Derivative instrument may not exceed two years unless otherwise specified below.

Scope of Policy

Except where specifically noted, this Derivatives Policy applies to all Derivatives transactions executed by IOS and Investment Managers. This Policy does not apply to registered or private investment funds, including commingled funds.

Securities Lending Program Policy

OBJECTIVES AND GOALS

The Board (“PSERS”) has implemented a Securities Lending Program (“Program”) that is designed to generate a consistent or growing stream of incremental income through conservative securities lending practices. The design of this Securities Lending Program Policy (“Policy”) ensures that the Investment Office Staff and the Lending Agent have sufficient flexibility in managing investment risks and returns associated with the operation and oversight of the Program.

ROLES AND RESPONSIBILITIES

The assignment of Program responsibilities amongst the Board, Investment Office Staff, General Investment Consultant, and Lending Agent is summarized below.

Board of Trustees and Investment Committee

- Approve PSERS’ Securities Lending Program Policy;
- Approve Lending Agent; and
- Review Program performance annually, or more frequently as appropriate.

Investment Office Staff

- Negotiate and execute appropriate agreements with Lending Agent;
- Manage the risk tolerances by modifying Program criteria when prudent due to evolving market conditions, changes to PSERS’ assets and/or liquidity, or other relevant factors; and
- Manage the day to day operations of the Program, including but not limited to:
 - Monitoring Lending Agent’s compliance with Program guidelines on an ongoing basis;
 - Entering and withdrawing portfolios from the Program;
 - Approving lending markets;
 - Approving Counterparties with respect to loans of securities and investments of cash collateral in repurchase agreements (“Repo”), including the authority to approve non-traditional counterparties; and
 - Approving or amending the types of permissible collateral in connection with loans of securities and investments of cash collateral in Repos and the appropriate levels of collateralization for each, in addition to those identified in this Policy, when prudent, due to evolving market conditions, changes to PSERS’ assets and/or liquidity, or other relevant factors.
- Review this Policy not less than annually and recommend changes to the Board;

- Conduct due diligence analysis of Lending Agent, assessing criteria such as corporate strength, dedicated personnel and systems, procedures, and controls;
- Authorize lending agent to accept various types of collateral in connection with loans of securities and investments of cash collateral in Repos and set forth the appropriate levels of collateralization for each, in addition to those identified in this Policy, when prudent, due to evolving market conditions, changes to PSERS' assets and/or liquidity, or other relevant factors;
- Ensure that the program does not impede or interfere with the management of PSERS' investment portfolios by notifying the Lending Agent as soon as practicable of impending manager transitions, asset reallocations, and other material events in the portfolio; and
- Preserve PSERS' voting rights for loaned securities by notifying Lending Agent as soon as practicable of the desire to vote particular holdings.

General Investment Consultant

- Make recommendations to Board and Investment Office Staff regarding Lending Agent, structure of the Program, and any aspect of this Policy.

Lending Agent

- Implement and manage the Program consistent with applicable policies, agreements, and written instructions from PSERS;
- Perform its responsibilities as a fiduciary to PSERS, in a manner consistent with that of a professional securities lending agent using the care, skill, prudence and diligence under the circumstances then prevailing that a professional securities lending agent acting in like capacity and familiar with such matters would use, all in accordance with applicable federal and state laws;
- Provide written confirmation of compliance to these objectives and guidelines in the format provided by the Fund within 30 days from the end of each calendar quarter;
- Provide timely and comprehensive reporting as required by the Board and Investment Office Staff;

- Pay to PSERS all revenues earned, net of any Lending Agent fees, on a monthly basis; and
- Provide information to Investment Office Staff regarding the demand for securities, which may be of value to portfolio managers.

SECURITIES LENDING PROGRAM GUIDELINES

The Board has established the following Program guidelines which shall be set forth in the Agency Securities Lending Agreement and implemented by Lending Agent, subject to further instruction from Investment Office Staff where permitted in this Policy.

General

- All loans shall be terminable at will at PSERS' discretion (subject to normal settlement) unless approved in advance by Investment Office Staff;
- The terms of each individual loan must be economically beneficial to PSERS;
- Lending Agent shall allocate loan opportunities to PSERS in an equitable manner in comparison to loan opportunities allocated to other Lending Agent clients;
- All public market securities will be considered eligible for lending in the Program unless otherwise determined by Investment Office Staff;
- The Lending Agent shall identify on its books and records all loan, collateral and cash collateral investment positions held on behalf of PSERS.
- The Lending Agent shall manage investments of cash collateral on behalf of PSERS on a separate account basis;
- Lending Agent shall use its best efforts to preserve PSERS' voting rights for all loaned securities when requested by Investment Office Staff to do so;
- Lending Agent shall cooperate in PSERS' review of Program performance, providing all information and records to PSERS as it may, in its sole discretion, reasonably determine to be necessary for the determination as to the continuation of the contract term;
- Lending Agent shall provide indemnification in a form acceptable to PSERS protecting against counterparty insolvency risk with respect to loans of securities and investments of cash collateral in repurchase agreements; and
- Investment Office Staff shall establish written cash collateral investment guidelines which shall be disclosed to repo counterparties for the purpose of demonstrating Lending Agent's authority to invest cash collateral on behalf of PSERS.

Counterparties and Limits

- Lending Agent shall monitor the creditworthiness of Counterparties and place prudent limits on the total exposure applicable to each. Notwithstanding the foregoing:
 - The maximum loan exposure to any single Counterparty shall not exceed 25% of the total of all PSERS loans made by Lending Agent.

- The maximum exposure to any single counterparty for repurchase agreements made with cash collateral shall be 25%; and
- No less than annually, Lending Agent shall provide an updated list of potential Counterparties for approval by PSERS. PSERS reserves the right to add or strike Counterparties from the list at any time or place other specific limitations regarding loan or reinvestment transactions with any individual Counterparty.

Collateral and Valuation Procedures for Loans of Securities

- Lending Agent shall be solely responsible for the management of collateral;
- Unless otherwise authorized by Investment Office Staff, only US dollar cash is permitted as collateral for any loan;
- Subject to market practice and regulation, and prior to or simultaneously with the transfer of securities to a Counterparty in connection with a loan of securities, the Lending Agent shall obtain collateral on PSERS' behalf ("initial collateral margin"). At the time of delivery by the Counterparty, the amount of cash collateral shall be not less than 102 percent of the aggregate market value of the loaned securities for domestic securities and foreign securities that are denominated in the same currency as the collateral provided by the Counterparty ("matching currency"). Furthermore, the amount of cash Collateral shall be not less than 105 percent of the aggregate market value of the loaned securities for foreign securities that are not denominated in the same currency as the collateral provided by the Counterparty ("non-matching currency");

Thereafter, the Lending Agent shall, on each business day, determine the market value of PSERS' securities subject to a loan transaction relative to collateral received in respect of such loan. The Lending Agent shall, as required, demand from the relevant Counterparty additional collateral according to specific daily margin maintenance levels and procedures set forth in the Securities Lending Agreement ("ongoing margin maintenance");

- The collateral margin shall include accrued interest and accrued rebate; and
- Lending Agent shall be permitted to calculate collateral margin at the loan level and/or at the aggregate Counterparty level.

Repo Reinvestment Activity, Permissible Collateral Types, Segregation of Collateral

- Investments of cash collateral in repurchase agreements shall be made pursuant to tri-party repo collateral schedules customized to PSERS' risk tolerances. Investment Office Staff shall approve in writing the permissible collateral types;
- Investments of cash collateral in repurchase agreements shall be confirmed at the trade level with Counterparties as having been made on behalf of PSERS; and
- Lending Agent shall credit cash and repo collateral to segregated account(s) established for the benefit PSERS and held by an authorized collateral custodian. Collateral accounts shall be labeled to reflect PSERS' ownership rights over the account in the event of business disruption or a contingency situation, including the insolvency of the Lending Agent.

Policy Regarding Placement Agents

A. Scope

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

B. Policy

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

C. Disclosures

Prior to being considered by the Board for retention, each External Portfolio Manager shall provide (i) a statement as to whether or not the External Portfolio Manager or any of its principals, employees, agents, or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by the Board, and (ii) if a Placement Agent was retained in connection with any investment by the Board, then the following additional disclosures may be required to the extent Staff deems relevant and appropriate under the circumstances:

- ⇒ a resume for each officer, partner, or principal of the Placement Agent (and any employee providing similar services) detailing the person's education, professional designations, regulatory licenses, and investment and work experience, with a section that specifically notes whether such person is a current or former Board member or PSERS employee or Investment Consultant, or a member of the immediate family of any such person;
- ⇒ a description of any and all compensation or other consideration of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing, and value thereof. Compensation to Placement Agents applies only to compensation to third parties who are retained to solicit investments or who are paid based upon investment commitments secured by such third parties;
- ⇒ a description of services performed or to be performed by the Placement Agent with respect to the investment by the Board;
- ⇒ a statement as to whether the Placement Agent is utilized by the External Portfolio Manager with all prospective clients or only with a subset of the External Portfolio Manager's prospective clients;

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

D. Contracts

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

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

E. Changes

External Portfolio Managers are required to provide an update of any changes to any of the information specified above within 30 calendar days of the occurrence of the change, and any such change shall immediately be subject to the requirements of this policy.

F. Remedies

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

- PSERS shall have the discretion to claim reimbursement or payment by the External Portfolio Manager of an amount at least equal to the greater of the management or advisory fees paid to the External Portfolio Manager by the PSERS for up to the previous two years and an amount equal to the amounts paid or promised to be paid to the Placement Agent by the External Portfolio Manager.

- To the extent that PSERS has the discretion to terminate its agreement with the External Portfolio Manager, PSERS shall have the discretion to immediately terminate the agreement without penalty.
- In the case of limited partnerships, limited liability companies, and other commingled investment vehicles in which PSERS does not have unilateral termination rights, PSERS shall have the discretion to cease making further capital contributions for new investments (and paying fees on uncalled commitments) to the limited partnership, limited liability company or any other investment vehicle, but shall remain responsible for payments relating to existing investments.
- In the event that PSERS is subject to lockup terms, PSERS shall have the discretion to immediately redeem its interest from the fund without penalty and without regard to such lockup terms.

Public Markets Emerging Investment Manager Program Policy

I. OBJECTIVES AND GOALS

Consistent with the Board's fiduciary responsibilities, the Pennsylvania Public School Employees' Retirement System (PSERS, System, or Fund) has established the Public Markets Emerging Investment Manager Program (PMEIM Program) to:

1. Locate and fund managers with successful histories of generating positive alpha with Risk commensurate with the alpha generated (positive Risk adjusted returns);
2. Provide a source of potential managers for the main fund; and,
3. Assist public market emerging investment management firms with positive Risk adjusted returns grow through use of the System's name in the manager's marketing efforts.

The Board has allocated up to \$1.0 billion to the PMEIM Program. Funding for each investment manager will come from assets allocated within the main fund similar to or most closely related to the investment manager's mandate. The maximum number of investment managers in the program at any one time shall not exceed 10. The program may run with less than 10 investment managers.

II. PUBLIC MARKETS EMERGING INVESTMENT MANAGER PROGRAM CRITERIA

Investment Manager desiring to participate in the program must meet the following required criteria:

- ◆ Firms must be registered under the Investment Advisors Act of 1940 or be exempt therefrom (and will maintain such registration or exemption);
- ◆ Firms must provide transparency of positions and transactions;
- ◆ Firms must provide at least quarterly liquidity;
- ◆ Firms, the portfolio manager, or any combination thereof must have a three-year historical, performance record verified by at least one consultant or accounting firm in accordance with Global Investment Performance Standards (GIPS);
- ◆ Firms considered to provide Equity, Commodity or Absolute Return exposure must have no more than \$1.5 billion of total assets under management when hired (existing investment managers will be terminated within a reasonable period of time from the PMEIM Program when the total assets under management exceeds \$3.0 billion);
- ◆ Firms considered to provide Fixed Income exposure must have no more than \$3.0 billion of total assets under management when hired (existing investment managers will be terminated within a reasonable period of time from the PMEIM Program when the total assets under management exceeds \$6.0 billion);
- ◆ For performance-based fee accounts, the managers must exceed both a hurdle rate and a high water mark before they can earn the performance-based fee.

Preference will be given to investment managers deemed by Investment Office Staff (IOS) as able to meet the objectives, goals, and required criteria noted above plus having one or more of the following characteristics:

- ◆ Pennsylvania investment management firms headquartered or incorporated within the Commonwealth; and/or,
- ◆ Minority- or women-owned investment management firms approved by the Office of Minority and Women Business Enterprise in accordance with the criteria established by Executive Order No. 1987-18 and 4 Pennsylvania Code, Section 68.204.

Please note: Firms applying for participation under the status of a Women and/or Minority Owned Business must contact the Office of Minority & Women Business Enterprise at (717) 783-3119 to obtain the proper certification material.

III. ADMINISTRATION OF THE PUBLIC MARKETS EMERGING INVESTMENT MANAGER PROGRAM

IOS has the authority to hire and fund any investment manager meeting the objectives, goals, and criteria set forth above as long as capacity exists within the PMEIM Program. IOS has authority to invest in any type of business organization or investment fund (including, without limitation, Separate Accounts and limited partnerships) that meets the liquidity and transparency guidelines set forth in this Policy. The PMEIM Program is prohibited from investing in investment vehicles that primarily include private equity, private debt, venture capital or private real estate instruments. Investments in Absolute Return strategies are subject to manager selection requirements within the Absolute Return Policy (Addendum X2).

The Emerging Manager Portfolio Manager (EMPM) is responsible for administering the PMEIM Program. The EMPM will meet with managers that appear to meet the objectives, goals, and criteria of the PMEIM Program. Any investment manager considered for hiring into the PMEIM Program will meet with the Internal Review Committee (IRC). The IRC will review each manager considered for inclusion in the PMEIM Program and provide feedback to the EMPM. IOS approval required to hire any manager into the PMEIM Program include the EMPM, the EMPM's supervisor, and the CIO.

IOS is required to obtain Board approval in instances when the CIO, EMPM's supervisor, and EMPM locate (or have retained) an exceptional investment manager that does not meet one or more of the above required criteria. In these cases, IOS shall present to the Board the specific reasons for hiring the investment manager. Upon approval of the Board, IOS shall have the authority to fund the investment manager subject to VI. Fundings, which is described later.

The EMPM's responsibilities also include either recommending the investment manager for inclusion in the main fund or terminating the investment manager. Investment managers hired into the PMEIM Program will continue in the program for generally three- to five-years. If the investment manager generates strong Risk adjusted returns, IOS will use best efforts, in conjunction with the General Investment Consultant and the Board, to make a place in the main fund for that investment manager. IOS and the General Investment Consultant will consider things such as the investment manager's assets under management and projected ability to continue generating strong Risk adjusted returns in the future. An investment manager may be terminated by the EMPM, with approval from the EMPM's supervisor and the CIO, if that investment manager is underperforming, not generating strong Risk adjusted returns, not meeting the criteria to move into the main fund, changes their investment process, has personnel turnover, or any other reason which is deemed by IOS to be in the best interests of the System.

IV. INVESTMENT GUIDELINES

Each investment manager shall manage its portfolio within the constraints of the contract entered into between the investment manager and the Board, the Investment Policy Statement, Objectives and Guidelines, any applicable addendum, and any applicable amendments thereto. IOS shall have authority to negotiate the investment contract with the investment manager, including the investment guidelines.

V. INSURANCE

All of the standard insurance provisions set forth in the Investment Policy Statement, Objectives and Guidelines, except for the maximum deductibles, will apply to the investment manager until the investment manager is either managing over \$100 million for the Emerging Manager Program or is moved out of the Emerging Manager Program into the main fund. The maximum deductible for both the Error and Omissions Insurance and the Fidelity Bond is the greater of 10% of audited retained earnings or:

<u>Asset Size</u>	<u>Maximum Deductible</u>
\$0 - \$50 million	\$50,000
\$50 - \$75 million	\$100,000
\$75 – 100 million	\$200,000

VI. FUNDINGS

Board approval is required for total capital allocations exceeding \$100 million. Investment strategy limitations are consistent with IPS constraints. The EMPM, the EMPM's supervisor, and the CIO will determine the amount of the initial allocation and each subsequent allocation to each investment manager.

Qualified Independent Representative (QIR) Policy

This policy is effective immediately upon adoption.

I. Introduction.

This document sets forth the policy of Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS") with respect to the selection of qualified independent representatives ("QIRs") (as defined in the rules of the Commodity Futures Trading Commission ("CFTC")) and their involvement in swaps entered into by PSERS ("this Policy"). This Policy with respect to QIRs enables PSERS to permit Swap Dealers ("SDs") and Major Swap Participants ("MSPs") to comply with the CFTC's external business conduct rules.

II. Background.

- A. Based on PSERS' classification as a non-ERISA Special Entity under CFTC Rule 23.401(c)(2) or (4), each SD or MSP that wishes to enter into swap agreements with PSERS must, as a consequence of CFTC Rule 23.450, and as a precondition to proposing a particular transaction to PSERS, have a reasonable basis to believe that PSERS has a qualified independent representative that:
1. has sufficient knowledge to evaluate the transaction and its risks;
 2. is not subject to a statutory disqualification;
 3. is independent of the SD or MSP;
 4. undertakes a duty to act in the best interests of PSERS;
 5. makes appropriate and timely disclosures to PSERS;
 6. evaluates, consistent with any guidelines provided by PSERS, the fair pricing and appropriateness of the transaction; and
 7. is subject to restrictions on certain political contributions imposed by the CFTC, the Securities and Exchange Commission ("SEC"), or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC; provided however, that this criteria shall not apply if the representative is an employee of PSERS.^{1/}
- B. CFTC Rule 23.450 further provides a safe harbor pursuant to which a SD or MSP is deemed (without further duty of inquiry in the absence of contradictory facts) to have a reasonable basis to believe that PSERS has a QIR if the following conditions are met:
1. PSERS represents in writing to the SD or MSP that:
 - a. it has complied in good faith with written policies and procedures reasonably designed to ensure that it has selected a QIR that satisfies the applicable requirements of the CFTC rules, and

1/ The CFTC's rules contemplate that a QIR for PSERS may be a PSERS employee or a third party.

- b. that such policies and procedures provide for ongoing monitoring of the performance of such QIR consistent with the requirements of the CFTC rules.
2. The QIR represents in writing to PSERS and any relevant SD or MSP that it:
- a. has policies and procedures reasonably designed to ensure that it satisfies the QIR requirements;
 - b. meets the independence test in CFTC Rule 23.450; and
 - c. is legally obligated to comply with the requirements for being a QIR by agreement, condition of employment, law, rule, regulation, or other enforceable duty.

