COMMONWEALTH OF PENNSYLVANIA

PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD

Policy Name:	"Pay-to-Play" Rule Compliance and Reporting Policy
Effective Date:	12/20/2024
Reviewed Date:	12/20/2024
Contact Person:	Chief Compliance Officer

I. Purpose

To promote transparency and fairness in the procurement of goods and services, the Board adopted this Policy, which sets forth rules to prevent Board Members from being unfairly influenced by Contributions in procurement decisions.

II. Scope

This Policy pertains to Contributions from potential and actual Board Investment Counterparties and Associated Parties made to Board Members.

III. Objectives

This Policy's objective is to deter undue influence when Board Members vote on the procurement of goods and services to be paid for by funds for which Board Members serve as trustees, including but not limited to, the DB Plan, the DC Plan, and health benefit plans sponsored by the Board.

IV. Definitions

"Act" shall mean the Investment Advisers Act of 1940 (the "Act").

"Associated Party" or **"Associated Parties"** of an Investment Advisor shall mean and include in the context of contracts governed by the Rule:

(i) the Investment Adviser's general partners, managing members, executive officers, and other individuals with a similar status or function,

(ii) employees of the Investment Adviser who solicit government entity clients and the supervisors of such employees,

(iii) any political action committee controlled by the Investment Adviser or any person described in (i) or (ii) immediately above.

"Board" shall mean: the Commonwealth of Pennsylvania, Public School Employees' Retirement Board.

"Board Members" shall mean the Commonwealth of Pennsylvania, Public School Employees' Retirement Board members and their designee(s).

"CIO" shall mean PSERS' Chief Investment Officer.

"Investment Counterparties" shall mean parties providing investment services to the Board pursuant to a contract.

"Contribution" shall mean and include any gift, subscription, loan, advance, deposit of money, or anything of value made for:

(i) The purpose of influencing any election for federal, state, or local office;

(ii) Payment of debt incurred in connection with any such election; or

(iii) Transition or inaugural expenses of the successful candidate for state or local office.

"DB Plan" shall mean the Public School Employees' Retirement System.

"DB Plan Investment Advisor" shall mean an Investment Advisor with an Investment Relationship with the DB Plan.

"DC Plan" shall mean the School Employees' Defined Contribution Plan.

"DC Plan Investment Advisor" shall mean an Investment Advisor with an Investment Relationship with the DC Plan.

"DED/DDCI" shall mean the Deputy Executive Director and Director of Defined Contribution Investments.

"Ethics Policy" shall mean the Ethics Policy of the Commonwealth of Pennsylvania Public School Employees' Retirement Board.

"Executive Officer" shall mean Executive officer of an investment adviser means: (i) the president; (ii) any vice president in charge of a principal business unit, division or function (such as sales, administration or finance); (iii) any other officer of the

investment adviser who performs a policy-making function; or (iv) any other person who performs similar policy-making functions for the Investment Adviser.

"Investment Adviser" shall mean and include a federally registered investment manager/adviser, or any individual or entity that is otherwise subject to the Rule, which is engaging or seeking to engage in or extend an Investment Relationship with the Board.

"Investment Relationship" shall mean and include a compensated relationship between the Board and an Investment Adviser for the purpose of providing investment-related services covered by the Rule, such as money management services and/or investment advice or consulting (including recommendations for the placement or allocation of investment funds) involving funds or assets overseen by the Board.

"Non-Investment Contract" shall mean any contract which is not governed by Section V(A) and for which the approval of the underlying goods and/or services are to be made by the Board

"Non-Investment Contract Counterparty" shall mean a party seeking a Non-Investment Contract.

"Official" shall mean and include any person (including any election committee for the person) who was, at the time of the Contribution, an incumbent, a candidate, or a successful candidate for elective office of a government entity, if the office:

(i) Is directly or indirectly responsible for, or can influence the outcome of, the hiring of an Investment Adviser Counterparty by the Board (e.g., without limitation, Board Members and designees); or

(ii) Has authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of an Investment Adviser by the Board (e.g., without limitation, the Pennsylvania Governor, the Speaker of the Pennsylvania House of Representatives, and the President Pro Tempore of the Pennsylvania Senate).

"PSERS" shall mean: the Commonwealth of Pennsylvania, Public School Employees' Retirement System.

"Rule" shall mean Rule 206(4)-5 of the Investment Advisers Act of 1940.

