

SERS Board Governance Policy Manual

Standards of Conduct

EXHIBIT A

Commonwealth of Pennsylvania Ethical Conduct Policy

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Policy Name:	Ethical Conduct Policy
Policy Number:	2018 POL-BD-11
Effective Date:	January 24, 2007, as amended September 12, 2018, September 26, 2023
Reviewed Date:	January 9, 2018, September 19, 2023
Applies To:	Board Members or Public Officials
Contact Person:	SERS Legal Office

I. Purpose

The State Employees' Retirement Board (the "Board") is aware of its fiduciary obligations and the need to conduct itself in accordance with high ethical standards. Although the members of the Board feel that they have conducted themselves in a manner satisfying such obligations and complying with such standards, the Board has concluded that it will be beneficial to establish a clear ethical conduct policy ("Policy") with which all Board members and, where applicable, their designees must comply.

This Ethical Conduct Policy may incorporate or expand on some of the requirements in existing statutes and applicable directives and codes of conduct, but it is not intended to supplant those requirements. In addition to complying with this policy, Board members and designees of Board members must comply with all such other applicable requirements.

II. Definitions

Adverse Pecuniary Interest – Adverse Pecuniary Interest shall have the meaning as described in 4 Pa. Code 7.151, attached hereto as Appendix A.

Board – The State Employees' Retirement Board. All references to Board members herein shall include their designees.

Conflict or Conflict of Interest – Use by a public official or public employee of the authority of his office or employment or 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 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 or a business with which he or a member of his immediate family is associated (65 Pa. C.S.A. § 1102)

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De Minimis Economic Impact or Value – An economic consequence which has an insignificant effect or that is received by virtue of being a member of a broad general class, such as being a shareholder of a public corporation or the general public.

Gift -- A gratuity, entertainment, loans or any other thing of monetary value, including in-kind gifts (4 Pa. Code § 7.153)

Honorarium – Payment made in recognition of published works, appearances, speeches and presentations and which is not intended as consideration for the value of such services which are nonpublic occupational or professional in nature. The term does not include tokens presented or provided which are of de minimis economic impact (65 Pa. C.S.A. § 1102)

Immediate Family Member – Spouse, parents, children, and siblings, and the spouses thereof

Political contribution – Any advance, conveyance, deposit, distribution, transfer of funds, loan, payment, pledge, purchase of a ticket to a testimonial or similar fundraising affair, or subscription of money or anything of value except volunteer services, in connection with a political campaign, and any contract, agreement, promise or other obligations, whether or not legally enforceable, to make a political contribution (65 Pa. C.S.A. § 1102)

Plans – State Employees' Defined Contribution Plan and the State Employees' Deferred Compensation Plan

Retirement Code – The State Employees' Retirement Code, 71 Pa. C.S.A. §§ 5101-5958.

III. Policy Statement

A. In making investment decisions, Board members shall exercise 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 funds, considering the income to be derived therefrom as well as the probable safety of their capital. The foregoing requirement shall be applied on a total portfolio basis with a recognition of the prudence and advantages of reasonable diversification for SERS, in terms of reducing the volatility of returns and risk management.

B. In taking action on any investments, disbursements of moneys, or any other transactions of SERS, including actions relating to the Plans, neither

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Board members nor, to their knowledge, any of their Immediate Family Members shall profit therefrom, either directly or indirectly, and they shall invest and manage the moneys and other assets of SERS and the Plans for the exclusive benefit of the members of SERS and the participants in the Plans, subject to any limitations, exceptions and directives in any applicable law.

- C.** Board members shall not engage in any employment, activity, or enterprise for compensation that is inconsistent with their fiduciary duties, as set forth in the Retirement Code, or where the performance of their duties will be subject to improper influence or control by any other Person. Board members should not engage in any other conduct that creates either an actual or the appearance of a Conflict of Interest or an Adverse Pecuniary Interest.
- D.** Board members shall not use threats, intimidation, or other undue influence to cause or attempt to cause members of SERS staff, SERS advisors or consultants, or fellow Board members to take specific action or make a specific decision, or to act in a manner that is inconsistent with their fiduciary duties or the policies of the Board.
- E.** Board members shall refrain from knowingly soliciting campaign or charitable contributions from SERS staff and SERS contractors. Board members shall comply with all SERS policies, laws, regulations, and codes of conduct applicable to the solicitation of or reporting requirements for the receipt of any campaign or charitable contributions.
- F.** Board members 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.
- G.** All security transactions for any accounts the Board manages or controls shall be done in a manner that avoids the appearance of impropriety. Accordingly, no Board member shall engage in

 - 1. Insider trading, which is an illegal activity in which a person makes trades based on proprietary and confidential information received about a security that investors generally do not know, or

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2. Front running, which is an illegal activity in which a person, knowing an institution or firm is about to make a market-moving trade in a security, takes or sells a position in that security “in-front” of the trade to make a personal profit.

These prohibitions apply even if a Board member’s position on the Board ceases, and continue until such time as the information has become generally available to the public, other than through disclosure by or through the Board member or a related person.