III. QIR Qualifications. No person may act as a QIR for PSERS unless such person meets the following qualifications:

- A. Such person has sufficient knowledge to evaluate the risks, fair pricing and appropriateness of swaps consistent with PSERS' Investment Policy Statement;
- B. If such person is a legal entity:
 - 1. it does not own 10% or more of the capital of any SD or MSP; and
 - 2. no SD or MSP owns 10% or more of the capital of such person.
- C. Such person is not directly or indirectly, through one or more persons, controlled by, in control of, or under common control with an SD or MSP.
- D. Such person has not solicited or accepted orders (or supervised persons so engaged) on behalf of an SD or MSP within one year of its proposed designation as a QIR.
- E. Such person was not referred, recommended or introduced to PSERS by a SD or MSP within one year of its proposed designation as a QIR.
- F. Such person is not subject to a statutory disqualification.²
- G. Such person discloses all material conflicts of interest that could reasonably affect its judgment or decision making for PSERS, and complies with policies and procedures designed to mitigate such conflicts of interest.
- H. The compensation of the QIR is not contingent on the execution by PSERS of a specific swap with a particular swap dealer.

2/ See Exhibit A attached hereto.

- I. If such person is not an employee of PSERS, he, she or it must be subject to restrictions on political contributions imposed by the CFTC, the SEC or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC.

IV. QIR Policy.

- A. The Public School Employees' Retirement System has designated the person(s) listed on Exhibit B as the QIR for PSERS.
- B. The QIR is authorized as part of his or her employment duties to make, if true, the QIR representations necessary to enable a SD or MSP to have the benefit of the safe harbor in CFTC Rule 23.450.
- C. With respect to any swap required to be approved by the QIR, the QIR must evaluate the risks, fair pricing and appropriateness of the swap, and ensure that the swap complies with all requirements set forth in the PSERS Derivatives Policy.
- D. With respect to any Swap previously approved by a QIR, the relevant QIR must monitor the performance of the Swap.
- E. The QIR must act in the best interests of PSERS, and must disclose all material conflicts of interest that could reasonably affect his or her judgment or decision making on behalf of PSERS in a timely manner.
- F. The QIR must inform PSERS if it becomes subject to a statutory disqualification or otherwise ceases to have the qualifications to be a QIR set forth in this Policy.
- G. PSERS will assess the QIR's compliance with this Policy on an ongoing basis.

EXHIBIT A (to the QIR Policy)

The following provisions of Section 8a(2) and (3) of the Commodity Exchange Act set forth the circumstances under which a person may be deemed to be subject to statutory disqualification by the CFTC

(2) upon notice, but without a hearing and pursuant to such rules, regulations, or orders as the Commission may adopt, to refuse to register, to register conditionally, or to suspend or place restrictions upon the registration of, any person and with such a hearing as may be appropriate to revoke the registration of any person—

(A) if a prior registration of such person in any capacity has been suspended (and the period of such suspension has not expired) or has been revoked;

(B) if registration of such person in any capacity has been refused under the provisions of paragraph (3) of this section within five years preceding the filing of the application for registration or at any time thereafter;

(C) if such person is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction (except that registration may not be revoked solely on the basis of such temporary order, judgment, or decree), including an order entered pursuant to an agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, from

(i) acting as a futures commission merchant, introducing broker, floor broker, floor trader, commodity trading advisor, commodity pool operator, associated person of any registrant under this chapter, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or affiliated person or employee of any of the foregoing or

(ii) engaging in or continuing any activity where such activity involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, gambling, or any transaction in or advice concerning contracts of sale of a commodity for future delivery, concerning matters subject to Commission regulation under section 4 or 19 of this Act, or concerning securities;

(D) if such person has been convicted within ten years preceding the filing of the application for registration or at any time thereafter of any felony that

(i) involves any transactions or advice concerning any contract of sale of a commodity for future delivery, or any activity subject to Commission regulation under section 4 or 19 of this Act, or concerning a security,

(ii) arises out of the conduct of the business of a futures commission merchant, introducing broker, floor broker, floor trader, commodity trading advisor, commodity pool operator, associated person of any registrant under this Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information

processor, investment adviser, investment company, or an affiliated person or employee of any of the foregoing,

(iii) involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling, or

(iv) involves the violation of section 152, 1001, 1341, 1342, 1343, 1503, 1623, 1961, 1962, 1963, or 2314, or chapter 25, 47, 95, or 96 of title 18, United States Code, or section 7201 or 7206 of the Internal Revenue Code;

(E) if such person, within ten years preceding the filing of the application or at any time thereafter, has been found in a proceeding brought by the Commission or any Federal or State agency or other governmental body, or by agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party,

(i) to have violated any provision of this chapter, the Securities Act of 1933 [15 U.S.C. 77a et seq.], the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.], the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939 [15 U.S.C. 77aaa et seq.], the Investment Advisers Act of 1940 [15 U.S.C. 80b–1 et seq.], the Investment Company Act of 1940 [15 U.S.C. 80a–1 et seq.], the Securities Investors Protection Act of 1970 [15 U.S.C. 78aaa et seq.], the Foreign Corrupt Practices Act of 1977, chapter 96 of title 18, or any similar statute of a State or foreign jurisdiction, or any rule, regulation, or order under any such statutes, or the rules of the Municipal Securities Rulemaking Board where such violation involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling, or

(ii) to have willfully aided, abetted, counseled, commanded, induced, or procured such violation by any other person;

(F) if such person is subject to an outstanding order of the Commission denying privileges on any registered entity to such person, denying, suspending, or revoking such person's membership in any registered entity or registered futures association, or barring or suspending such person from being associated with a registrant under this chapter or with a member of a registered entity or with a member of a registered futures association;

(G) if, as to any of the matters set forth in this paragraph and paragraph (3), such person willfully made any materially false or misleading statement or omitted to state any material fact in such person's application or any update thereto; or

(H) if refusal, suspension, or revocation of the registration of any principal of such person would be warranted because of a statutory disqualification listed in this paragraph:

Provided, That such person may appeal from a decision to refuse registration, condition registration, suspend, revoke or to place restrictions upon registration made pursuant to

the provisions of this paragraph in the manner provided in sections 9 and 15 of this title; and

Provided, further, That for the purposes of paragraphs (2) and (3) of this section, "principal" shall mean, if the person is a partnership, any general partner or, if the person is a corporation, any officer, director, or beneficial owner of at least 10 per centum of the voting shares of the corporation, and any other person that the Commission by rule, regulation, or order determines has the power, directly or indirectly, through agreement or otherwise, to exercise a controlling influence over the activities of such person which are subject to regulation by the Commission;

(3) to refuse to register or to register conditionally any person, if it is found, after opportunity for hearing, that –

(A) such person has been found by the Commission or by any court of competent jurisdiction to have violated, or has consented to findings of a violation of, any provision of this chapter, or any rule, regulation, or order thereunder (other than a violation set forth in paragraph (2) of this section), or to have willfully aided, abetted, counseled, commanded, induced, or procured the violation by any other person of any such provision;

(B) such person has been found by any court of competent jurisdiction or by any Federal or State agency or other governmental body, or by agreement of settlement to which any Federal or State agency or other governmental body is a party,

(i) to have violated any provision of the Securities Act of 1933 [15 U.S.C. 77a et seq.], the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.], the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939 [15 U.S.C. 77aaa et seq.], the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.], the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.], the Securities Investors Protection Act of 1970 [15 U.S.C. 78aaa et seq.], the Foreign Corrupt Practices Act of 1977, or any similar statute of a State or foreign jurisdiction, or any rule, regulation, or order under any such statutes, or the rules of the Municipal Securities Rulemaking Board or

(ii) to have willfully aided, abetted, counseled, commanded, induced, or procured such violation by any other person;

(C) such person failed reasonably to supervise another person, who is subject to such person's supervision, with a view to preventing violations of this chapter, or of any of the statutes set forth in subparagraph (B) of this paragraph, or of any of the rules, regulations, or orders thereunder, and the person subject to supervision committed such a violation: Provided, That no person shall be deemed to have failed reasonably to supervise another person, within the meaning of this subparagraph if:

(i) there have been established procedures, and a system for applying such procedures, which would reasonably be expected to prevent and detect, insofar as practicable, any such violation by such other person and

(ii) such person has reasonably discharged the duties and obligations incumbent upon that person, as supervisor, by reason of such procedures and system, without reasonable cause to believe that such procedures and system were not being complied with;

(D) such person pleaded guilty to or was convicted of a felony other than a felony of the type specified in paragraph (2)(D) of this section, or was convicted of a felony of the type specified in paragraph (2)(D) of this section more than ten years preceding the filing of the application;

(E) such person pleaded guilty to or was convicted of any misdemeanor which:

(i) involves any transaction or advice concerning any contract of sale of a commodity for future delivery or any activity subject to Commission regulation under section 6c or 23 of this title or concerning a security,

(ii) arises out of the conduct of the business of a futures commission merchant, introducing broker, floor broker, floor trader, commodity trading advisor, commodity pool operator, associated person of any registrant under this chapter, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or an affiliated person or employee of any of the foregoing,

(iii) involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling,

(iv) involves the violation of section 152, 1341, 1342, or 1343 or chapter 25, 47, 95, or 96 of title 18, or section 7203, 7204, 7205, or 7207 of title 26;

(F) such person was debarred by any agency of the United States from contracting with the United States;

(G) such person willfully made any materially false or misleading statement or willfully omitted to state any material fact in such person's application or any update thereto, in any report required to be filed with the Commission by this chapter or the regulations thereunder, in any proceeding before the Commission or in any registration disqualification proceeding;

(H) such person has pleaded *nolo contendere* to criminal charges of felonious conduct, or has been convicted in a State court, in a United States military court, or in a foreign court of conduct which would constitute a felony under Federal law if the offense had been committed under Federal jurisdiction;

(I) in the case of an applicant for registration in any capacity for which there are minimum financial requirements prescribed under this chapter or under the rules or regulations of the Commission, such person has not established that such person meets such minimum financial requirements;

(J) such person is subject to an outstanding order denying, suspending, or expelling such person from membership in a registered entity, a registered futures association, any other self-regulatory organization, or any foreign regulatory body that the Commission recognizes as having a comparable regulatory program or barring or suspending such person from being associated with any member or members of such registered entity, association, self-regulatory organization, or foreign regulatory body;

(K) such person has been found by any court of competent jurisdiction or by any Federal or State agency or other governmental body, or by agreement of settlement to which any Federal or State agency or other governmental body is a party,

(i) to have violated any statute or any rule, regulation, or order thereunder which involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling or

(ii) to have willfully aided, abetted, counseled, commanded, induced or procured such violation by any other person;

(L) such person has associated with such person any other person and knows, or in the exercise of reasonable care should know, of facts regarding such other person that are set forth as statutory disqualifications in paragraph (2) of this section, unless such person has notified the Commission of such facts and the Commission has determined that such other person should be registered or temporarily licensed;

(M) there is other good cause; or

(N) any principal, as defined in paragraph (2) of this section, of such person has been or could be refused registration:

Provided, That pending final determination under this paragraph, registration shall not be granted: Provided further, That such person may appeal from a decision to refuse registration or to condition registration made pursuant to this paragraph in the manner provided in sections 9 and 15 of this title.

EXHIBIT B (to the QIR Policy)

James H. Grossman, Jr., CPA, CFA, Chief Investment Officer

VII. Monitoring and Reporting

Selection of Investment Managers

The Board delegates to IOS the authority to conduct Investment Manager searches with the assistance of the appropriate Investment Consultant. No Investment Manager shall be presented to the Board for approval without a recommendation from both IOS and the appropriate Investment Consultant to allocate or commit capital to the Investment Manager. All Investment Managers, excluding PMEIM Program Investment Managers, shall be approved by the Board prior to full execution of a contract. The following are the selection procedures for Public Markets Investment Managers, Private Markets Investment Managers (partnerships), and PMEIM Program Investment Managers.

Public Markets excluding the PMEIM Program

A search for a public market equity, fixed income, commodity, real estate, or other Investment Manager is not conducted until there is a need for an Investment Manager. The following are potential reasons for an Investment Manager search:

- Termination of an existing Investment Manager due to organizational/personnel changes, change in investment process/philosophy, and/or poor performance;
- Expansion of an allocation to an asset class or,
- Addition of a new asset class.

The following are the steps taken to conduct the search:

- The DCIO-Traditional Investments shall be responsible for public market Investment Manager searches.
- IOS shall leverage the appropriate Investment Consultant's research to develop a list of potential Investment Managers to interview for potential inclusion in the System in those areas where sufficient data exists. At times, IOS and the appropriate Investment Consultant will use other means of searching for Investment Managers to meet the needs of the System because a comprehensive database of Investment Managers may not exist (i.e., portable alpha Investment Managers, commodity Investment Managers, etc.).
- IOS and the appropriate Investment Consultant shall review an initial list of Investment Managers. The list shall be narrowed to a manageable number based on the number of Investment Managers needed (short list).
- The Investment Consultant shall prepare a presentation book including a profile of each Investment Manager on the short list, historical performance, the appropriate Investment Consultant's ranking or score, if any, assets under management of the Firm and product, inception date of the firm and product, style/size comparison (if applicable), and correlations of excess returns vs. other potential Investment Managers and existing Investment Managers in the specific mandate.

- Investment Managers on the short list shall be interviewed by IOS (CIO, DCIO-Traditional Investments, Internal Portfolio Manager and/or Senior Investment Analyst, and normally at least one of the other Investment Office Managing Directors based on the mandate) and the appropriate Investment Consultant. Based on the qualitative and quantitative information gathered prior to and during the interview, IOS and the appropriate Investment Consultant come to a consensus as to which Investment Manager(s) best compliments the System's investment program. The factors which may be considered include, but not be limited to:
 - Organizational stability
 - Investment approach and process
 - Competence of staff
 - Expected returns and correlations
 - Integrity
 - Quality of reporting
- The DCIO-Traditional Investments, or other IOS designated by the DCIO-Traditional Investments, shall enter into fee and contract negotiations with each selected Investment Manager. If the DCIO-Traditional Investments is unable to negotiate an acceptable contract, which shall include the System's required contract provisions, the next best choice is selected, and this process continues until the Investment Manager and the System negotiate mutually acceptable contract terms. Once an agreement is reached, the selected Investment Manager(s) is recommended to the Investment Committee and Board for approval within the investment structure.

Private Markets, including Private Debt, Private Equity, Venture Capital and Real Estate

IOS monitors new private market funds coming to the market. The following steps are taken to hire a new Private Markets Investment Manager:

- IOS is contacted regarding new fund or receives a referral from the specialty Investment Consultant.
- IOS will perform an initial screening to evaluate the investment opportunity, including:
 - Size of fund
 - Strategy of fund
 - Fund's deal terms
- If IOS or the specialty Investment Consultant wishes to continue the evaluation, IOS shall arrange to meet with the general partner of the fund under consideration.
- If IOS wants to move forward with more in-depth due diligence, the general partner may be required to sign a Model Letter of Understanding that outlines the following:
 - Specific deal terms required by the Investment Committee;
 - Indemnification contract language; and,
 - Sample side letter language.
- The prospective general partner shall also provide detailed information to IOS and the specialty Investment Consultant that includes:
 - Performance history of the organization and partners
 - Fund strategy

- History of the organization and partners
- References
- The prospective general partner shall also meet with the appropriate specialty Investment Consultant.
- Following both meetings, IOS and the specialty Investment Consultant shall make a determination about whether to proceed.
- If IOS and the specialty Investment Consultant agree to proceed, then (1) the specialty Investment Consultant shall perform detailed due diligence into the prospective fund, (2) IOS may have a follow-up meeting with the general partner, and (3) IOS will complete its due diligence, including a meeting at the general partner's office.
- The goal of the due diligence process is to determine whether to recommend that the System invest in the prospective fund based on the composition of the investment team (including ethical evaluation), verification of past performance, analysis of the process, style, strategy, etc. All factors evaluated will be used in assessing the potential strengths and weaknesses of the prospective fund.
- If IOS decides to invest in the prospective fund, then DCIO-Non-Traditional Investments, or other IOS designated by the DCIO-Non-Traditional Investments enters contract negotiations with the general partner.
- Assuming acceptable terms are agreed upon, the DCIO-Non-Traditional Investments or Internal Portfolio Manager will make a presentation to the Investment Committee. The Investment Committee and the Board are required to approve the investment prior executing a contract with the prospective fund.

PMEIM Program

The PMEIM Program is administered internally by the EMPM. The Public Markets Emerging Investment Manager Program Policy is approved by the Board by inclusion within the Investment Policy, Objectives and Guidelines, above in the Risk Management and Controls section.

Prospective firms are brought to the attention of the EMPM through other institutional investors, financial publications, word-of-mouth, contact directly by the Investment Manager, or the results of screening a database. The EMPM will start the due diligence process on firms that meet the System's required characteristics and qualifications as follows:

- Contact the Investment Manager to have it give a presentation of its product;
- Evaluate prospective Investment Manager based on, among other considerations, philosophy, methodology, past performance, ethical standards; and,
- Perform an on-site visit at the Investment Manager's place of business.

The administration of this Program is more fully documented in the Risk Management and Controls section.

Termination of Investment Managers

The CIO, with concurrence from the Executive Director and the Chair of the Investment Committee and notification of the Board, has authority to terminate an Investment Manager, except a PMEIM Program Investment Manager, for any reason, including, but not limited to, poor performance, personnel changes, organizational changes, deviation from their investment style, compliance violations, and the need for liquidity.

Notwithstanding the preceding, any individual Board member has the right to request to have a termination decision listed on the agenda of the next scheduled Investment Committee meeting for discussion and concurrence by the Investment Committee.

Pending said Investment Committee meeting, no action shall be taken by the CIO to terminate the Investment Manager. The CIO shall inform the Board of the status of the termination at the next scheduled Board meeting. Upon the termination of any Investment Manager, the CIO has the authority to reinvest the proceeds from the terminated Investment Manager with any remaining Investment Manager(s) previously approved by the Board and/or keep the proceeds in the System's cash management account consistent with the Asset Allocation.

PMEIM Program Investment Managers may be terminated for any reason, including, but not limited to, poor performance, personnel changes, organizational changes, deviation from their investment style, and compliance violations. In addition, PMEIM Program Investment Managers whose assets under management exceed the maximum allowable per the Policy are no longer eligible for participation in the PMEIM Program and must either be terminated or, with the approval of the DCIO, CIO, Investment Committee, Board, and General Investment Consultant may be transferred out of the PMEIM Program to the main investment program. The EMPM must receive approval to terminate a PMEIM Program Investment Manager from the EMPM's supervisor and the CIO.

Oversight Updates and Reports

Through the mechanisms described in this section, the Board, via its Investment Committee, receives information necessary to fulfill its fiduciary responsibility of monitoring and overseeing the investment program. The Board's oversight of PSERS' investment program can be considered through a waterfall structure, from high level to the more detailed, and more frequent, degree. Updates and analysis reports are received as formal presentations to the Investment Committee or provided via the Board's intranet site (Diligence). The following reflects the frequency and detail of the information reported to the Board by IOS unless otherwise noted:

At least once every five years the Investment Committee reviews the performance of Investment Consultants through the contracting process.

At least once every three years, or more frequently as needed, the Investment Committee is provided the following information and analysis:

- an asset/liability study prepared and presented by the general Investment Consultant.