V. Policy

A. Prohibition of Contributions by Investment Advisers

This Rule with limited exceptions, prohibits Investment Advisers covered by the Act from receiving compensation from a government entity for investment advisory services for a period of two years from the date the Investment Adviser (or any of its Associated Parties) made a Contribution to an Official. This Section A describes the manner in which Board Members shall (i) apply the Rule, and (ii) report activities prohibited by the Rule. This Policy also establishes how the Board shall respond to Rule violations. In the event of a conflict between the Rule and this Policy, the provisions of the Rule shall prevail.

The Board shall not knowingly enter into an Investment Relationship with an Investment Adviser if the Investment Adviser has made a Contribution to an Official within the past two years. This prohibition shall apply to Contributions made directly by the Investment Adviser or indirectly through Associated Parties.

The above prohibition shall not apply to Contributions made by an Investment Adviser's Associated Parties to Officials for whom the Associated Parties: (i) were entitled to vote at the time of the Contribution and that in the aggregate do not exceed $350 to any one Official, per election, and (ii) were not entitled to vote at the time of the Contribution and that in the aggregate do not exceed $150 to any one Official, per election. This Policy imposes no restrictions on activities such as making independent expenditures to express support for candidates, volunteering, making speeches, and other similar conduct.

The Rule also provides an exception from the general prohibition for a Contribution of $350 or less that was returned because the Associated Party was *not* entitled to vote for the Official at the time of the Contribution. To be eligible for this exception, the Investment Adviser must: (i) discover the Contribution within four months of the Contribution date, (ii) return the Contribution within 60 calendar days after the Investment Adviser discovers the Contribution, and (iii) comply with the Rule's requirements 1) restricting the number of exceptions based on the Investment Adviser's total number of employees, and 2) limiting the exception's use to only once per Associated Party.

Finally, as noted in the Rule, the above prohibition does not apply to Contributions made by Associated Parties more than six months before they commenced employment with the Investment Adviser, provided the Associated Parties do not solicit clients on the Investment Adviser's behalf.

As part of the due diligence process, before making any recommendation to the Investment Committee or the Board that the Board engage a DB Plan Investment Adviser and in addition to any other "pay-to-play"/campaign finance reporting inquiries made as part of the standard due diligence process, the CIO and/or the Investment Office shall request and receive the following information from the DB Plan Investment Adviser:

- During the last two years, has the Investment Adviser or any of its Associated Parties made, coordinated, or solicited any Contributions to an Official as defined above?

- If yes, identify (i) the date of the Contribution, (ii) the person or entity making, coordinating, or soliciting the Contribution and the person's position with the Investment Adviser (if the Contribution was made by an individual), (iii) the person or entity receiving the Contribution, and (iv) the Contribution amount.

The CIO or the Investment Office shall provide for Contributions disclosed by a DB Plan Investment Adviser to be reported to the Board, the Executive Director, the Chief Compliance Officer, and the Chief Counsel, and all such disclosures shall be reviewed by the Investment Committee and the Board in connection with discussions about an Investment Relationship with the disclosing DB Plan Investment Adviser.

As part of the due diligence process, before making any recommendation to the Defined Contribution Committee or the Board that the Board engage a DC Plan Investment Adviser, and in addition to any other "pay-to-play"/campaign finance reporting inquiries made as part of the standard due diligence process, the DED/DDCI or the DED/DDCI's designee shall request and receive the following information from the DC Plan Investment Adviser:

- During the last two years, has the Investment Adviser or any of its Associated Parties made, coordinated, or solicited any Contributions to an Official as defined above?

- If yes, identify (i) the date of the Contribution, (ii) the person or entity making, coordinating, or soliciting the Contribution and the person's position with the Investment Adviser (if the Contribution was made by an individual), (iii) the person or entity receiving the Contribution, and (iv) the Contribution amount.

The DED/DDCI or the DED/DDCI's designee shall provide for Contributions disclosed by a DC Plan Investment Adviser to be reported to the Board, the Executive Director, the Chief Compliance Officer, and the Chief Counsel, and all such disclosures shall be reviewed by the Defined Contribution Committee and the Board in connection with discussions about an Investment Relationship with the disclosing DC Plan Investment Adviser.

If a Board Member possesses actual knowledge that an Investment Adviser and/or Associated Parties made a Contribution to an Official that is prohibited by this Policy, the Board Member shall immediately report the Contribution to the Executive Director, the Chief Compliance Officer, the Chief Counsel and the CIO for DB Plan Investment Advisors and the DED/DDCI for DC Plan Investment Advisors.