- H.** Board members shall not use confidential information that they obtain in the performance of their duties as Board members for the benefit of themselves or any other person or entity, other than members of SERS or participants of the Plans.
- I.** Board members shall not enter into any agreement for compensation for services rendered or to be rendered to any person or entity in connection with any investments or transactions involving SERS or the Plans.
- J.** Board members shall disclose all Conflicts of Interest, Potential Conflicts of Interest, and situations that could reasonably be perceived as creating Conflicts of Interest and such disclosure shall be made prospectively, or as soon as reasonably practicable. The disclosures shall be made in writing to the Chief Compliance Officer who shall notify the Board Chairperson, who shall be required to present to the Board a list of such disclosures.
- K.** Prior to commencement of service as a Board member, and annually thereafter on or before May 1st, Board members shall file with the SERS Chief Compliance Officer
 1. An Annual Questionnaire on Conflict of Interests (“Questionnaire”) in the form then being used by SERS;
 2. A copy of the State Ethics Commission Statement of Financial Interests required to be filed pursuant to the provisions of the Public Official and Employee Ethics Act, 65 Pa. C.S.A. § 1101 *et seq.*; and
 3. If applicable, a copy of the Code of Conduct Statement of Financial Interest required to be filed under the Governor’s Code of Conduct promulgated by Executive Order 1980-18, as amended.
- L.** A matter before the Board shall not be deemed a Conflict of Interest where such matter may bestow a benefit on a Board member and the benefit in

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question is merely incidental to the Board member's membership in a large class such as the class of SERS members or as a participant in the Plans.

- M.** Board members shall, in a timely manner, make disclosures required under this Ethical Conduct Policy or report any suspected violations of this policy to the Chief Compliance Officer who shall notify the Board Chairperson, who shall ensure that such suspected violations are considered by the Board, along with any supporting information.
1. Should the Board Chairperson be the subject of the suspected violation, the Chief Compliance Officer shall instead report the matter to the Assistant Chairperson or the Chairperson of the SERS Audit Committee, who shall report the matter to the Board. Upon consideration and all necessary analysis of such suspected violations, the Board may take any of the following actions:
 - a. refer the matter to the Audit Committee to investigate the suspected violations further;
 - b. make a finding that no violation has occurred;
 - c. refer the matter to the appropriate authorities, where the alleged violation pertains to a breach of the law and the Board has determined that there are sufficient grounds to support the suspected violations;
 - d. make a finding that a violation has occurred, and take any of the following actions:
 - (i) communicate the findings of the Board to any appointing authority, if applicable, or to any other party and by any means the Board deems appropriate.
 - (ii) any other action the Board deems suitable under the circumstances.
- N.** Any Board Member who is the subject of a suspected violation of the standards set forth in this Ethical Conduct Policy shall
1. be informed of the suspected violations and provided an opportunity at a Board meeting (and a Board committee meeting, if applicable) to respond to the suspected violations. The Board shall endeavor to provide the Board member with adequate notice of such meeting, where circumstances permit and

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2. recuse himself or herself from any Board or Board committee review or discussion in relation to the violation, except when invited to respond to the suspected violations.

O. If a Board member has questions about any provision of this policy or related laws and the implementation thereof, they are expected to seek advice or clarification from SERS Chief Counsel.

IV. Related Information

A. **Related Laws or Regulations**

1. Pennsylvania Public Official and Employee Ethics Act, 65 Pa. C.S.A. §§ 1101-1113
2. Governor's Code of Conduct, adopted by Executive Order 1980-18, as amended
 - (a) Code of Conduct for Appointed Officials and State Employees, 4 Pa. Code §§ 7.151-7.179
3. State Employees' Retirement Code, 71 Pa. C.S.A. §§ 5101-5958

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Legal Office
- c. **Summary of Changes:** Revised provisions of the policy

Date	Version	Author	Summary
12/15/2015		Rose Agnew	Assigned New Policy Number
January 9, 2018	2018-POL-BD-11	Chris Houston	Revised policy #2007 POL-EO-02 established January 24, 2007, and assigned a new policy number.
September 19, 2023	2018-POL-BD-11	Kathryn Joyce	Biennial review. Revised and consolidated policy for clarity and updates.

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APPENDIX A

4 Pa. Code § 7.151 Adverse pecuniary interest.

An employee, appointee or official in the Executive Branch of the Commonwealth may not do the following:

- (1) Engage directly or indirectly in business transactions or private arrangement for profit which accrues from or is based upon his official position of authority.
- (2) Participate in the negotiation of our decision to award contracts, the settlement of claims or charges in contracts, the making of loans, the granting of subsidies, the fixing of rates, or the issuance of permits, certificates, guarantees or other things of value to, with or for an entity in which he has a financial or personal interest.
- (3) Hold any pecuniary interest in, or own shares or securities issued by, an entity regulated by 4 Pa.C.S. Part II (relating to the Pennsylvania Race Horse Development and Gaming Act) (herein, a "regulated gaming entity"). This provision does not apply to interests held:
 - (i) In mutual funds when the value of the interest owned does not exceed 1% of the total fair market value of the regulated gaming entity.
 - (ii) Through defined benefit pension plans.
 - (iii) Through a deferred compensation plan organized and operated under section 457 of the Internal Revenue Code of 1986 (26 U.S.C.A. § 457).
 - (iv) Through a tuition account plan organized and operated under section 529 of the Internal Revenue Code (26 U.S.C.A. § 529).
 - (v) Through a plan described in section 401(k) of the Internal Revenue Code (26 U.S.C.A. § 401(k)).
 - (vi) In an employer profit-sharing plan qualified under the Internal Revenue Code.
 - (vii) In a regulated gaming entity prior to July 6, 2004, by individuals other than the following:
 - (A) Employees of the Pennsylvania State Police or the Department of Revenue whose duties include any aspect of the gaming industry.
 - (B) Members of the State Horse Racing Commission or the State Harness Racing Commission and their respective staff.
 - (C) Public officials appointed by the Governor and Commonwealth employees under the Governor's jurisdiction.
 - (D) Members of the board of the Public School Employees Retirement System and its employees.
 - (E) Members of the board of the State Employees Retirement System and its employees.
 - (F) Members of the board of the Independent Regulatory Review Commission and its employees.