On an annual basis the Investment Committee is provided the following information and analysis:

- the strategic Asset Allocation, including the recommended investment structure and Policy Benchmarks, presented by the general Investment Consultant;
- a detailed review of Private Markets, Private Real Estate, and Private Credit; and
- a detailed review of the Securities Lending Program.

Also on an annual basis, the Corporate Governance Committee is provided analysis on proxy voting matters necessary to update PSERS' Proxy Voting Policies.

On a quarterly basis the Investment Committee is provided the following information and analysis:

- market and PSERS' Investment Policy Index performance;
- current asset class tactical allocations; ;
- assets managed internally vs. externally by asset class;
- the asset class, sub-asset class and strategy performance as defined within the Investment Policy Index. IOS will endeavor to present each update twice annually.
- a comprehensive performance report for the total fund that contains the benchmarked performance of Traditional and Absolute Return Investment Program investment managers provided by the general Investment Consultant, via Diligence.
- a presentation of the general Investment Consultant's review of PSERS' total fund investment performance, via Diligence.

- a presentation of the specialty Investment Consultant to the Absolute Return Program's review of PSERS' Absolute Return Program's investment performance, via Diligence.
- performance and exposure reports and presentations for Private Markets, Private Real Estate, and Private Credit by the IOS and specialty Investment Consultants for the Non-traditional Investments, via Diligence.

In addition, the Investment Committee typically schedules several educational sessions each year to ensure it has a sound foundation upon which it carries out its duties.

On an on-going basis, the Investment Committee monitors IOS performance through the monitoring and oversight of the investment program as a whole.

VIII. Definitions

Absolute Return Investment Consultant (ARIC): firm retained by the Board to provide oversight assistance of the Absolute Return Asset Class, as broadly defined in the Absolute Return Policy.

Absolute Return Investment Funds (ARIF): also referred to as hedge funds, are generally open-ended investment funds that issue shares which represent proportional ownership in an investment portfolio. Assets held by ARIF are managed by ARIM.

Absolute Return Investment Managers (ARIM): Investment Managers specific to the Absolute Return Program.

Absolute Return Program (ARP): includes all Absolute Return Investment Funds managed by the Absolute Return Investment Managers.

Applicable Investment Expenses: may include catch-up interest, management fees, organizational expenses, or other expenses payable directly by PSERS outside of its capital commitment not to exceed 15 percent of the amount approved for investment and authorized by IOS.

Asset Allocation: the decision of selecting appropriate weights between broad asset class categories (Private Markets, bonds, cash, commodities, stocks, etc.) in order to produce the desired Risk and return profile for a total fund portfolio. The Asset Allocation decision is the most important investment strategy issue for an investment program.

Benchmark: a standard against which the performance of a security, index, or portfolio can be measured. Also see Index.

Board: The Pennsylvania Public School Employees' Retirement Board.

CBC: Counterparty and Broker/Dealer Committee – committee responsible for the monitoring of Counterparties and broker/dealers as described in the Counterparty and Broker/Dealer Policy

CIO: Chief Investment Officer.

Commingled Fund (CMF): a type of fund consisting of assets from several accounts that are blended together. Sometimes called a pooled fund.

Commission Recapture Agent: the party responsible for administering the Commission Recapture Program on behalf of a fund. See **Exhibit A** for the System's current Commission Recapture Agent.

Commission Recapture Program: a program whereby a pension fund receives "credits" resulting from transactions incurred by the fund's investment managers on their behalf. These transactions may be from commissions (equities) or spreads (fixed income).

Correlation: a statistical measure of how two securities or portfolios move in relation to each other. Correlations can range from negative 1 (perfect negative Correlation) to positive 1 (perfect positive Correlation). A Correlation of 0 indicates that the movements of securities or portfolios are completely random.

Counterparty: the entity that is in the opposing position to a transaction.

Commonwealth: Commonwealth of Pennsylvania.

Custodian Bank: an institution that keeps custody of stock certificates, fixed income securities, and other assets. The System's Custodian Bank has a contract with the State Treasurer, the legal custodian of the System's assets. See **Exhibit A** for the System's current Custodian Bank.

DCIO: Deputy Chief Investment Officer's of Traditional and Non-Traditional Investments.

Derivative: a financial contract, such as a Forward, Futures, Option, or Swap Contract, whose value depends on the performance of any one or more underlying securities or assets (such as bonds, stocks, financial commodities, currencies, etc.), or index of securities or assets. Derivatives may be purchased through a national exchange or through a direct OTC arrangement with a Counterparty.

Diversification: dividing investments among a variety of securities and/or funds with different Risk, reward, and Correlation statistics so as to minimize Unsystematic Risk.

EMPM: Emerging Manager Program Manager.

EPRA: acronym for the European Public Real Estate Association. EPRA is a common interest group that promotes, develops, and represents the European public real estate sector.

Exchange Traded Funds (ETFs): trust-issued receipts that represent beneficial ownership of a specified group of stocks. ETFs allow the holder to benefit from the ownership of the stocks or bonds in a particular country, industry, sector, group, etc. ETFs include HOLDRS, iShares, SPDRs, etc.

External Portfolio Manager: an individual or firm with whom the Board has a contract to manage an investment portfolio.

Forward Contract: non-standardized contract between two Counterparties for a deliverable commodity or instrument which conveys the obligation to make or take delivery of that commodity or instrument at a future point in time at a specific price.

Frictional Cash: cash that is held by a portfolio that is not benchmarked to the asset allocation category of cash. For example, cash held in an S&P 500 index fund would create a performance variance vs. the S&P 500 index.

FTSE: a company co-owned by The Financial Times and the London Stock Exchange that specializes in index calculation.

Futures Contract: a standardized contract for a deliverable commodity or instrument, which conveys the obligation to make or take delivery of that commodity or instrument at a future point in time at a specified price.

Hard-dollar Fees: fees or payments paid to brokerage firms in return for their services.

Hedge: a transaction to reduce the Risk of adverse price movements in an asset. Normally, a Hedge consists of taking an offsetting position in a related security, such as a Futures Contract.

HOLDRS: acronym for Holding Company Depositary Receipts. HOLDRS are EFTs issued by Merrill Lynch & Co., Inc.

IAASP: Investment Accounting Application Service Provider. This represents the outside service provider retained by the Board to provide investment accounting and technology services to the System. See **Exhibit A** for the System's current IAASP.

Index: benchmarks used by the Board to measure the investment performance of each Asset Class. The following are indexes used or referenced by the System:

POLICY INDEX:

Benchmark used by the Board to measure the investment performance of the System.

EQUITY:

MSCI USA IMI Gross: Performance benchmark for publicly traded U.S. stocks. The MSCI USA Investable Market Index (IMI) is designed to measure the performance of the large, mid and small cap segments of the US market. The index covers approximately 99% of the free float-adjusted market capitalization in the US.

MSCI ACWI ex USA IMI with Developed Market Currencies (Hedged to USD) Index Net: Performance benchmark for publicly traded Non-U.S. stocks. This index is a custom global index created for the System by MSCI. The index captures large, mid, and small cap representation across 22 developed markets and 23 emerging market countries. The index covers approximately 99% of the global equity opportunity set outside the US. The returns are calculated net of tax. The index hedges the currency exposure for all of the developed market countries back to the U.S. dollar (USD). The current hedge ratio is 75% of the developed market currency exposure, but can be customized as required by the System. ACWI is an acronym for All-Country World Index. IMI is an acronym for Investable Market Index.

MSCI Emerging Markets Investable Market Index (IMI) Net: Performance benchmark for publicly traded Emerging Markets stocks. The MSCI Emerging Markets IMI captures large, mid and small cap representation across 24 emerging markets countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country. The returns are calculated net of tax.

Burgiss Median: Performance benchmark data for Private Markets and Private Real Estate (value-added and opportunistic) that represents the median performance of the relevant universe (i.e. buyouts, distressed, mezzanine, special situations, venture capital, real estate, real assets) obtained from Burgiss Private iQ.

FIXED INCOME:

Barclays Capital U.S. Aggregate Bond Index: Performance benchmark for publicly traded U.S. investment grade bonds. The index is an index of U.S. government securities, mortgage-backed securities, asset-backed securities, and corporate securities to simulate the universe of bonds in the U.S. fixed income market. The maturity of the bonds in the index is over one year.

Barclays Capital Global Aggregate GDP-weighted Developed Market ex-U.S. (Hedged to USD) Index: Performance benchmark for publicly traded Non-U.S. investment grade bonds. The index is a custom index including bonds eligible for the Barclays Capital Aggregate Developed Markets, excluding U.S. and including Hong Kong, Singapore and Taiwan, GDP weighted by country bloc.

Barclays Capital EM Local Currency – Government – MV Weighted (Unhedged) – 10% Country Cap Index: Performance benchmark for publicly traded emerging market bonds. The index is an index of emerging market government bonds, in which country weighting is limited to 10%.

Barclays Capital U.S. Aggregate Long Treasury Index: Performance benchmark for long Treasury bond allocation.

Barclays Capital U.S. High Yield Index: Performance benchmark for U.S. below investment grade fixed income securities.

Barclays Capital World Government Inflation-Linked Bond (WGILB) Index (Hedged to USD): Performance benchmark for investment grade, government inflation-linked debt consisting of 12 different developed market countries – United Kingdom, Australia, Canada, Sweden, the United States, France, Italy, Japan, Germany, New Zealand, Denmark and Spain.

REAL ASSETS:

Bloomberg Commodity Index: Performance benchmark for commodities is a rolling commodities index composed of futures contracts on eligible physical commodities traded on U.S. exchanges. The index serves as a liquid and diversified benchmark for the commodities asset class.

Bloomberg Commodity Gold Subindex: Performance benchmark composed of the Gold exposures within the Bloomberg Commodity Index.

FTSE EPRA/NAREIT Developed (Hedged to USD) Index Net: Performance benchmark for publicly traded real estate. The FTSE EPRA/NAREIT Developed Index is a composite of the existing EPRA Europe Index, EPRA/NAREIT North America Index, and EPRA/NAREIT Asia Index. The index contains publicly quoted real estate companies that meet the EPRA Rules in countries throughout Europe, North America, and Asia.

FTSE Developed Core Infrastructure 50/50 (Hedged to USD) Index Net: Performance benchmark for publicly traded infrastructure designed to give an industry-defined interpretation of infrastructure and adjusts the exposure of certain infrastructure sub-sectors. The constituent weights revolve around three broad industry sectors: 50% Utilities, 30% Transportation (with rails capped at 7.5%), and 20% mix of other sectors including pipelines, satellites, and communication towers. The index weights are based on investable market capitalization.

S&P MLP Index: Performance benchmark for Master Limited Partnerships (MLP). The S&P MLP Index contains both MLPs and publicly traded limited liability companies, which have a similar legal structure to MLPs, that trade on the NYSE and NASDAQ.

Burgiss Median: Performance benchmark for Private Markets and Private Real Estate (i.e. value-added and opportunistic) that represents the median performance of the relevant universe (i.e. buyouts, distressed, mezzanine, special situations, venture capital, real estate, real assets) obtained from Burgiss Private iQ.

NFI-ODCE (NCREIF Open-end Diversified Core Equity): dataset used for performance measurement of investments in core real estate.

CASH:

Merrill Lynch U.S. Treasury Bill 0-3 Month Index: Performance benchmark for short term cash portfolio.

Information Ratio: a measure of Risk-adjusted excess return used to evaluate active management strategies. The information ratio is calculated by dividing a portfolio's excess return by excess Risk.

Initial Margin: the percentage of the purchase price of a security (that can be purchased on Margin) that the investor must pay for with his or her own cash or marginable securities.

Internal Portfolio Manager: an individual employed by the Board who manages an investment portfolio.

IRC: Internal Review Committee - a committee consisting of the CIO, the DCIO, the EMPM, the Investment Office Directors, and any other IOS as necessary.

Investment Consultant: a third-party firm retained by the Board to provide advice on various investment issues ranging from general advice to advice on specialty asset classes (Absolute Return, Private Markets, or Real Estate). The System's Absolute Return, Private Markets, and

Real Estate Investment Consultants are also referred to as specialty Investment Consultants. The following is a list of current professional service providers to the System.

- Absolute Return Consultant Aksia, LLC
- Commission Recapture Agent BNY Mellon Convergenx
- Custodian Bank BNY Mellon
- Securities Lending Agent Deutsche Bank
- General Investment Consultant AON Hewitt Investment Consulting, Inc.
- Private Markets Investment Consultant Portfolio Advisors, LLC
- Proxy Voting Agent Glass, Lewis & Co., LLC
- Real Estate Investment Consultant Courtland Partners, Ltd.
- IAASP Financial Control Systems, Inc.
- Private Markets, Real Estate, and External Portfolio Managers for “Roster of Investment Managers, Advisors, and Partnerships” located at the following link:
www.psers.state.pa.us/investment/invest.htm

Investment Guidelines: an outline of policy or conduct expected in the management of an investment portfolio.

Investment Office Directors: includes the Managing Director of Private Markets & Real Estate, the Managing Director of Equities, the Managing Director of Fixed Income, and the Managing Director of Investment Operations.

Investment Manager: includes both Internal Portfolio Managers and External Portfolio Managers.

IOS: Investment Office Staff. IOS includes all individuals in the CIO’s department.

ISDA: International Swaps and Derivatives Association. ISDA is an association created by the private negotiated derivatives market that represents participating parties. This association helps to improve the private negotiated derivatives market by identifying and reducing Risks in the market.

iShares: ETFs issued by Barclays Global Investors.

Long-term: in the context of the System, long-term represents perpetuity.

Margin: the amount of cash or securities deposited by a customer as a percentage of the current market value of the securities held in an account.

Mark-to-Market: the valuation of a security or other instrument, transaction, or portfolio of the same to current market prices.

Market Risk: the variability of returns due to macroeconomic factors that affect all risky assets. Because it affects all risky assets, it cannot be eliminated through Diversification. Market Risk is also called Systematic Risk.

Modern Portfolio Theory (MPT): theory of trust investment and portfolio management that looks more toward the portfolio as a whole and less toward the prudence of a single investment in the portfolio. MPT assumes that investors: a. use a portfolio approach to evaluate investments; b. are Risk-averse; c. behave rationally; and, d. make unbiased forecasts.

NAREIT: acronym for the National Association of Real Estate Investment Trusts. NAREIT is a trade association that represents U.S. Real Estate Investment Trusts (REITs) and publicly traded real estate companies worldwide.

NFI: acronym for National Council of Real Estate Investment Fiduciaries Fund Index. It is a series of real estate partnership portfolios used to simulate the universe of core and value-added real estate partnerships. The indices are designed to reflect the performance of funds available to U.S. institutional investors, including in private real estate equity / equity-oriented investments, without regard to geographic location.

OFM: Office of Financial Management

Operational Risk: risks for improper monitoring of positions, bad pricing, inadequate software, system failures or human error.

Option Contract: an instrument that conveys the right to the buyer, but not the obligation, to buy or sell a deliverable instrument at a specific price.

OTC: acronym for over-the-counter. OTC securities, derivatives, and other financial instruments are traded in some context other than on a formal or centralized exchange such as the New York Stock Exchange, Chicago Mercantile Exchange, etc.

Outside Service Providers: External Portfolio Managers and Investment Consultants.

Placement Agent: any third-party person or entity hired, engaged, or retained by or acting on behalf of an External Portfolio Manager or on behalf of another Placement Agent specifically as a finder, solicitor, marketer, consultant, broker, lobbyist, or other intermediary to raise money or investments from or to obtain access to the System, directly or indirectly. Regular, full-time employees of External Portfolio Managers shall not be considered Placement Agents within the meaning of this definition, unless a fee is charged to investors for the services of such employees.

PMEIM Program: acronym for the Public Market Emerging Investment Manager Program. This is a program established by the Board to assist emerging investment management firms with positive Risk adjusted returns grow and provide a source of potential managers for the main fund. The PMEIM Program is administered by the EMPM.

Private Markets (formerly Alternative Investments): investments in limited partnerships, limited liability companies, and other entities that invest in private debt, private equity, or venture capital.

Prudent Expert Standard: the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are expert in such matters exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the fund, considering the probable income to be derived therefrom as well as the probable safety of their capital.

Prudent Investor Standard: as articulated in the Board's enabling legislation, the Public School Employees' Retirement Code, "the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the fund, considering the probable income to be derived therefrom as well as the probable safety of their capital." 24 Pa. C.S. §8521(a).

The Prudent Investor Standard requires a trustee to act prudently and with caution, discretion, loyalty, and care but does not restrict the assets in which the Board can invest. Under the Prudent Investor Standard, which recognizes Modern Portfolio Theory, the Board's investment and management decisions respecting individual assets shall be considered in the context of the portfolio as a whole and as part of an overall investment strategy, and not in isolation. No specific investment or course of action, taken alone, shall be considered inherently prudent or imprudent. This standard recognizes the trade-off between Risk and return.

PTRES: acronym for publicly traded real estate securities.

Risk: the chance that an investment's actual return or market value will be different than expected. This includes the possibility of losing some or all of the original investment. Risk is usually measured by calculating the Standard Deviation of the historical returns or average returns of a specific investment. Risk can also represent the failure of a Counterparty to fulfill its obligations.

Securities Lending Program: an investment program designed to generate incremental income from lending securities to qualified borrowers who provide collateral in exchange for the right to use the securities.

Separate Account: a privately managed account in which the System's investments are managed independent of other investors and in which assets are accounted for in a segregated investment account. Separate Accounts have investments held by the System's Custodian Bank.

Soft-dollar Arrangements: a means of paying brokerage firms for their services through commission revenue, as opposed to through normal payments (Hard-dollar fees).

SPDRs: acronym for Standard & Poor's Depository Receipts; also commonly known as "spiders." Each share of a spider contains one-tenth of the S&P 500 Index. SPDRs ETFs.

Staff: employees of the System.

Standard Deviation: a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the standard deviation. Standard Deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

State Treasurer: the Treasurer of the Commonwealth of Pennsylvania.

Swap Contract: a contract where the parties agree to exchange the cash flows of the underlying assets in amounts and times specified in the contract.

System: The Pennsylvania Public School Employees' Retirement System.

Systematic Risk: see definition of Market Risk.

Tracking Error: a measure of relative Risk that compares a portfolio's returns to an alternative standard the investor has selected, such as a passive index. The tracking error measure incorporates the effects of all active investment decisions and is defined as the volatility or standard deviation of excess returns.

Trading Desk: represents the group of individuals employed by the Board that generally trades equity securities for investment managers managing U.S. equity portfolios for the Board but can also trade non-U.S. equity securities, futures, options, forwards, etc.

Unit Investment Trust: a registered trust in which a fixed portfolio of income-producing securities are purchased and held to maturity.

Unsystematic Risk: risk that is unique to an asset, derived from its particular characteristics. Unsystematic Risk can be eliminated in a diversified portfolio.

Variation Margin: a variable payment that is made by clearing members to their respective clearing houses based upon the price movements of the futures contracts that these members hold. Variation Margin is paid by clearing members on a daily or intraday basis in order to reduce the Counterparty credit risk exposure created by carrying Future Contracts.

Acknowledgement

We acknowledge the receipt of and agree to be bound by the Investment Policy Statement, Objectives, and Guidelines for the Pennsylvania Public School Employees' Retirement Board approved December 7, 2016 (Last Revised: September 15, 2017), the applicable portfolio specific addendum approved _____, and any amendments thereto.

Investment Manager Firm Name

**Pennsylvania Public School
Employees' Retirement System**

Portfolio Manager Signature

Chief Investment Officer

Portfolio Manager Name

Portfolio Specific Addendum

Date Accepted

Date Proposed

***Investment Policy Statement,
Objectives, and Guidelines of the
School Employees' Defined
Contribution Plan***

o

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

As adopted by

the Board of Trustees

on May 23, 2019

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I. Purpose and Introduction

Purpose

The purpose of this Investment Policy Statement, Objectives, and Guidelines of the School Employees' Defined Contribution Plan (the "DC Investment Policy") is to outline objectives that will guide the Board of Trustees ("Board") in its selection and monitoring of the Investment Providers and investment options for the School Employees' Defined Contribution Plan ("Plan"). The DC Investment Policy is intended to incorporate sufficient flexibility to accommodate current and future economic and market conditions, as well as any changes in applicable statutory and regulatory requirements. The DC Investment Policy is also intended to assure that the Defined Contribution Plan Committee ("DC Plan Committee") Staff, Investment Consultants, Investment Providers, and the Recordkeeper are given adequate guidance to administer, monitor, and implement the DC Investment Policy on behalf of the Board as may be directed or delegated.

Introduction

On June 12, 2017, the Commonwealth of Pennsylvania enacted the Act of June 12, 2017 (P.L. 11, No. 5, which created two new membership classes of the existing defined benefit plan with a defined contribution component, Class T-G and Class T-H, and a Defined Contribution only membership class. The Plan, is a standalone defined contribution plan intended to be a plan as described under IRC Section 401(a) that provides for mandatory pickup participant contributions and mandatory employer contributions at fixed rates of covered compensation and permits after-tax voluntary and rollover contributions. The Plan permits members to direct the investment of their respective accounts among available investment options.

Mission of the Board

The primary objective of the Board is to provide participants with a varied set of at least ten (10) investment options through at least three (3) investment providers that encompass a variety of risk/return characteristics among which participants in the Plan can diversify their portfolios.

Fiduciary Standard

The Board shall discharge its duties solely in the interest of the Plan participants and their beneficiaries, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

II. Roles and Responsibilities

The Board relies on the DC Plan Committee, the Director of Defined Contribution Investments, the Investment Office Professional staff, and others in executing its investment responsibilities under the DC Investment Policy. Each entity's role is identified below:

- *Board:* The Board, through the DC Plan Committee with the assistance of staff, generally oversees the implementation of the DC Investment Policy; establishes and adopts changes to the DC Investment Policy; monitors the performance, cost, and management of the Plan investment options, investment providers, and investment consultants; oversees searches for new investment options, investment providers,

and investment consultants; and ensures that proper internal monitoring is developed to oversee the investment options and investment providers of the Plan.

- *Director of Defined Contribution Investments (Director)*: The Director is responsible for the day-to-day administration of the Plan; reporting of investment results of the Plan; working with the Investment Office Professional staff, consultants, and recordkeeper to monitor the performance of the investment options and investment providers pursuant to the provisions of the DC Investment Policy, the *School Employees' Defined Contribution Plan and Trust* document, the Public School Employees Retirement Code, and other applicable law and, with the concurrence of the Investment Office Professional staff and the consultant for the Plan, make recommendations to the Board regarding investment options and investment providers.
- *Investment Office Professional Staff (IOP)*: The IOP will assist the Director in monitoring and evaluating the performance of the investment options and investment providers; developing, implementing, and monitoring the DC Investment Policy; recommending investment options and investment providers; as well as in reporting of investment results to the Director or the Board as requested.
- *Recordkeeper*: The contracted Recordkeeper of the Plan performs all administrative, recordkeeping, accounting, and reporting functions in a manner that coordinates effectively with the trade/settlement processing, custody, daily valuation, and performance reporting relating to the assets and transactions of the Plan performed by the financial institution. The Recordkeeper is responsible for the monitoring and recording of all investment transactions of the Plan participants and their beneficiaries; preparing of the reports relating to the investment activity of the Plan; overseeing the relationship with the financial institution for the Plan; and interfacing with the investment providers on investment accounting and operational issues.

III. Investment Objectives

Use of Consultants/Service Providers

The Board may, in its sole discretion, retain the services of outside consultants and other professionals. The functions of these professionals may include, but are not limited to, the following:

- rendering their recommendations and insights on plan investments as well as the policies regarding investment option selection and monitoring;
- providing reviews of the marketplace competitiveness of the Plan's investment options;
- providing reviews of the Plan's utilization and asset allocation; and
- providing guidance on changes to applicable law and public policy.

Selection of the Investment Options

In selecting investment options and investment providers for the Plan, the Board shall consider some or all of the following criteria, as the Board may deem appropriate:

- the option’s track record;
- performance as compared to an appropriate benchmark and/or an appropriate peer group(s);
- risk measures versus those of the benchmark and/or peer group;
- risk-adjusted return measures as compared to those of the benchmark and/or peer group;
- organizational structure and stability of fund personnel;
- manager tenure;
- the fees and expenses assessed by the investment option, as well as the impact of offering the investment option on the overall fees and expenses associated with managing the Plan; and
- qualitative characteristics, including, but not limited to, management strategy, turnover, and recent portfolio activity in view of current market conditions.

In selecting investment options and investment providers for the Plan, the following minimum criteria must be met:

- Must provide no less than ten investment options that are offered by three or more investment providers of investment options to eligible participants;
- Must provide for a variety of investment options and shall be reviewed in accordance with criteria established by the Board;

Monitoring of Investment Options

The Board shall monitor the investment options as circumstances warrant. As part of its monitoring process, the Board may consider the following:

Criteria	Measure	Goal(s)
Performance	<ul style="list-style-type: none"> ▪ 3-, 5-, & 10-year record ▪ 3-, 5-, & 10-year record 	<ul style="list-style-type: none"> ▪ reasonable vs. peer group ▪ reasonable vs. appropriate benchmark
Risk	<ul style="list-style-type: none"> ▪ 3-year standard deviation 	<ul style="list-style-type: none"> ▪ reasonable vs. peer group and/or benchmark
Risk-adjusted performance	<ul style="list-style-type: none"> ▪ 3-year Sharpe ratio 	<ul style="list-style-type: none"> ▪ reasonable vs. peer group and/or benchmark
Expense ratios	<ul style="list-style-type: none"> ▪ Total expenses 	<ul style="list-style-type: none"> ▪ Consistent with peer group median
Investment objective/style	<ul style="list-style-type: none"> ▪ Style purity 	<ul style="list-style-type: none"> ▪ Option should maintain reasonable correlation to appropriate benchmark as evidenced by R-squared

The Board may, from time to time as warranted, modify these criteria and goals, or may consider other criteria and goals, all within the Board's sole discretion as it deems appropriate.

Investment options and/or investment providers may be placed under formal review for any reason, including:

- the investment option's long-term investment performance on a rolling basis;
- recent changes, such as investment option restructurings or management changes designed to correct deficiencies;
- the appropriateness or relevance of an investment option's stated peer group, since funds may be misclassified or poorly classified;
- the investment option's adherence to a stated investment style, whether or not that investment style has been in or out of favor;
- unusual market circumstances or volatility;
- prospectus investment constraints, such as socially responsible mandates; and
- the degree to which the investment option has reduced or controlled risk, which might constrain the investment option's ability to outperform other options.

The Board is authorized in its sole discretion to remove an investment option if, in the opinion of the Board, the investment option is no longer suited for the Plan or its participants, without regard to whether the investment was under a formal review.

The Director, with concurrence from the IOP and the consultant for the Plan, has the authority to immediately terminate and replace an investment option and/or investment provider when one or more of the following occurs:

- Violation of SEC rules or regulations or other law;
- Significant change in investment philosophy as stated in the prospectus;
- Significant increase in fees;
- Significant changes to the portfolio leading to lack of diversification and high concentration or exposure to one category, sector, and/or holding;
- Violation of established investment guidelines; or
- Material change in overall risk profile.

The Director, with concurrence from the IOP and the consultant for the Plan, shall have the authority to review share classes of investment options and adjust to reduce fees, where available.

The DC Plan Committee shall be notified at its next meeting of the occurrence of any of the foregoing and the action taken.

Selection and Monitoring of the Default Investment Options

The Board is authorized to designate the Plan's default investment options (*i.e.*, the options into which contributions will be directed on behalf of participants who do not affirmatively direct an investment option). In so doing, the Board will apply the general selection and monitoring principles described in this DC Investment Policy. In addition, the Board's selection and

monitoring of default investment options shall be consistent with the United States Department of Labor's standards for the selection and monitoring of "qualified default investment alternatives."

Selection of Target Date Funds and Asset Allocation Suites

Target date funds and asset allocation suites shall be selected for the Plan utilizing the following steps as general guidelines with the understanding that the target date and asset allocation suite universe is very broad, and each target date suite and asset allocation suite of funds differs from the others. Less emphasis will be placed on category averages based on glide path dispersion between target date fund families and asset allocation suites.

The selection process may include, but is not limited to, the steps below:

- The Board decides what the primary objectives are in relation to risk management - whether or not minimizing risk on a static scale at retirement is desired (*i.e.*, managing the glide path "to" retirement) versus maximizing to maximize savings "through" life expectancy with a more aggressive glide path after retirement;
- Consider participant demographics to help define overall risk tolerance. Factors that may be considered are average age of population, overall investment knowledge, and current plan usage of target date, hybrid funds, or asset allocation suites;
- Determine diversification of asset classes. The Board may consider a broad range of assets classes and whether or not the target date or asset allocation suite chosen should include various types of asset classes that would normally not be considered under a core line up. These asset classes typically have lower correlations to the core line up and may include, but not be limited to, the following: real estate, commodities, high yield debt, emerging market equity and debt, inflation hedging, and long/short equity strategies;
- Inception of the target date fund and asset allocation suites should be at least three years though can consider less;
- A review of expense fees in comparison to averages and as related to overall plan cost; and
- Performance comparison to a custom style benchmark in addition to category averages.

Monitoring of Target Date Funds

The monitoring process may include, but is not limited to, the steps below. Less emphasis will be placed on category averages based on glide path dispersion between target date fund families.

- Review of the glide path to ensure consistency with reason that funds were chosen;

- Review performance relative to custom style benchmark in addition to category averages;
- Review underlying holdings in comparison to relative Morningstar peer groups or applicable strategy; and
- Review qualitative assessment on management of the funds in an effort to demonstrate consistency with overall strategy.

Selection of Fixed Interest/Stable Value Options

In selecting any fixed interest/stable value option, the Board may consider some or all of the following criteria, as the Board deems appropriate in its sole discretion (should the Board choose to offer such an option):

- financial strength ratings of the guarantor provided by the major ratings agencies;
- interest rate history and minimum guaranteed contract rate;
- contract liquidity provisions;
- current and historical market to book value ratio (stable value funds only); and
- comparison between fixed interest accounts (*i.e.*, those backed by general assets) and stable value accounts (*i.e.*, those backed by separate account).

Monitoring of Fixed Interest/Stable Value Option

The Board shall monitor any fixed interest/stable value option as frequently as circumstances warrant. As part of its monitoring process, the Board may consider some or all of the following criteria, as the Board deems appropriate in its sole discretion:

- financial strength ratings of the guarantor provided by the major ratings agencies;
- current interest rates; and
- current market to book value ratio (stable value funds only).

Proxy Voting

Proxy voting rights shall be exercised in the best interest of the participants and beneficiaries of the Plan. The Board may delegate the responsibility for promptly voting all proxies and related actions in a manner consistent with the long-term interest and objectives of the Plan. Consistent with the Board's fiduciary duty, the Board may decide not to vote a proxy or not to delegate the responsibility for voting all proxies if the expense of determining the appropriate vote or delegation of votes outweighs the benefit that a favorable outcome would provide for the Plan and its participants and beneficiaries. The Board shall keep records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.

IV. Summary Statement

This DC Investment Policy shall guide the Board and shall remain in effect until amended by the Board. Nothing contained in this DC Investment Policy shall provide to any participant or beneficiary the right to enforce the terms of this DC Investment Policy, and the Board shall have full and complete discretion as to how it selects and monitors the investment options and investment providers offered under the Plan and the application of this DC Investment Policy to any specific situation.

Non-U.S. Proxy Voting

of

*the Commonwealth of Pennsylvania
Public School Employees' Retirement*

As adopted by the Board of Trustees on September 17, 1993

Effective September 17, 1993

Adopted: September 17, 1993

Revised: March 14, 2014

Date Last Reviewed by Chief Investment Officer: January 4, 2018

PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NON-U.S. PROXY VOTING POLICY

GENERAL

The voting policies approved by this Board ("Approved Policies") apply to all non-U.S. proxies that the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) is entitled to vote. PSERS shall cast a vote FOR or AGAINST or register an ABSTENTION in all such proxies.

In voting proxies, PSERS shall consider the factors affecting the value of the investment and vote in the manner that, in its view, best serves the economic interest of PSERS' beneficiaries. Consistent with this objective, PSERS will normally vote in accordance with the Approved Policies.

Recognizing the differences in the corporate practices and regulatory environments among the various non-U.S. equity markets in which PSERS holds proxy voting rights, the Board shall endeavor, to the extent practicable, to apply individual, country-by-country policies that protect and enhance shareholder interests under the prevailing market conditions. The Board shall also endeavor to apply proxy voting policies for countries that are newly added to its non-U.S. activity and to update existing policies as appropriate from time to time.

Recognizing further that PSERS' Proxy Voting Agent, Glass, Lewis & Co., LLC (Glass Lewis), performs the underlying research and formulates original, country-specific proxy voting policies for its clients, this Board hereby adopts the Glass Lewis International Proxy Paper Policy Guidelines, except for the voting guidelines pertaining to Shareholder Initiatives adopted below. The Glass Lewis International Proxy Paper Policy Guidelines may be amended or expanded from time to time without further action by this Board, unless a policy change is considered by the Investment Office not to best serve the economic interest of PSERS' beneficiaries. This Board possesses the authority and reserves the right (i) to modify any voting policy in such manner it deems appropriate at any time, and (ii) to direct Glass Lewis to change any recommendation under this Policy in such manner as the Board deems appropriate.

The following is the Board-approved voting guideline that enhances the standard Glass Lewis Proxy Paper Policy Guidelines related to this issue.

CORPORATE BOARD DIVERSITY

PSERS believes that increasing diversity in the boardroom will better reflect a company's workforce, customers and community, and that this enhances shareholder value. Therefore PSERS encourages diversity in experience, gender, race and age and will generally vote FOR such qualified nominees unless such a vote would violate another provision of this Policy.

The following are the Board-approved voting guidelines that override the standard Glass Lewis International Proxy Paper Policy Guidelines related to these issues:

SHAREHOLDER INITIATIVES

This section replaces the standard guidelines used by Glass Lewis in voting shareholder initiatives in each non-U.S. country's Glass Lewis Proxy Paper Policy Guidelines.

NORTHERN IRELAND RESOLUTIONS

PSERS will vote FOR resolutions pertaining to Northern Ireland that advocate adoption of the affirmative action measures set forth in 24 Pa. C.S. §8527(b), including adopting or reporting on MacBride Principles.

The MacBride principles are a set of nine equal opportunity/affirmative action principles aimed at fighting religious discrimination in employment in Northern Ireland.

LABOR PRACTICES

NON-DISCRIMINATION POLICIES

MILITARY AND GOVERNMENT BUSINESS POLICIES

FOREIGN GOVERNMENT BUSINESS POLICIES

ENVIRONMENTAL POLICIES

PSERS will generally ABSTAIN from voting on proposals dealing with these issues in instances in which the best economic interests of PSERS' beneficiaries will not be affected positively or negatively by the determination of such an issue. In situations in which the proposal is likely to enhance the economic interests of PSERS' beneficiaries, PSERS will generally vote FOR the proposal. Conversely, in situations in which the proposal is likely to be detrimental to the economic interests of PSERS' beneficiaries, PSERS will generally vote AGAINST the proposal.

PSERS may consider the following in analyzing shareholder initiatives:

- *whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;*
- *the percentage of sales, assets, and earnings affected;*
- *the degree to which the company's stated position on issues raised in the proposal could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;*
- *whether the issues presented should be dealt with through government action or through company-specific action;*
- *whether the company has already responded in some appropriate manner to the*

Oral Argument Policy
of
the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
the Board of Trustees
on December 9, 2005

Effective
December 9, 2005

Adopted: December 9, 2005

Date Last Revised: May 23, 2019

Date Last Reviewed By Chief Counsel: January 10, 2019

Public School Employees' Retirement Board Oral Argument Policy

WHEREAS, the Public School Employees' Retirement System and the School Employees' Defined Contribution Plan (collectively referred to as "PSERS") provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code, 24 Pa. C.S. §8101 et seq. ("Retirement Code") and the School Employees' Defined Contribution Plan and Trust; and

WHEREAS, the Public School Employees' Retirement Board ("PSERB") is empowered by the Retirement Code with the exclusive control and management of PSERS; and

WHEREAS, the PSERB conducts quasi-judicial deliberations in formal appeals under the Administrative Agency Law, 2 Pa. C.S. §501 et seq.; and sets the procedures under which member, participant, or third-party disputes with PSERS in benefits administration appeals are considered and resolved; and

WHEREAS, the PSERB desires to establish guidelines regarding oral arguments before the PSERB in benefits administration appeals cases where exceptions are taken to recommendations of the Hearing Examiner;

NOW THEREFORE, the members of the PSERB adopt the following Board Oral Argument Policy.

I. Definitions

A. **Claimant:** An individual who has requested a hearing in a formal benefits administration appeal.

B. **PSERB:** The Public School Employees' Retirement Board.

C. **PSERS:** The Public School Employees' Retirement System and the School Employees' Defined Contribution Plan and Trust.

D. **Hearing Examiner:** A presiding officer duly appointed to hear a formal benefits administration appeal in accordance with 1 Pa. Code §35.185.

E. **Party:** An individual or entity participating in a formal benefits administration appeal.

F. **Retirement Code:** The Public School Employees' Retirement Code, 24 Pa. C.S. §8101 et seq.

G. **School Employees' Defined Contribution Plan and Trust:** The plan documents created by the Board under Section 8402 of the Retirement Code (relating to plan document) that contain the terms and provisions of the School Employees' Defined Contribution Plan.

H. **Secretary of the PSERB:** The duly appointed Secretary of the PSERB as provided in the Retirement Code.

II. General Guidelines

A. If a Party files exceptions to a recommendation of the Hearing Examiner and wishes oral argument before the PSERB, the Party must file the request for oral argument with the exceptions. The right to oral argument shall be discretionary with the PSERB. Where oral argument is granted, the Secretary of the PSERB shall schedule the argument for the next available PSERB meeting.

B. If a Party seeks oral argument in a case in which exceptions have been filed by PSERS to a recommendation of the Hearing Examiner that is in favor of a Claimant, the request for oral argument must be filed with or before the Party's response to PSERS' exceptions. In such case, the Secretary of the PSERB shall grant oral argument and schedule it for the next available PSERB meeting.

C. Oral Argument shall be limited to a maximum of 10 minutes for each Party, unless otherwise directed by the PSERB. The Claimant, as the Party with the burden of proof, shall argue first. If there are more than two Parties to the appeal, the Secretary of the PSERB shall establish the order of argument consistent with who has the burden of proof. No new evidence shall be accepted at the oral argument.

D. At the conclusion of the oral argument, the PSERB shall discuss and decide the case. The PSERB may table the case for further consideration at its next meeting. The PSERB may also elect to discuss all or part of the case in Executive Session in accordance with the Sunshine Act, 65 Pa. C.S. §701 et seq.

E. The PSERB's counsel shall draft a proposed adjudication in accordance with the PSERB's decision. The proposed adjudication shall be presented for PSERB approval at the PSERB meeting next following the PSERB's determination of the case, unless the PSERB agrees to have the proposed adjudication signed by the Chair of the PSERB without further review by the PSERB.

***Policy Manual for
Investment Professional Staff***

of

***the Commonwealth of Pennsylvania
Public School Employees' Retirement Board***

As adopted by

the Board of Trustees

December 7, 2016

Effective: January 1, 2017

Date Last Reviewed by Deputy Executive Director: December 6, 2019
Revised: December 6, 2019

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INTRODUCTION

The Board (Board) of the Public School Employees' Retirement System (PSERS) is an independent administrative board of the Commonwealth of Pennsylvania. The members of the Board stand in a fiduciary relationship to the PSERS' members regarding the investments and disbursements of moneys of the Fund. The members of the Board, as trustees of the Fund, have exclusive control and management of the Fund and full power to invest the Fund, subject to observance of such standards of fiduciary conduct and such other terms, conditions, limitations and restrictions on the making of investments as may be provided by law. Pursuant to the Public School Employees' Retirement Code 24 PA.C.S §8502(a), the Board has full classification and compensation authority for all its investment professional positions (Investment Professionals).

In keeping with the Board's fiduciary duties, PSERS' compensation program for its Investment Professionals is designed to provide, *inter alia*, full transparency for PSERS' members, beneficiaries, and other related constituents. As such, PSERS' compensation program for its Investment Professionals is administered under the Board's full and rigorous oversight and with careful supporting review provided by PSERS' Internal Auditor.

In carrying out its fiduciary responsibilities, the Board administers a classification and compensation program and corresponding policies that reflect careful consideration of the following:

To achieve its business and investment objectives, PSERS must be able to attract, motivate, and retain highly qualified experienced investment professionals needed to continue to generate above-average investment returns, and create significant value-added for members and retirees. A reasonable and competitive pay program is critical to achieve these objectives.

Therefore, the policies contained in this document support the overall goal of the Board to attract, motivate, and retain highly qualified experienced investment professionals. This manual details the process and guidelines for salary adjustments and the periodic review of competitive market compensation data to ensure that salaries for Investment Professionals remain competitive.

The policies described in this Manual outline the compensation program as well as the job classification, staff development, and performance management programs for PSERS' Investment Professionals. Subject to further action by the Board, for all other human resource programs and corresponding policies outside the scope of this Policy Manual, PSERS shall follow the standards established by the Executive Board of the Commonwealth of Pennsylvania, i.e., benefit programs and employment policies such as leave usage and earnings, substance abuse, supplementary employment, Equal Employment Opportunity, the Governor's Code of Conduct, etc.

1. SALARY ADMINISTRATION

1.1. GENERAL

The Board continually strives to have a compensation plan for investment professional staff that attracts and retains highly qualified individuals, establishes internal equity of positions, and maintains external competitiveness. Therefore, the Board shall establish and maintain a pay schedule that reflects market competitive salary ranges for each job classification based on median salary levels in the Public Pension Funds Select Group as identified in section 1.2.

The Board has salary setting authority for Investment Office professional staff and certain positions in the Office of Financial Management under statute. Subject to this Policy Manual, the Board retains salary setting authority for the Chief Investment Officer except as provided in section 1.4 of this Policy, and delegates the following:

- authority to the Chief Investment Officer and Executive Director to set salaries for Investment Professional positions in the Investment Office;
- authority to the Executive Director and the Chief Financial Officer to set salaries for the Investment Professional positions in the Office of Financial Management;
- authority to the Executive Director and PSERS' Human Resources Director to set the salary of the Chief Financial Officer position;
- authority to the Executive Director and PSERS' Human Resources Director to set the salary for the Deputy Executive Director & Director of Defined Contribution Investments; and
- authority to the Executive Director and either the Chief Investment Officer, Chief Financial Officer, or PSERS' Human Resources Director to implement the annual salary adjustments as discussed in section 1.4 of this document.

Pay increases shall be based on performance, expanded job duties, retention, internal pay equity relationships, periodic market comparison of peers, or other relevant issues. Annual salary reviews will be conducted to make adjustments to pay based upon merit and competitive levels as necessary, as more particularly provided herein.

Compensation decisions shall not be influenced by race, color, religion, sex, sexual orientation, national origin, disability, age, or ancestry.

1.2. PEER COMPARATOR GROUP

The Board has selected the Public Funds Select Group as set forth in Appendix 1 as the peer comparator group for determining the compensation of PSERS' Investment Professionals. The peer comparator group may be adjusted by the Board to reflect the current market as determined by future independent studies.

1.3. PAY SCHEDULE

The Pay Schedule identifies a minimum and maximum salary for each of the pay groups identified in Appendix 2 of this Policy Manual. The pay groups shall be determined based on competitive market data and targeted to the median salary levels (total compensation) of the Public Pension Funds Select Group or as otherwise determined by the Board. The pay schedule shall be updated in line with the most recent peer group compensation study. A compensation analysis will occur every three years or more frequently at the discretion of the Board and Personnel Committee Chairs, and changes to Appendix 2 will be implemented after notification of the Personnel Committee.

If after implementation of a new pay schedule, an employee is below the minimum, the employee will automatically be moved to the beginning salary of the pay range. If after implementation of a new pay schedule, an employee is above the maximum, the employee's salary will remain unchanged until the salary is in line with the next pay schedule change.

1.4. ANNUAL SALARY ADJUSTMENTS and COMPUTATIONS

Subject to the availability of funds and in accordance with the chart below, the Chief Investment Officer, with the concurrence of the Executive Director, will determine movement within the salary range for each individual in Pay Groups 1-8, (except for the Office of Financial Management positions and the Deputy Executive Director and Director of Defined Contribution Investments), based on an individual's overall annual performance evaluation (both quantitative and qualitative contributions) and an individual's position in the range at the time of the annual review. In the case of the Office of Financial Management positions, the Chief Financial Officer and the Executive Director will make that determination. In the case of the Chief Investment Officer, Deputy Executive Director and Director of Defined Contribution Investments, and Chief Financial Officer, the Executive Director with the concurrence of PSERS' Human Resources Director will make that determination.

Annual salary adjustments are to be implemented separate from and prior to any fiscal year promotion. Annual salary adjustments are determined and calculated based on the employee's previous years' performance evaluation overall rating and the employee's salary, at the time the evaluation is completed. To be

eligible and considered for an annual salary adjustment, the employee performance review/evaluation must be presented in July of the current year. Employees, who have not held a position for at least six months when the annual July evaluation is due, are not eligible for an annual salary adjustment. Annual salary adjustments are effective July 1 of the current year based on an employee's salary as of June 30th. Notwithstanding all the preceding information, all adjustments made under this section shall be done only after consultation with the Chair of the Board and the Chair of the Board's Personnel Committee.

Notwithstanding any other provisions of this policy, the annual salary adjustment for the Deputy Executive Director and Director of Defined Contribution Investments will be determined by the Executive Director. The Executive Director will consult with the Chair of the Board and the Chair of the Investment Committee to determine what the annual salary will be. At no time will the annual compensation of the Deputy Executive Director and Director of Defined Contribution Investments exceed that of the Executive Director.

The Executive Director in consultation with the Chief Investment Officer, Chief Financial Officer, or Human Resources Director, as appropriate, may consider salary adjustments for new Investment Professionals in conjunction with a six-month performance evaluation. No action related to salary adjustments will be considered for new employees until the completion of a six-month performance evaluation.

For employees who fall below the maximum salary, the annual salary adjustment will be computed by taking the existing salary and multiplying it by the factor determined in Table 1.1, Salary Multiplier Based on Performance Rating, using the annual performance rating and the appropriate quartile within the pay group. If the adjustment would cause the employee's salary to go above the maximum for the position within the pay group, the employee shall receive a salary increase to the maximum amount and receive the difference, above the maximum, as a one-time cash payment. For employees at or above the maximum, a one-time cash payment will be processed using the 4th quartile salary multiplier in Table 1.1. An additional factor in calculating the final annual salary adjustment or cash payment will be the Annual Net of Fee Investment Performance of the Total Fund (Net of Fee Performance) in relation to the Actuarial Assumed Rate of Return for the fiscal year-ended June 30th. The salary adjustment determined by using Table 1.1 will be further adjusted by the factor found in Table 1.2, Adjustment to Salary Increase Based on Fund Performance.

Table 1.1 Salary Multiplier Based on Performance Rating				
Performance Rating	Position in Salary Range Before Adjustment			
	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Outstanding/Far Exceeds Expectations	14%	11%	9%	6%
Commendable/Exceeds Expectations	11%	9%	6%	3%
Satisfactory/Meets Expectations	9%	6%	3%	0%
Needs Improvement/Unsatisfactory	0%	0%	0%	0%

Table 1.2 Adjustment to Salary Increase Base on Fund Performance	
Annual Net of Fee Investment Performance as a Percent of Actuarial Assumed Rate of Return	Percent of Annual Salary Adjustment Received
> 175%	100.00%
125.1 - 175.0%	85%
75.0 - 125.0%	70%
25.0 - 74.9%	55%
< 24.9%	40%

Example: A Senior Investment Professional (PG3) making \$135,000 (3rd Quartile) receives a commendable rating on their annual June 30 performance review. Going to Chart 1.1 this equates to a 6% annual pay adjustment. This percentage must then be adjusted based on the Net of Fee Performance as a percent of the Actuarial Assumed Rate of Return. The Net of Fee Performance was 3.5% and the Actuarial Assumed Rate of Return was 7.25% for the year. This equates to a percent of the Actuarial Assumed Rate of Return of 48.275% ($3.5/7.25 = 48.275\%$). Going to Table 1.2, 48.275% falls into the 25.0 - 74.9% range which equates to a 55% modification to the Table 1.1 calculated pay adjustment. The initial 6% pay adjustment must then be adjusted to a 3.3% pay increase ($6 \times .55 = 3.3\%$). Applying that to the \$135,000 current salary would result in a pay increase of \$4,455 bringing the new salary to \$139,455 ($\$135,000 \times .033 = \$4,455$).

1.5. PROMOTIONS

Upon promotion (a move from one pay group to a higher pay group) an employee will receive a 9% pay increase per pay group or be placed at the minimum of the pay group, whichever is greater. Promotions to jobs in pay groups 1 through 8 in the Investment Office and jobs in pay groups 1 through 4 in the Office of Financial Management will be determined by the Chief Investment Officer and the Chief Financial Officer respectively, with the concurrence of the Executive Director. Promotions are not necessarily reflective of a change in position, but rather recognition of an individual's overall impact and contribution to the investment process. Promotion requests must be fully supported with documentation justifying the employee's scope of responsibilities

and contributions; and submitted collaboratively by the manager and CIO/CFO to the Executive Director for approval. Employees must be in a lower job classification for at least one full year prior to being eligible for a promotion. A promotion cannot occur as a benefit to an employee to earn a higher salary at the time annual salary adjustments are processed.

1.6. SALARY INCREASE FOR COMPLETION OF CHARTERED FINANCIAL ANALYST (CFA) EXAM – ALL INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, or the Executive Director, with concurrence of the Human Resources Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed a level of the three levels that make up the CFA certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be granted to an individual hereunder is 7.5% (2.5% x 3 levels = 7.5%). A one-time adjustment for this exam will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay groups 1 through 9) based upon the established quartiles, high, and low of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the CFA level held. Employees subsequently reassigned outside of the Investment Office, at any time, will no longer receive salary adjustments for having completed this certification.

1.7. SALARY INCREASE FOR COMPLETION OF CHARTERED ALTERNATIVE INVESTMENT ANALYST (CAIA) EXAM – ALL INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, or the Executive Director, with concurrence of the Human Resources Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed a level of the two levels that make up the CAIA certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be granted to an individual hereunder is 5.0% (2.5% x 2 levels = 5.0%). A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay groups 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the CFA level held. Employees subsequently reassigned outside of the Investment Office, at any

time, will no longer receive salary adjustments for having completed this certification.

1.8. SALARY INCREASE FOR COMPLETION OF FINANCIAL RISK MANAGER (FRM) OR PROFESSIONAL RISK MANAGER (PRM) EXAM(S) – ALL INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, or the Executive Director, with the concurrence of the Human Resources Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed part I or part II of the FRM (2.5% for each level) or PRM certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be granted to an individual hereunder is 7.5% for the full completion of both exams. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay groups 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the exam(s). Employees subsequently reassigned outside of the Investment Office, at any time, will no longer receive salary adjustments for having completed this certification.

1.9. SALARY INCREASE FOR COMPLETION OF CERTIFIED SECURITIES OPERATIONS PROFESSIONAL (CSOP) EXAM – OPERATIONS INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed the CSOP certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of this exam. This salary increase and future adjustments, for this particular exam, applies only to staff assigned within the Operations Division. Employees subsequently reassigned outside of the Operations Division, at any time, will no longer receive salary adjustments for having completed this certification.

1.10. SALARY INCREASE FOR COMPLETION OF CERTIFIED TREASURY PROFESSIONAL (CTP) EXAM – OPERATIONS AND FIXED INCOME INVESTMENT OFFICE POSITIONS AND OFFICE OF FINANCIAL MANAGEMENT POSITIONS

The Chief Investment Officer or Chief Financial Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed the CTP certification. Said increase shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of this exam. This salary increase and future adjustments, for this exam, applies only to staff assigned within the Operations or Fixed Income Division of the Investment Office or to employees in the Office of Financial Management. Employees subsequently reassigned outside of the Operations or Fixed Income Division or the Office of Financial Management, at any time, will no longer receive salary adjustments for having completed either one of these certifications.

1.11. SALARY INCREASE FOR COMPLETION OF CERTIFIED PROPERTY MANAGER (CPM) DESIGNATION – REAL ESTATE INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 5.0% of annual salary for having successfully completed the CPM certification from the Institute of Real Estate Management (IREM). Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be awarded to an individual hereunder is 5.0% for the full completion of eight courses, two exams and a Management Plan on an actual building. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the exam(s). This salary increase and future adjustments, for the CPM certification, apply only to staff assigned to perform real estate functions within the Private Markets Division. Employees subsequently reassigned outside of this area, at any time, will no longer receive salary adjustments for having completed

the CPM.

1.12.SALARY INCREASE FOR COMPLETION OF CERTIFIED PUBLIC ACCOUNTANT (CPA) EXAM – OFFICE OF FINANCIAL MANAGEMENT POSITIONS

For the Office of Financial Management positions, the Chief Financial Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed two or more of the four sections of the CPA certification. Upon obtaining certification of two of the four sections of the exam, an individual will receive an adjustment of up to 2.5% of their annual salary. Upon obtaining certification for the a third or fourth section of the exam, an individual will be granted an increase of up to 2.5% of their annual salary for each additional section completed. The maximum amount that can be added to an individual hereunder is 7.5% (2.5% for passing first two sections, 2.5% for passing a third section and 2.5% for passing a fourth section). Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 6) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the exam(s). Employees subsequently reassigned outside of the Office of Financial Management, at any time, will no longer receive salary adjustments for having completed this certification.

1.13.SALARY INCREASE FOR COMPLETION OF CERTIFIED GOVERNMENT FINANCIAL MANAGER (CGFM) DESIGNATION – OFFICE OF FINANCIAL MANAGEMENT POSITIONS

For the Office of Financial Management positions, the Chief Financial Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed one of the three required exams for the CGFM certification from the Association of Governmental Accountants. The maximum amount that can be granted to an individual hereunder is 7.5% (2.5% x 3 levels = 7.5%). Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 6) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of

the individual exams and the CGFM designation. Employees subsequently reassigned outside of the Office of Financial Management, at any time, will no longer receive salary adjustments for having completed this certification.

1.14. CERTIFICATION RELATED INFORMATION

No employee shall ever receive or have added to any future salary received, more than a 10% salary adjustment. To receive the increase from 7.5% to 10.0%, the employee must earn the full professional certification related to the exam taken. For example, if the employee has received a 7.5% salary adjustment for earning the CFA designation and takes level 1 of the CAIA, no additional adjustment will be made until the employee passes level 2 of the CAIA and earns the CAIA designation. Employees in the Office of Financial Management will only be eligible for the CPA, CGFM, and CTP salary adjustment while assigned to that office. Employees in the Investment Office shall only be eligible for the CFA, CAIA, FRM, PRM, CSOP (Operations professionals), CTP (Operations or Fixed Income professionals), and CPM (Private Market real estate professionals) salary adjustments while assigned to that office. The Professional Salary Certification Plan, Appendix 4, identifies specific salary information related to each certification. The granting and retention of such adjustments will be contingent upon the employee continuing to meet all of the certification requirements for continuing education and any other State requirement to ensure the certification remains active. When requested by Human Resources, documentation must be provided to ensure active certification. This may be requested every two years or on an as needed basis. Employees, who fail to meet the requirements of continued, active certification or fail to provide proper documentation, will not have such certification recognized prospectively for salary adjustment purposes.

1.15. TEMPORARY ASSIGNMENT IN A HIGHER CLASSIFICATION OR ACTING POSITION

When an employee is temporarily assigned to a higher level position or placed into an Acting capacity due to a vacancy, the employee shall receive a pay increase equal to 4.5% of their current base salary, or to the minimum salary of the pay range of the position of the higher class job title, whichever is greater. The employee will continue to receive the higher salary while actively serving in the higher classification.

2. **JOB CLASSIFICATIONS**

2.1. JOB CLASS STRUCTURE

The Board shall establish and maintain the job classifications for Investment Professionals. The job classifications are included in Appendix 3 and shall be

consistent with market practices of similar public and private sector investment organizations. Jobs may be redefined, established, or abolished as deemed necessary based upon future compensation studies and succession planning needs.

2.2. ASSIGNMENT TO JOB CLASS

All positions in the Investment Office for which the Board has exclusive classification and pay authority shall be assigned by the Chief Investment Officer, with the concurrence of the Executive Director, to one of the general job classifications identified in Appendix 3 of this Policy Manual and, as a consequence, to one of the corresponding pay groups on the PSERS' Investment Pay Schedule set forth in Appendix 2 of this Policy Manual. The Chief Financial Officer shall assign positions in the Office of Financial Management, with the concurrence of the Executive Director, to one of the Office of Financial Management jobs identified in Appendix 3 and, as a consequence, to one of the corresponding pay groups on the PSERS Investment Pay Schedule set forth in Appendix 2 of this Policy Manual. The Executive Director will assign the Chief Financial Officer and Deputy Executive Director and Director of Defined Contribution Investments positions as noted in the above section. Each position shall be assigned to a pay group based upon:

- Level of responsibility
- Knowledge, skills, education, and experience required
- Comparable positions to other Public Pension Funds

The job classifications adopted by the Board represent the high-level job characteristics applicable to each position. More detailed responsibilities and job requirements are documented in the specific position descriptions for each class. The position descriptions may identify additional requirements for the specific position. For the Investment Office positions, the primary differences from the Junior level (PG1) through the Senior level (PG3) are the years of experience, which lead to the incumbent working more autonomously and having a more direct contribution to the investment results of PSERS. The primary differences between a Manager, Investment Office (PG4) and a Senior Manager, Investment Office (PG5) and between a Director, Investment Office (PG6) and Managing Director, Investment Office (PG7) are the level of responsibility and discretion exercised at the higher level. For the Office of Financial Management positions, the differences between the Investment Accounting Specialist (PG1) through the Director, Investment Accounting and Financial Management (PG4) are also a result of the years of experience and the demonstrated expertise in investment accounting and financial management.

2.3. BOARD DISCRETION

The Board may at its discretion and at any time add, revise, or delete job

classifications to remain competitive with the job market.

3. PERFORMANCE MANAGEMENT

PSERS is committed to attracting, developing, managing, and retaining a high performing diverse and productive workforce. As such, PSERS requires effective performance management. Performance management entails constructive direction, training, assessment, feedback, and recognition of employees by managers and supervisors to assure a competent, high-performing, and motivated workforce. Establishing clear expectations and evaluating performance are very important parts of that process. The annual performance review provides supervisors the opportunity to formally discuss performance expectations and outcomes with staff.

As part of the performance management process, performance evaluations for Investment Professional staff shall be issued consistent with the Commonwealth's policy, Management Directive 540.7, Performance Management Program or another process approved by the Executive Director in consultation with the Director of Human Resources.

The Chief Investment and Chief Financial Officers and the Deputy Executive Director and Director of Defined Contribution Investments will receive annual performance evaluations utilizing the Commonwealth's Senior Management Service performance evaluation form or another form approved by the Executive Director in consultation with the Director of Human Resources. Investment Professional staff will receive annual performance evaluations using the Commonwealth's most current employee performance review form or another form approved by the Executive Director in consultation with the Director of Human Resources. New employees will receive an interim evaluation after six months to assess continued employment.

The annual performance evaluation rating will be used to determine annual salary adjustments in accordance with section 1.4 of this manual.

4. PERSONAL TRADING

Due to the significant role of PSERS' staff in the daily investing activities of the fund, PSERS' Code of Conduct for Investment Operations (its own policy) provides the framework for the proper conduct of employees involved in the investment operations of the agency and outlines the various restrictions on personal investments. PSERS' Internal Auditor is charged with the responsibility to monitor compliance with the Code.

5. MISCELLANEOUS PROVISIONS

5.1 RECRUITMENT AND PLACEMENT

The filling of the vacancy for the Chief Investment Officer position will be authorized by the Board and may involve active recruitment utilizing the services of an executive search firm.

With the exception of the Chief Investment Officer position, the filling of vacancies for Investment Office Professional positions will be at the discretion of the Chief Investment Officer, with the concurrence of the Executive Director; the filling of vacancies for Office of Financial Management positions will be at the discretion of the Chief Financial Officer, with the concurrence of the Executive Director; and the filling of the vacancy for the Chief Financial Officer or Deputy Executive Director and Director of Defined Contribution Investments positions will be at the discretion of the Executive Director.

The filling of all Investment Professional vacancies will comply with the Commonwealth policies for filling senior level non-civil service positions and may involve internal promotions or active recruitment.

In addition to the employment reference checks required by Commonwealth policy, background checks utilizing the services of a national background search firm will be conducted for all Investment Professional positions that are filled. At a minimum these will include criminal history checks.

Consistent with Commonwealth policies and directives, recruitment shall not be influenced by race, color, religion, sex, sexual orientation, national origin, disability, age, or ancestry.

5.2 AT WILL EMPLOYMENT

The Public School Employees' Retirement Board reserves the right to terminate the employment of an Investment Professional at any time for any reason or no reason, except as prohibited by law.

5.3 SUCCESSION PLANNING

The Executive Director, Deputy Executive Director and Director of Defined Contribution Investments, Chief Investment Officer, Chief Financial Officer, Deputy Chief Investment Officer, Investment Managing Directors, and the Director for Investment Accounting and Financial Management are responsible for workforce and succession planning in their respective areas to ensure effective business continuity. Areas to address for this purpose should include knowledge management, staff development, career progression, and staffing projections.

5.4 EXCEPTIONS

The Board reserves the right to revise or make exceptions to this Policy Manual at any time.

5.5 REVIEW

The Personnel Committee has oversight of this Policy Manual and shall review this Policy Manual at least once every five years.

Appendix 1

PSERS' Peer Comparator Group

Based upon the Classification and Compensation Study for PSERS' Investment Professionals authorized by the Board and presented by McLagan Partners in May 2007, the Board has selected the following Public Funds Select Group as the peer comparator group for determining salaries for PSERS' Investment Professionals. During the most recent study, conducted by CBIZ Human Capital Services in January 2015, the existing group was used to determine the most comparable size to PSERS, investment activities, and location, as appropriate. The existing group generally represents public pension funds that are similar in size and investment approach to PSERS.

California Public Employees' Retirement System
California State Teachers' Retirement System
Florida State Board of Administration
Division of Investment Services, State of Georgia
Michigan State Retirement Systems
New Jersey Division of Investment
New York State Common Retirement Fund
North Carolina Retirement Systems
Ohio Public Employees' Retirement System
State Teachers' Retirement System of Ohio
Pennsylvania State Employees' Retirement System *
Teachers' Retirement System of Texas
Virginia Retirement System
Washington State Investment Board
State of Wisconsin Investment Board

* The PA State Employees' Retirement System is included based on geographic location.

Appendix 2

Baseline Investment Pay Schedule – Effective January 1, 2017

Quartiles	PG	1	2	3	4	5	6	7	8	9
	IO	Jr Inv Prof	Inter Inv Prof	Sr Inv Prof	Mgr IO	Sr Mgr IO	Dir IO	Mng Dir IO	Deputy CIO	CIO
	OFM	Inv Acct Spec	Sr Inv Acct Spec	Mgr Inv Acct & OFM	Dir Inv Acct & OFM		CFO			
	EO				Deputy ED & DDCI					
1 st	Min	60,656	83,756	113,331	163,522	182,084	201,840	221,576	285,596	340,657
	↓	64,450	90,035	121,820	179,932	200,275	223,395	246,495	321,293	383,239
2 nd	↓									
	<u>Median</u>	68,245	96,333	130,328	196,285	218,485	244,950	271,415	356,990	425,821
3 rd	↓									
		72,039	102,612	138,817	212,656	236,696	266,525	296,354	392,687	468,403
4 th	↓									
	Max	75,834	108,891	147,326	229,008	254,906	288,090	321,273	428,384	489,998

The chart above represents the baseline pay schedule and shows the minimum and maximum salary for each pay group. The minimum and maximum amounts and the corresponding quartiles will be adjusted by a factor of 2.5%, 5%, 7.5%, or 10% for employees who complete or have completed and maintain a certification/designation in whole or in part as outlined in Appendix 4.

When an employee's salary falls at the beginning of the 2nd quartile range to just below the median, the employee will be considered in the 2nd quartile for purposes of calculating the annual salary adjustment. When an employee's salary falls at the median to just below the beginning salary of the 4th quartile range, the employee will be considered in the 3rd quartile for purposes of calculating the annual salary adjustment.

Example of Quartile – Pay Group 1:

- 1st quartile = \$60,656 to \$64,449
- 2nd quartile = \$64,450 to \$68,244
- 3rd quartile = \$68,245 to \$72,038
- 4th quartile = \$72,039 to \$75,834

Appendix 3

Job Classifications for PSERS' Investment Professionals

Investment Office Positions

Job Title	Job Code	Pay Group (IP Schedule)
Junior Investment Professional	P7201	1
Intermediate Investment Professional	P7202	2
Senior Investment Professional	P7203	3
Manager, Investment Office	P7204	4
Senior Manager, Investment Office	P7205	5
Director, Investment Office	P7213	6
Managing Director, Investment Office	P7206	7
Deputy Chief Investment Officer	P7207	8
Chief Investment Officer	P7208	9

Executive Office Positions

Job Title	Job Code	Pay Group (IP Schedule)
Deputy Executive Director and Director of Defined Contribution Investments	P7215	4

Office of Financial Management Positions

Job Title	Job Code	Pay Group (IP Schedule)
Investment Accounting Specialist	P7209	1
Senior Investment Accounting Specialist	P7210	2
Manager, Investment Accounting and Financial Management	P7211	3
Director, Investment Accounting and Financial Management	P7214	4
Chief Financial Officer	P7212	6

The Investment Professional Job Classification Specifications are maintained in PSERS' Human Resources Office and will be updated accordingly from time to time to support changes, as they occur, to job functions and responsibilities. The specifications include the job title, classification code, assigned pay schedule and

group (in SAP), a general definition of the job, and the minimum experience and training requirements. The specifications are used to determine the proper classification and level of the position based on job functions and responsibilities

Appendix 4

Professional Salary Certification Plan Review

Professional Certifications – Baseline Investment Pay Schedule Adjustments				
Certification	Abbreviation	Subdivisions	Adjustment	Total
Chartered Financial Analyst	CFA	3 Levels	2.5%/level	7.5%
Chartered Alternative Investment Analyst	CAIA	2 Levels	2.5%/Level	5%
Financial Risk Manager	FRM	2 Parts	2.5%/Part	5%
Professional Risk Manager	PRM	4 Parts	5.0% for completion	5%
Certified Securities Operations Professional	CSOP	1 Exam	2.5%/Exam	2.5%
Certified Treasury Professional	CTP	1 Exam	2.5%/Exam	2.5%
Certified Property Manager	CPM	8 courses, 2 exams, 1 Management Plan	5.0% for completion	5%
Certified Public Accountant	CPA	4 Sections	2.5%/Section*	7.5%
Certified Government Financial Manager	CGFM	3 Exams	2.5%/Exam	7.5%
* Must complete 2 sections for the initial adjustment of 2.5%				

Certifications may be combined based on the duties of the individual involved up to a maximum of 10%, subject to the provisions in section 1.15.

Adjustments available to Investment Office employees:

- CFA
- CAIA
- FRM
- PRM
- CSOP (Operations Division Only)
- CTP (Operations and Fixed Income Divisions Only)
- CPM (Private Markets Real Estate Division Only)

Adjustments available Office of Financial Management employees:

- CPA
- CGFM
- CTP

Public Information Policy
of
the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
the Board of Trustees
on December 13, 1994

Effective
December 13, 1994

Adopted: December 13, 1994
Date Last Revised: June 13, 2014
Date Last Reviewed by Chief Counsel: April 22, 2019

Public School Employees' Retirement Board Policy on Public Information

I. GENERAL POLICY.

It has always been, and continues to be, the policy of the Public School Employees' Retirement Board ("Board") to provide access to public records to the fullest extent required by law and Commonwealth of Pennsylvania policy, consistent with its duties to protect the interests and rights of the Public School Employees' Retirement System ("PSERS") and its members.

In addition to the Right-to-Know Law ("RTKL"), 65 P.S. §§67.101-67.3104, the release of information pertaining to PSERS' business is controlled by [Management Directive 205.36](#) Amended (dated March 18, 2010), the Sunshine Act, 65 Pa.C.S. §§ 701-716, and the Public School Employees' Retirement Code ("Retirement Code"), 24 Pa.C.S. §§8101-9102. The RTKL governs the inspection and copying of agency records; Management Directive 205.36 Amended establishes policies and procedures for agency compliance when responding to requests made pursuant to the RTKL; the Sunshine Act requires public agencies to hold certain meetings and hearings open to the public; and the Retirement Code contains certain relevant provisions unique to PSERS.

Other applicable authorities include the Administrative Agency Law, 2 Pa.C.S. §§ 501-508; the Administrative Code of 1929, particularly 71 P.S. § 182; the General Rules of Administrative Practice and Procedure, 1 Pa. Code Chs. 31-35; Pennsylvania decisional law; Management Directives, particularly No. 505.18; as well as any other laws, rules, regulations, and policy directives that may apply to public records. The Office of Chief Counsel should be consulted when this policy does not provide sufficient guidance to reach a determination.

In promulgating this Public Information Policy ("Policy"), this Board must recognize and give effect not only to the statutory and decisional law on the subject but also to the Board's fiduciary and administrative duties and obligations to the members of PSERS and to the Public School Employees' Retirement Fund ("Fund"). In balancing situations in which the right of the public to know competes with those other duties and obligations, PSERS shall apply the standards listed below, as appropriate.

- If the Board has reasonable grounds to believe that criminal activity has occurred or may occur, information that could be used in furtherance of the criminal activity shall not be released.

- In compliance with state and federal laws that protect the privacy of health-care information, including the Health Insurance Portability and Accountability Act of 1996, medical records shall not be released to the public.

- Information that could, if disclosed, be detrimental to Fund investments under the standard of care set forth in 24 Pa. C.S. §8521, shall not be released.

- Requests for information pertaining to PSERS' employees shall be administered in accordance with Management Directive 505.18 Amended, Management Directive 505.12 Amended and 65 P.S. § 67.708(b)(7).

Consistent with this Policy, PSERS may, from time to time, make available on its web site (www.psers.pa.gov) certain financial and investment information to facilitate access to such information and reduce the time associated with responding to formal written RTKL requests.

This Policy shall be construed and applied to give effect to compulsory changes in the law or Commonwealth policy that may become effective subsequent to the adoption of this Policy.

II. DEFINITIONS.

Any reference to "members" in this Policy applies to both "Members" and "Participants" as those terms are defined in the Retirement Code at 24 Pa.C.S. § 8102, as applicable. Any reference to "PSERS" in this Policy applies to both "PSERS," as defined above, and the "School Employees' Defined Contribution Plan," (aka the "PSERS DC Plan") as defined in the Retirement Code at 24 Pa. C.S. § 8401(a), as applicable. Any reference to "Fund" in this Policy applies to both "Fund," as defined above, and "Trust," as defined in the Retirement Code at 24 Pa. C.S. § 8401(b), as applicable.

The RTKL defines a "record" and "public record" respectively as follows (emphasis added):

A "record" is:

Information, regardless of physical form or characteristics, that documents a transaction or activity of an agency and that is created, received or retained pursuant to law or in connection with a transaction, business or activity of the agency. The term includes a document, paper, letter, map, book, tape, photograph, film or sound recording, information stored or maintained electronically and a data-processed or image-processed document.

A "public record" is:

A record . . . that:

- (1) is not exempt under section 708;
- (2) is not exempt from being disclosed under any other Federal or State law or regulation or judicial order or decree; or

(3) is not protected by a privilege.

The Board recognizes three specific statutory exemptions from disclosure in the Retirement Code:

1. Records that would conflict with the Board's duty to protect the rights of the membership as to privacy and confidentiality under 24 Pa.C.S. §8502(i).
2. Records relating to partnerships and other alternative investments described in 24 Pa.C.S. §8502(e)(2)(i) - (iii).
3. Records that could, if disclosed, be detrimental to Fund investments under the standard of care imposed on the Board by 24 Pa.C.S. §8521.

The definitions of other terms used in this Policy are either contained in Management Directive 205.36 Amended, which is attached to this Policy as Appendix A, or made when the term is first used in this Policy.

III. PROCEDURE FOR REQUESTS.

A. Adherence to Management Directive 205.36 Amended.

PSERS shall follow the procedure set forth in Management Directive 205.36 Amended, which is attached as Appendix A, for responding to RTKL requests and for handling exceptions to the denial of RTKL requests.

B. Agency Open Records Officer ("AORO").

All RTKL requests shall be directed to PSERS' AORO. Telephone inquiries to the AORO should be made to (717) 720-4749. Requests for public information must be in writing, signed by the requester, and addressed as follows:

Mail or Other Means of Delivery

Open Records Officer
Public School Employees' Retirement System
5 N. Fifth Street
Harrisburg, PA 17101

Facsimile

Open Records Officer
Public School Employees'
Retirement System
(717) 772-5372

E-mail

Requests shall be made to:
ra-PSERSRTKL@pa.gov

Submittal of a request to any other address or facsimile number does not give rise to any obligation on the part of PSERS to respond to it, nor can it serve as a basis for the deemed denial of the request.

C. Who has the Right to Know?

A “requester” can be any person or corporation who is a legal resident of the United States, regardless of residency within or outside of the Commonwealth.

D. Form and Content of Request.

Requests for public records must: (1) be in writing; (2) contain the name, address, and telephone number(s) of the requester; (3) be signed by the requester; (4) be clearly marked as a right-to-know request; (5) reasonably and specifically describe the information sought; and (6) provide the address to which PSERS should send its response. The request may be on the form developed by the Office of Open Records (“OOR”). PSERS does not accept anonymous or verbal requests for records. Requests may be sent via facsimile, mail, and e-mail, in accordance with section B herein.

E. Business Hours.

PSERS’ regular business hours are from 7:30 a.m. to 4:30 p.m. on each business day. Any request received after business hours of a particular day shall be deemed received on the next business day.

F. Physical Access to Public Records.

In the event that a requester is allowed physical access to public records, PSERS shall designate a public access room in its headquarters located at 5 N. Fifth St., Harrisburg, PA 17101 or in any of its field offices for use during regular business hours.

G. Notice to Member.

When PSERS complies with a RTKL request for public information regarding an individual member’s account, PSERS shall, whenever reasonably practicable, provide subsequent written notice to the member that identifies (a) the name of the requester and (b) the information provided by PSERS. Members do not have the right to approve or disapprove a request for public records. The request for information and a record of its administration shall also be retained in the member's file.

H. Member Authorization for Release of Information.

PSERS may release information that is available to a member from the member’s file, including information that would otherwise not be released, upon written authorization by the member directed to PSERS. PSERS will limit its release of information to the extent provided in the member’s authorization.

I. Fees.

PSERS shall assess fees as prescribed by Management Directive 205.36 Amended. A fee in the amount of 25 cents per page shall be charged for photocopies.

PSERS reserves the right, from time to time, to change the fees it assesses.

PSERS may waive fees on the basis of hardship or other relevant factors, in its sole discretion. PSERS may, in its discretion, require payment of fees in advance if the fees are expected to exceed \$100.00.

J. Questions.

Questions regarding this Policy may be directed to PSERS' AORO at the above address or at (717) 720-4749.

IV. AGENCY INFORMATION.

RETIREMENT BOARD BUSINESS

In responding to requests for public records relating to the business of this Board, PSERS shall consider the fiduciary obligations and standard of care set forth in the Retirement Code. For example, by application of the "prudence" standard set forth in PSERS' enabling legislation, premature disclosure of information that could be detrimental to PSERS' interests in an investment would be prohibited if "persons of prudence, discretion, and intelligence who are familiar with such matters" would not disclose the information in the conduct of their own affairs. 24 Pa.C.S. §8521(a).

As a general rule, investment matters that have been approved for funding by the Board are subject to disclosure, unless the approval is conditioned in a manner that calls for confidentiality until the conditions are satisfied.

The Retirement Code also sets forth a duty for PSERS to "protect the rights of its membership as to privacy and confidentiality." 24 Pa.C.S. §8502(i). The membership's privacy "rights" include the RTKL's prohibition of the release of records that would impair a member's personal security and the Pennsylvania Constitution's right to informational privacy. 65 P.S. §708(b)(1)(ii); *Pa. State Educ. Ass'n v. Commonwealth*, 148 A.3d 142 (Pa. 2016); *Reese v. Pennsylvanians For Union Reform*, 173 A.3d 1143 (Pa. 2017). The fact that requested information may be used for commercial purposes, standing alone, is not a permissible ground for denial.

Requests for information pertaining to PSERS' employees shall be administered in accordance with Management Directive 505.18 Amended.

The following is a non-exclusive list that illustrates common examples of public and non-public information:

Public Information

- Board agenda
- Approved Board minutes
- Financial reports
- Reports of purchases and sales of securities
- Proxies voted
- Board reports on annuities
- Board resolutions
- Signing resolutions
- Board policies and bylaws
- Reports, summaries and other documents presented to the Board in advance of, or at, public meetings that do qualify as public records under the RTKL

Non-Public Information

- Proposed or pending investments if premature release of information could be detrimental to PSERS' interests
- Documents protected by attorney-client privilege
- Proposed Retirement Board opinions not yet acted upon
- Reports, summaries and other documents presented to the Board in advance of, or at, public meetings that do not qualify as public records under the RTKL and that may, but are not required to be, marked, held and treated as confidential

OFFICE OF CHIEF COUNSEL

Staff notations and memoranda that include Office of Chief Counsel documents may be privileged or otherwise protected and should be reviewed by the Office of Chief Counsel prior to release.

The following is a non-exclusive list that illustrates common examples of public and non-public information:

Public Information

- Court orders, including domestic relations orders
- Hearing examiners' reports
- Administrative hearing records
- Briefs and pleadings filed of record

Non-Public Information

- Legal opinions that are labeled confidential, protected by attorney-client privilege, or attorney work product, unless disclosure is approved by the Office of Chief Counsel
- Research/internal memoranda
- Medical records
- Letters to clients that are labeled confidential, protected by attorney-client privilege, or attorney work product, unless disclosure is approved by the Office of Chief Counsel
- Records pertaining to investigations within the meaning of "public record" as defined in the RTKL
- Records relating to investment transactions that are protected by attorney-client privilege or that otherwise do not qualify as public records under the RTKL
- Records relating to litigation matters protected by attorney-client privilege or otherwise under this Policy
- Records exempted from disclosure under 65 P.S. §67.708(b)
- Records protected by the attorney-work product privilege, the attorney-client privilege or any other privilege recognized by Pennsylvania Courts

INVESTMENT OFFICE

The information specified in the Retirement Code at 24 Pa. C.S. §8502(e)(5)(i)-(viii) is public information. The information specified in 24 Pa. C.S. §8502(e)(2)(i)-(iii) is non-public information. The following is a non-exclusive list that illustrates common examples of public and non-public information:

Public Information

- Listing of investment managers
- Summary of assets by investment managers
- Brokerage commissions paid
- Statement of investment policy/amendments
- Investment portfolio - list of assets
- Investment manager performance/status reports
- Partnerships and Other Alternative Investments:
 - (i) The name, address and vintage year of each alternative investment vehicle
 - (ii) The identity of the manager of each alternative investment vehicle
 - (iii) The dollar amount of the commitment made by PSERS to each alternative investment vehicle
 - (iv) The dollar amount of cash contributions made by PSERS to each alternative investment vehicle since inception
 - (v) The dollar amount of cash distributions received by PSERS from each alternative investment vehicle since inception

Non-Public Information

- Special staff reports and consultant reports that warrant protection under the general rule above
- Investment negotiations
- Documents protected by attorney-client privilege or attorney-work product privilege
- Partnerships and Other Alternative Investments:
 - (i) Identities of specific alternative investment portfolio investments
 - (ii) Performance data on, and valuations of, specific alternative investment portfolio investments
 - (iii) Partnership agreements, and side letter agreements, and like agreements in the case of other types of investment vehicles
 - (iv) Information that PSERS agreed to keep confidential under written agreements, unless disclosure is required by law

(vi) The net internal rate of return of each alternative investment vehicle since inception, provided that PSERS shall not be required to disclose the net internal rate of return under circumstances in which, because of the limited number of portfolio assets remaining in an alternative investment vehicle, such disclosure could reveal the values of specifically identifiable remaining portfolio assets to the detriment of the alternative investment

(vii) The aggregate value of the remaining portfolio assets attributable to PSERS' investment in each alternative investment vehicle, provided that PSERS shall not be required to disclose said value under circumstances in which, because of the limited number of portfolio assets remaining in an alternative investment vehicle, such disclosure could reveal the values of specifically identifiable remaining portfolio assets to the detriment of the alternative investment

(viii) The dollar amount of total management fees and costs paid to each alternative investment vehicle by PSERS on an annual fiscal year-end basis

(ix) Subscription agreements, provided that the release of such information would not be reasonably likely to have a detrimental effect on PSERS' interest in an investment (such contracts may be redacted to the extent necessary)

- Investment advisory agreements, consultant agreements, brokerage agreements, and other investment services agreements

- Asset allocation plans and investment guidelines and objectives

AGENCY ADMINISTRATION

Consultant recommendations, staff recommendations, and special studies or investigations tend to be non-public information.

In reference to the competitive bidding process, the RTKL, 65 P.S. §67.708(b)(26), provides that bids and proposals are not public records unless or until a contract is executed with one of the bidders or offerors, at which time all proposals – successful or unsuccessful – are subject to disclosure, with the exception of financial information furnished to demonstrate economic capability and records that constitute or reveal a trade secret or confidential proprietary information under 65 P.S. §67.708(b)(11).

PSERS may furnish information to or receive information from other Commonwealth agencies under 71 P.S. §182, which provides that whenever “power is vested in a department, board, or commission, to inspect, examine, secure data or information, or to procure assistance, from any other department, board, or commission, a duty is hereby imposed upon the department, board, or commission, upon which demand is made, to render such power effective.” PSERS may condition the release of information under Section 182 on the completion of a confidentiality agreement by the requesting entity.

The following is a non-exclusive list that illustrates common examples of public and non-public information:

Public Information

- Legislative updates
- Board-approved budget requests
- Requests for Proposals and Invitations to Bid
- The names of the bidders and the amounts bid in the case of responses to Invitations to Bid
- Responses to Requests for Proposal after a contract has been entered
- All executed contracts for goods and services
- Board-approved actuarial valuations/evaluations
- Board-approved actuarial notes/tables
- Audited financial statements

Non-Public Information

- Competitive proposals prior to the execution of a contract, and financial information contained in a proposal used to demonstrate economic capability and records that constitute or reveal a trade secret or confidential proprietary information under 65 P.S. §67.708(b)(11)
- Summary report on proposals
- Independent auditor's report to management
- Special staff reports that warrant protection under this Policy
- Materials protected by attorney-client privilege
- Identity of evaluation committee and notes, recommendations and point scores of committee members

BENEFITS ADMINISTRATION

The Retirement Code requires the Board to “protect the rights of its membership as to privacy and confidentiality.” 24 Pa. C.S. §8502(i); see *Rowland v. Public School Employees’ Retirement System*, 885 A. 2d 621 (Pa. Cmwlth. 2005). The RTKL expressly prohibits release of information that may not be disclosed under any other Federal or State law. 65 P.S. §67.102 (“Public Record”). A member has a privacy interest guaranteed by the Pennsylvania Constitution in avoiding disclosure of personal matters. See *Denoncourt v. State Ethics Commission*, 470 A.2d 945, 948 (Pa. 1983). Therefore, in responding to requests for records that contain members’ personal information, for those matters not specifically addressed below, PSERS will follow the balancing test adopted in *Times-Publishing Co. v. Michel*, 633 A.2d 1233 (Pa. Cmwlth. 1993), *appeal denied*, 645 A.2d 1321 (Pa. 1994), and will release the records only if the benefits of releasing the information outweigh the individual’s privacy interest. The Board’s policy not to release addresses or dates of birth relied upon *Sapp Roofing Co. v Sheet Metal Workers’ International Assoc.*, 713 A.2d 627 (Pa. 1988), and was upheld by the Commonwealth Court in *Rowland*, 885 A.2d 621. In *Sapp*, the Supreme Court stated: “Pennsylvania recognizes the right to privacy in Article I, § 8 of the Pennsylvania Constitution, and this Court often invokes this right to privacy to give greater protection to our citizens than that found in the United States Constitution.” *Id.* at 630. The Pennsylvania right to privacy also encompasses portions of addresses and email addresses. *Governor’s Office of Admin. v. Campbell*, No. 103 C.D. 2017 (Pa. Cmwlth. January 24, 2019); *Office of the Lieutenant Governor v. Mohn*, 67 A.3d 123, 133-34 (Pa. Cmwlth. 2013); *Stone v. PSERS*, OOR Docket No. AP 2019-0200 (March 11, 2019); *Tours v. Dept. of Ed.*, OOR Docket No. AP 2017-1919 (Dec. 15, 2017). The staff is authorized to release any pertinent information from active and retired members’ files to an employer as required in connection with PSERS’ retirement transactions, with the exception of beneficiary nomination information in cases where no payment is due. Specific benefit calculations are not provided to the public; however, PSERS will provide actuarial tables, retirement formulas, and the necessary data for preparing calculations upon request.

The Retirement Code also protects Participant records, material or data to the extent access would disclose any of: 1) the existence, date, amount and any other information pertaining to the voluntary contributions, including rollover contributions and trustee-to-trustee transfers, of any Participant; 2) the investment option selections of any Participant; 3) the balance of a Participant’s individual investment account, including the amount distributed to the Participant, and any investment gains or losses, or rates of return; 4) the identity of a Participant’s designated beneficiary, successor payee or alternate payee; or 5) the benefit payment option of a Participant. 24 Pa. C.S.A. § 8502(e)(6).

In addition, PSERS will respond to a valid subpoena requesting the production of documents or testimony concerning a member’s account at a trial, hearing, or deposition, as provided in law or rule of court. Further, PSERS can be compelled to produce documents and things for inspection by parties in a lawsuit even if no trial, hearing, or deposition takes place, as provided in Rule 4009.21 of the Pennsylvania Rules of Civil Procedure.

The following is a non-exclusive list that illustrates common examples of public and non-public information:

Public Information - Active Member

- Member contributions and interest
- Retirement credited service with PSERS
- Last full fiscal year retirement-covered salary reported
- Last employer(s) reported

Non-Public Information – Active Member

- PSERS ID
- Social Security number
- Address or part of an address
- Telephone number
- Email address
- Beneficiary designation
- Date of birth
- Present value of account
- Retirement estimates
- Medical reports and other information protected under the Health Insurance Portability and Accountability Act of 1996

Public Information - Other than Active Member

- Current monthly annuity
- Beneficiary/designated survivor subsequent to member's death
- Option selected
- Date of retirement
- Years of credited service
- Member contributions and interest

Non-Public Information - Other than Active Member

- PSERS ID
- Social Security number
- Address or part of an address
- Telephone number
- Email address
- Beneficiary/survivor designation prior to member's death
- Specific annuity calculation
- Medical reports and other information protected under the Health Insurance Portability and Accountability Act of 1996
- Date of birth

V. PRESS RELEASES/PRESS CONFERENCES.

All press inquiries shall be referred to the Communications Office, who may coordinate a response with the Executive Office, the Investment Office, or the Office of Chief Counsel.

Information that is not subject to disclosure under this Policy or that is otherwise afforded protection under the law shall not be released to the press.

If the Communications Office determines that the subject of the inquiry relates to a significant or controversial issue that PSERS has not yet addressed, the Executive Director and Board Chair will be consulted immediately for a decision or concurrence to determine the manner in which to handle the issue.

The Communications Office may issue press releases as appropriate and provide copies to the Board. PSERS' staff will not conduct press conferences without prior notification to the Board.

Sections Amended January 1, 2000

The spelling of "employe" has been changed in all sections to "employee."

Sections Amended January 31, 2003

All sections amended to conform with Act 2002-100, enacted June 29, 2002; effective December 26, 2002 (Management Directive 205.36, dated November 27, 2002).

Sections Amended June 18, 2004

Sections throughout Policy revised to provide staff guidance in handling matters involving public information issues frequently encountered in the administration of benefits and investments, and to conform to Management Directive 205.36 Amended, dated November 5, 2003.

Sections Amended March 18, 2005

Housekeeping changes to the Policy included: Citation to the Administrative Agency Law corrected in the discussion of "who has the right to know;" reflecting a change in the RTKL from the word "citizen" to "resident;" and clarification of the balancing test as it affects the disclosure of personal information of members and annuitants where the Board has already announced a policy.

Sections Amended December 9, 2005

Revised the listing of items under the "Public Information" column in the Investment Office section.

Reference added to the *Rowland v. Public School Employees Retirement System* case.

Sections throughout Policy revised for clarification or editorial purposes.

Sections Amended January 26, 2007

Added references to the Administrative Code in Section I and in Section IV under the Agency Administration heading.

Revised Section III.C. to expand the definition of "requester" in light of a recent federal case, *Lee v. Minner*.

Revised Section IV under the Investment Office heading to reflect an amendment to the Public School Employees' Retirement Code dealing with investment information, 24 Pa. C.S. §8502(e).

Included references to the Health Insurance Portability and Accountability Act of 1996 in Section IV under the Benefits Administration heading.

Sections Amended December 12, 2008

Updated the Policy to comply with the new Right-to-Know Law of February 14, 2007, 65 P.S. §67-101, et seq., effective January 1, 2009.

Sections Amended June 12, 2014

Revised the listing of items under the "Public Information" and "Non-Public Information" columns in the Investment Office Section for clarification and editorial purposes.

Sections Amended March 8, 2019

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Securities Litigation Policy
Of
the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

Adopted by
the Board of Trustees
on September 19, 2003
Effective September 19, 2003

Adopted: September 19, 2003
Date Last Revised: December 9, 2011
Date Last Reviewed By Chief Counsel: April 22, 2019

Preface

WHEREAS, the Public School Employees' Retirement System (PSERS) provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code;⁷⁰ and

WHEREAS, the Public School Employees' Retirement Board (PSERB) is empowered by the Retirement Code with the exclusive control and management of PSERS;⁷¹ and

WHEREAS, the members of the PSERB stand in a fiduciary relationship to the members of PSERS with respect, *inter alia*, to the disbursement of any moneys from the fund;⁷² and

WHEREAS, as fiduciaries, the members of the PSERB have the duty to invest and manage the funds of PSERS for the exclusive benefit of the members of PSERS;⁷³ and

WHEREAS, as fiduciaries, the members of the PSERB also have a duty to invest and manage the funds of PSERS with the care, skill and caution that a prudent investor would exercise under similar circumstances;⁷⁴ and

WHEREAS, as fiduciaries, the members of the PSERB also have a duty to take reasonable and appropriate actions to recover losses to the funds of PSERS arising from misconduct by the companies in which the PSERB invests; and

WHEREAS, as fiduciaries, the members of the PSERB also have a duty to monitor settlements, including attorneys' fees that are sought, in securities class action lawsuits and to object to them when they do not appear to be reasonable; and

WHEREAS, on May 28, 1999, pursuant to Resolution 1999-27, the PSERB adopted a policy to approve applications by PSERS to serve as lead plaintiff in securities class action law suits; and

WHEREAS, on September 19, 2003, pursuant to Resolution 2003-44, the PSERB determined that it would be beneficial to adopt a more deliberative approach to securities litigation to better protect PSERS' interests in connection with possible

⁷⁰ 24 Pa.C.S. §8101 et seq.

⁷¹ 24 Pa.C.S. §8521(a).

⁷² 24 Pa.C.S. §8521(e).

⁷³ Rest. 3rd, Trusts (Duty of Loyalty) §170.

⁷⁴ 24 Pa.C.S. §8521 (a). Rest. 3rd, Trusts (Prudent Investor Rule) §227.

securities litigation and the coordination of action with the State Employees' Retirement System (SERS) when deemed appropriate; and

WHEREAS, on September 24, 2004, pursuant to Resolution 2004-50, the PSERB amended the Securities Litigation Policy to reflect the fact that the Policy would come under the auspices of the Corporate Governance Committee, and to more accurately reflect the securities litigation process then in use; and

WHEREAS, on June 3, 2005, the PSERB amended the Securities Litigation Policy, among other things, specifically to reflect the methodology for evaluating PSERS' possible involvement in securities litigation, to reflect PSERS' obligations pertaining to the settlement of class action lawsuits, and to establish guidelines for monitoring and reporting staff time and effort regarding securities litigation, and

WHEREAS, on September 28, 2007, the PSERB amended the Securities Litigation Policy, among other things, to identify the PSERB's objectives for pursuing an active role in class action lawsuits, and to direct the establishment and implementation of securities litigation implementation procedures and class action settlement procedures that collectively comprise PSERS' securities litigation program; and

WHEREAS, on January 22, 2010 the PSERB amended the Securities Litigation Policy, among other things, to lower the loss threshold to consider seeking lead-plaintiff status in a class action; and

WHEREAS, the PSERB desires to amend the securities litigation policy, among other things, to provide for consideration of PSERS' participation in securities litigation matters that are not class actions, but where there are joint or similar actions available; provide for an additional loss calculation methodology; and provide loss thresholds specific to opt-out litigation and other non-class actions; and clarify the procedure for consideration of securities litigation matters.

NOW THEREFORE, the members of the PSERB establish the following Securities Litigation Policy in connection with possible securities litigation:

I. Definitions

A. **Consultant:** A litigation consultant retained by the PSERB to advise PSERS on matters related to securities litigation.

B. **Corporate Action Agency Committee:** An agency committee comprised of three PSERB members appointed by the Chair of the PSERB and four PSERS staff members appointed by PSERS' Executive Director.

C. **Executive Staff:** PSERS' Executive Director and Chief Investment Officer.

- D. **FIFO (First In, First Out):** A method of accounting for the purchase and sale of securities whereby the securities are assumed to be sold in the chronological order in which they were purchased.
- E. **LIFO (Last In, First Out):** A method of accounting for the purchase and sale of securities whereby the securities are assumed to be sold in the reverse-chronological order in which they were purchased (i.e. the last security purchased is assumed to be the first security sold).
- F. **Maximum Recovery (Profit & Loss) (P & L):** A FIFO loss calculation methodology in which sales of a particular security during the class period are matched against initial holdings of the security until all the initial holdings have been depleted, and then a gain or loss is calculated based on those purchases and sales. Subsequent sales during the class period are matched against purchases during the class period when calculating gain or loss. Holdings at the end of the class period are matched against purchases on a FIFO basis to determine unrealized losses. The gains (if any) and losses are then aggregated to approximate the maximum amount PSERS might expect to recover at the end of a case.
- G. **Maximum Recovery (Wash):** A FIFO loss calculation methodology in which sales during the class period are matched against initial holdings, but no gain or loss is calculated on these initial matched sales. Subsequent sales during the class period are matched against purchases during the class period and a gain or loss is calculated. Holdings at the end of the class period are matched against purchases on a FIFO basis to determine unrealized losses. The gains (if any) and losses are then aggregated to approximate the maximum amount PSERS might expect to recover at the end of a case.
- H. **OAG:** Commonwealth of Pennsylvania, Office of Attorney General.
- I. **OCC:** PSERS' Office of Chief Counsel.
- J. **Policy:** Securities Litigation Policy adopted by the PSERB on September 19, 2003, as amended.
- K. **PSERB:** The Public School Employees' Retirement Board.
- L. **PSERS:** The Public School Employees' Retirement System.
- M. **Unrealized losses:** Losses calculated for those shares acquired during the class period and still held. The current value of the shares is netted against their purchase cost.

II. General Guidelines

The following guidelines shall apply to securities litigation matters:

A. Consistent with the Bylaws, the Corporate Governance Committee shall have the following responsibilities:

- To establish and modify, as it deems desirable, general principles consistent with this Policy to consider in determining whether PSERS should participate in securities litigation and in what capacity, with a general requirement of at least a \$10,000,000 loss to PSERS' retirement fund for PSERS to seek lead plaintiff or co-lead plaintiff status in a class action law suit;
- To recommend to the PSERB whether PSERS should institute securities litigation and, if so, whether it should do so individually or as a lead plaintiff or co-lead plaintiff in a class action law suit, and whether it should pursue litigation jointly with the State Employees' Retirement System;
- To recommend to the PSERB whether PSERS should institute other actions, including shareholder derivative actions, opt-out litigation, actions before the Securities and Exchange Commission (SEC), or participation in SEC rulemaking;
- To consider, in making a decision to recommend institution of securities litigation, the objectives of the PSERB, including, but not limited to, preservation of the retirement fund and collection of all amounts due to the retirement fund; maximizing the net recovery of PSERS; and the opportunity to effect meaningful corporate governance reforms as part of any securities litigation settlement;
- To identify for the PSERB the net added value to PSERS in pursuing a particular securities litigation;
- To take such further actions as the Corporate Governance Committee deems necessary or desirable to effect the desired results in the exercise of the foregoing and to comply with applicable laws and regulations.

B. Consistent with the PSERB's By-Laws regarding agency committees, the Corporate Action Agency Committee shall have the following responsibilities:

- In extraordinary circumstances in which there is no time to have a securities litigation matter addressed by a regular or special meeting of the Corporate Governance Committee, the Corporate Action Agency Committee shall be authorized to act.

- At the request of OCC and Executive Staff where it is deemed appropriate, to authorize pursuing class action litigation and foreign or domestic joint, group or other available non-class action litigation.
- To consider, in making a decision to recommend institution of securities litigation, the objectives of the PSERB, including, but not limited to, preservation of the retirement fund and collection of all amounts due to the retirement fund; maximizing the net recovery of PSERS; and the opportunity to effect meaningful corporate governance reforms as part of any securities litigation settlement;
- To identify for the PSERB the net added value to PSERS in pursuing a particular securities litigation;
- To take such further actions as it deems necessary or desirable to effect the desired results in the exercise of the foregoing and to comply with applicable laws and regulations

III. Application of Policy

A. General Procedures.

OCC shall design securities litigation implementation procedures to implement this Policy, and shall review and revise the securities litigation implementation procedures from time to time as necessary or required.

OCC shall monitor securities litigation matters, and PSERS may also subscribe to a securities litigation monitoring support service to assist in such oversight, which shall include evaluating and monitoring potential or pending securities litigation, estimating PSERS' potential losses in a particular case, and determining when to request the advice of a Consultant.

PSERS' Investment Accounting Division shall design class action settlement procedures to implement this Policy and shall review and revise the class action settlement procedures from time to time as necessary or required.

B. Consultant(s).

PSERS' Executive Director shall be authorized, subject to all necessary approvals required by law, to issue a Request For Proposals (either on behalf of PSERS alone or jointly with the State Employees' Retirement System), to enable the Corporate Governance Committee to establish and evaluate the credentials of a Consultant to advise PSERS on matters related to securities litigation.

PSERS shall seek to contract with not more than two (2) Consultants at any given time, who shall, at the request of PSERS' Chief Counsel, advise PSERS on matters relating to securities litigation, including assisting PSERS in analyzing its

interest in both pending and potential securities litigation based upon PSERS' holdings and exposure during the relevant periods, including identification of the specific benefit to PSERS in pursuing litigation, risk and value assessment, damage estimates, and recovery projections.

Upon receiving an assignment, a Consultant will be expected to perform an analysis and submit a report and recommendation in a prompt and judicious manner to allow PSERS sufficient time to take any legal action recommended by the Consultant or determined to be appropriate by the PSERB. A Consultant shall not be eligible to be considered as potential counsel to represent PSERS in any legal actions undertaken pursuant to this Policy, nor, without express written consent of PSERS, advise the actual counsel selected to represent PSERS in any legal actions undertaken pursuant to this Policy.

C. Loss Thresholds.

- For PSERS to seek lead or co-lead plaintiff status in a class action lawsuit, a loss of at least \$10,000,000 must be calculated under either the P & L, Wash, LIFO or FIFO recovery methods. If it is clear that the Federal District Court in which the class action lawsuit is brought requires a specific loss determination method, then PSERS must have suffered at least a \$10,000,000 loss under that particular method to seek lead or co-lead plaintiff status.

- For PSERS to consider bringing its own opt-out litigation action, a loss of at least \$7,500,000 must be calculated under the P & L, Wash, LIFO or FIFO recovery methods. If it is clear that the jurisdiction in which the opt-out action is to be brought requires a specific loss determination method, then PSERS must have suffered at least a \$7,500,000 loss under that particular method to consider bringing the action.

- For PSERS to consider joining in a foreign or domestic joint, group or other available non-class action litigation, a loss of at least \$2,000,000 must be calculated under the P & L, Wash, LIFO or FIFO recovery methods. If it is clear that the jurisdiction in which the action is to be brought requires a specific loss determination method, then PSERS must have suffered at least a \$2,000,000 loss under that particular method to consider bringing the action.

- Thresholds set forth in this section may be modified downward in instances where PSERS believes there are important policy reasons for commencing a particular action even though the threshold amount has not been met.

D. Factors to Consider in Deciding to Seek Lead Plaintiff Status:

1. Is PSERS an appropriate lead plaintiff?

- Are there reasons why PSERS should not seek lead plaintiff status, (including estimated damages that do not meet PSERS' threshold, unique claims

or damages that are large enough to merit filing a separate case, or an impractical or non-sympathetic venue)?

- Does PSERS have a conflict of interest in being lead plaintiff, such as a large continuing holding or relationship that would compromise PSERS' ability or desire to vigorously pursue the case?
- Is the potential class action a legitimate suit or simply a nuisance suit that PSERS has no interest in pursuing?
- Are there unusual circumstances or facts that could complicate PSERS' position, such as the risk of being viewed as a "professional plaintiff," weaknesses in PSERS' case not common to other potential lead plaintiffs, or documents or opinions inconsistent with PSERS' position?
- Are there non-monetary remedies of special importance to PSERS, such as corporate governance reforms, which other potential lead plaintiffs may not pursue?
- What is the likelihood of PSERS increasing its net recovery or capturing other added value by being lead plaintiff?
- Is there a less burdensome way of managing PSERS' potential claim other than litigation (such as attempting to convince a shareholder with a larger loss to become lead plaintiff, monitoring the case from the sidelines, filing a motion to support or oppose a candidate for lead plaintiff, or negotiating an agreement with lead counsel to keep PSERS informed of case development)?

2. Does PSERS have the resources available to devote to litigation?

- Is PSERS willing to bear the administrative burden of court appearances, strategy sessions, etc.?
- Is PSERS limited by staffing constraints?
- What are the capabilities and anticipated testimony of PSERS' likely witnesses?
- Do PSERS' investment managers support PSERS' position in the litigation?
- Are PSERS' investment managers willing to respond to requested discovery?
- In how many other class action or other securities litigation cases is PSERS currently actively involved?

3. Strength of claim and defenses.

- What claims can be asserted in the action and what is the likelihood of their sustainability?
 - Is the case vulnerable to a motion to dismiss?
 - What are the possible defenses to be raised and how strong are such defenses?
 - What are the potential sources of recovery (corporate defendants, individual officers and directors, auditors, underwriters)?
 - Is PSERS willing to pursue a shareholder derivative action?
- Will PSERS' participation lend credibility and support to a cause of action that is legitimate but might fail otherwise?

4. Other potential lead plaintiffs and lead counsel.

- Will another sophisticated lead plaintiff likely come forward to manage the case?
- Is PSERS willing to contact other institutional investors, or has it been contacted by other institutional investors, to jointly pursue lead plaintiff status?
- Is PSERS satisfied with the reputation and skills of potential lead counsel candidates?
- Will PSERS' participation in the litigation assist in lowering attorney fees?

E. Review of New Cases.

1. At the time that OCC learns of a loss in excess of PSERS' threshold arising from a securities fraud claim, it will obtain information regarding the potential claim and advise PSERS' Executive Staff of the potential claim.

a. OCC and Executive Staff may then, if they deem it advisable, confer with and seek advice from one or both of the Consultants to determine what action, if any, to take, consistent with this Policy. If they do not deem it advisable to submit the matter to a Consultant, they shall document their decision and advise the Corporate Governance Committee of such action at its next regularly scheduled meeting.

b. If the matter is submitted to a Consultant, and if based on the Consultant's recommendation OCC and Executive Staff determine that PSERS should initiate securities litigation individually, or as a lead plaintiff or co-lead plaintiff in a class action lawsuit, or in some other capacity, then OCC and Executive Staff will make a recommendation to that effect to the Corporate Governance Committee at its next regularly scheduled meeting (or at a special meeting of the Committee and the PSERB or the Corporate Action Agency Committee, as the case may be, if time does not permit).

c. In extraordinary circumstances in which there is no time to have the issue addressed by a regular or special meeting, the Corporate Action Agency Committee shall be authorized to act.

d. If, however, OCC and Executive Staff, after considering the recommendation of the Consultant, decide to take no action, then they shall so notify the Corporate Governance Committee and the PSERB. Any individual PSERB member shall have the right to have that decision placed on the agenda of the next scheduled meeting of the Corporate Governance Committee and PSERB (or at a special meeting of the Committee and the PSERB if time does not permit). Pending said meeting, no action shall be taken regarding the potential claim.

2. If the Corporate Action Agency Committee or the Corporate Governance Committee and the PSERB authorize the commencement of securities litigation, OCC will seek delegation of authority from, or participation by, OAG.

3. OCC will finalize the agreement for legal services with counsel and OAG, and advise counsel to proceed with the litigation. The final terms and conditions of all legal services contracts entered into as a consequence of the policy must be satisfactory to the Executive Staff and OCC.

F. Role of OCC and Executive Staff.

1. OCC shall periodically report to the Corporate Governance Committee or the PSERB regarding securities litigation matters, including the status of litigation in which the PSERB has authorized involvement. In the event of significant strategy changes prior to or during particular securities litigation, OCC and Executive Staff will make additional recommendations to the Corporate Governance Committee.

2. OCC and Executive Staff shall monitor, and, when appropriate, participate in hearings regarding settlement petitions, including attorneys' fees requested in securities class action lawsuits, and object to such settlements and/or fee requests when the OCC and Executive Staff deem them to be not reasonable. OCC shall work closely with outside counsel on cases and participate in important strategy decisions and review important documents and pleadings. OCC will obtain the authorization of the

Corporate Governance Committee and the PSERB prior to taking any legal action in appellate courts.

G. Reporting Requirements.

1. Consistent with this Policy and the procedures established by PSERS' Investment Accounting Division, PSERS' Investment Accounting Division shall monitor and ensure that claims are filed by PSERS' custodian bank in all applicable class action settlements, that the appropriate cash amount of the claims are received by the custodian bank, and report quarterly to the PSERB on the collection of claims in securities class action settlements filed by PSERS' custodian bank.

2. OCC shall submit to the PSERB at the January meeting an annual report on securities litigation matters for the prior year, and shall include the amount of staff time and effort expended on particular securities litigation matters in which PSERS is actively involved and other matters on which time has been expended.

H. Residual Funds.

In any case where PSERS is a lead plaintiff in a class action, and, upon settlement or other resolution of the matter that entails the receipt and distribution of funds to a class, there are residual funds remaining at the end of the distribution that are eligible for payment to a non-profit organization, PSERS shall seek court approval to pay such residual funds to a non-profit organization or organizations that have as a prime purpose the support of good corporate governance; protection of investor rights; or advancing the interest of retirement security. Sections Amended September 24, 2004 Sections throughout Policy revised to reflect the fact that the Policy will now come under the auspices of the PSERB's new Corporate Governance Committee, and to more accurately reflect the securities litigation process currently in use.

Sections Amended June 3, 2005

Sections throughout Policy revised to, among other things, specifically reflect the methodology for evaluating PSERS' possible involvement in securities litigation, to reflect PSERS' obligations pertaining to settlement of class action lawsuits, and to establish guidelines for monitoring and reporting staff time and effort regarding securities litigation.

Sections Amended September 28, 2007

Sections throughout Policy revised to, among other things, identify the PSERB's objectives for pursuing an active role in class action lawsuits, and direct the establishment and implementation of securities litigation implementation procedures and class action settlement procedures that collectively comprise PSERS' securities litigation program.

Sections Amended January 22, 2010

Sections throughout Policy revised to lower the stated threshold for PSERS to consider lead plaintiff status.

Sections Amended December 9, 2011

Sections throughout policy revised to provide for consideration of PSERS' participation in securities litigation matters that are not class actions, but where there are joint or similar actions available; provide for an additional loss calculation methodology; provide loss thresholds specific to opt-out litigation and other non-class actions; and clarify the procedure for consideration of securities litigation matters.

U.S. Proxy Voting Policy
of
the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
the Board of Trustees
on September 17, 1993

Effective
September 17, 1993

Adopted: September 17, 1993
Revised: March 14, 2014
Date Last Reviewed by Chief Investment Officer: January 4, 2018

PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
U.S. PROXY VOTING POLICY

GENERAL

The voting policies approved by this Board ("Approved Policies") apply to all U.S. proxies that the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) is entitled to vote. PSERS shall cast a vote FOR or AGAINST or register an ABSTENTION in all such proxies.

In voting proxies, PSERS shall consider the factors affecting the value of the investment and vote in the manner that, in its view, best serves the economic interest of PSERS' beneficiaries. Consistent with this objective, PSERS will normally vote in accordance with the Approved Policies.

Recognizing that PSERS' Proxy Voting Agent, Glass, Lewis & Co., LLC (Glass Lewis), performs the underlying research and formulates original proxy voting policies for its clients, this Board hereby adopts the Glass Lewis U.S. Proxy Paper Policy Guidelines, except for the voting guidelines adopted below. The Glass Lewis U.S. Proxy Paper Policy Guidelines may be amended or expanded from time to time without further action by this Board, unless a policy change is considered by the Investment Office not to best serve the economic interest of PSERS' beneficiaries. This Board possesses the authority and reserves the right (i) to modify any voting policy in such manner it deems appropriate at any time, and (ii) to direct Glass Lewis to change any recommendation under this Policy in such manner as the Board deems appropriate.

In evaluating and voting proxies, PSERS shall pay special attention to companies that are headquartered, incorporated, or have significant contact in the Commonwealth of Pennsylvania to ensure that the best interests of the Commonwealth and PSERS' beneficiaries who live and work in the Commonwealth are taken into account. A determination of "best interests" may include, but shall not necessarily be limited to, consideration of the economic stability of a community or region within Pennsylvania and the effect of the policy to be voted upon on the Public School Employees' Retirement Fund.

The following are the Board-approved voting guidelines that enhance or override the standard Glass Lewis U.S. Proxy Paper Policy Guidelines related to these issues:

CORPORATE BOARD DIVERSITY

PSERS believes that increasing diversity in the boardroom will better reflect a company's workforce, customers and community, and that this enhances shareholder value. Therefore PSERS encourages diversity in experience, gender, race and age and will generally vote FOR such qualified nominees unless such a vote would violate another provision of this Policy.

REINCORPORATION PROPOSALS

PSERS will generally vote FOR reincorporation proposals that are likely to increase shareholder value and /or promote and protect shareholder rights; otherwise, PSERS will

generally vote against reincorporation proposals.

PSERS will vote FOR all reincorporation proposals to reincorporate in Pennsylvania.

PSERS will vote AGAINST all reincorporation proposals to reincorporate Pennsylvania companies outside of Pennsylvania.

SHAREHOLDER INITIATIVES

This section replaces the standard guidelines used by Glass Lewis in voting shareholder initiatives as listed in the Glass Lewis Domestic Proxy Paper Policy Guidelines.

NORTHERN IRELAND RESOLUTIONS

PSERS will vote FOR resolutions pertaining to Northern Ireland that advocate adoption of the affirmative action measures set forth in 24 Pa. C.S. §8527(b), including adopting or reporting on MacBride Principles.

The MacBride principles are a set of nine equal opportunity/affirmative action principles aimed at fighting religious discrimination in employment in Northern Ireland.

LABOR PRACTICES

NON-DISCRIMINATION POLICIES

MILITARY AND US GOVERNMENT BUSINESS POLICIES

FOREIGN GOVERNMENT BUSINESS POLICIES

ENVIRONMENTAL POLICIES

PSERS will generally ABSTAIN from voting on proposals dealing with such issues in instances in which the best economic interests of PSERS' beneficiaries will not be affected positively or negatively by the determination of such an issue. In situations in which the proposal is likely to enhance the economic interests of PSERS' beneficiaries, PSERS will generally vote FOR the proposal. Conversely, in situations in which the proposal is likely to be detrimental to the economic interests of PSERS' beneficiaries, PSERS will generally vote AGAINST the proposal.

PSERS may consider the following in analyzing shareholder initiatives:

- *whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;*
- *the percentage of sales, assets, and earnings affected;*
- *the degree to which the company's stated position on issues raised in the proposal could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;*
- *whether the issues presented should be dealt with through government action or through company-specific action;*
- *whether the company has already responded in some appropriate manner to the*