Any Board Member with actual knowledge receives, or with actual knowledge has received, a Contribution from an Investment Adviser and/or Associated Parties (even if such Contribution is ultimately returned) shall immediately disclose the Contribution to the Executive Director, the Chief Compliance Officer, the Chief Counsel, and the CIO for DB Plan Investment Advisors and the DED/DDCI for DC Plan Investment Advisors.

Any agreement, or supporting documentation (e.g., side letters, due diligence questionnaires, etc.) involving a DB Plan Investment Relationship between PSERS and an Investment Adviser entered into after the effective date of this Policy shall include terms substantially similar to those in Appendix A.

Any agreement, or supporting documentation (e.g., side letters, due diligence questionnaires, etc.) involving a DC Plan Investment Relationship between the Board and an Investment Adviser entered into after the effective date of this Policy shall include terms substantially similar to those in Appendix B.

B. Prohibition of Contributions by Non-Investment Contract Counterparties

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VI. Responsibilities

This Policy places responsibilities as set forth above upon: (i) the Board, (ii) the Executive Director, (iii) the Chief Counsel, (iv) the CIO, (v) the DED/DDCI, (vi) the Investment Office, and (vii) the Chief Compliance Officer.

Document Properties

Document Owner: Governance & Administration Committee
Document Author: Governance & Administration Committee

Summary of Changes:

Date	Version	Author	Summary
12/20/2024	1.0	Governance & Administration Committee	Policy adopted.

Appendix A

Model "Pay-to-Play"/Political Contributions Reporting Language for Agreements Between PSERS and a DB Plan Investment Adviser

- For Investment Advisory Agreements (IAAs):

ADVISOR hereby represents and warrants to PSERS that it is, and shall at all times during the term of this Agreement continue to be, in compliance with any and all federal and state securities laws and regulations, as well as all other applicable laws, rules, and regulations, including without limitation those relating to the (i) licensing of its personnel, and (ii) recordkeeping/reporting of any contribution as required by (A) United States Securities and Exchange Commission ("SEC") Rule 206(4)-5 (the "Rule"), and (B) the Pennsylvania Campaign Finance Act (Article XVI of the Pennsylvania Election Code, *see* 25 P.S. § 3260a).

In order to ensure its compliance with the Rule (regardless of whether ADVISOR may otherwise qualify for any exceptions/exemptions thereunder), on or before February 15th of each year during the term of this Agreement, ADVISOR shall submit annually to PSERS Chief Compliance Officer and PSERS Chief Counsel (i) a report of any contribution made by ADVISOR, any of its executive officers, and/or any of its covered associates, to any official of a government entity of the Commonwealth of Pennsylvania during the previous calendar year (as such terms have been defined in the Rule), including without limitation, any current or previous PSERS Board member(s), designee(s), or PSERS employee(s), or (ii) an affirmative written statement that no such contributions were made during the previous calendar year.

- For Limited Partnership Agreement Side Letters:

Compliance with Laws. The General Partner's conduct and actions for, and on behalf of PSERS, shall be in compliance at all times with federal and state securities laws and regulations, and all other applicable laws, rules, and regulations including, but not limited to, those relating to the licensing of its personnel. The General Partner shall comply with the United States Securities and Exchange Commission

("SEC") Rule 206(4)-5 (the "Rule") including, but not limited to, recordkeeping of contributions as required by the Rule.

In order to ensure its compliance with the Rule (regardless of whether the General Partner may otherwise qualify for any exceptions/exemptions under the Rule), on or before February 15th of each year during the term of the Partnership, the General Partner shall submit annually to PSERS Chief Compliance Officer and PSERS Chief Counsel (i) a report of any contribution made by the General Partner, any of its executive officers, and/or any of its covered associates, to any official of a government entity of the Commonwealth of Pennsylvania during the previous calendar year (as such terms have been defined in the Rule), including, without limitation, any current or previous PSERS Board member(s), designee(s), or PSERS employee(s), or (ii) an affirmative written statement that no such contributions were made during the previous calendar year.

Reporting Political Contributions. In addition to any applicable obligations of the General Partner and its affiliates under the Rule, the Investor has represented to, and the General Partner (on behalf of itself and its affiliates) understands and acknowledges that the General Partner is subject to the reporting requirements set forth in 25 P.S. § 3260a of the Pennsylvania Campaign Finance Act (Article XVI of the Pennsylvania Election Code). In consideration of the foregoing, the General Partner hereby agrees that if required to submit a report under Pennsylvania law, it shall provide to the Investor a copy of (i) its most recent report submitted to the Secretary of the Commonwealth of Pennsylvania, and (ii) each successive report (if any) by February 15th of each year during the term of the Partnership.

Appendix B

Model "Pay-to-Play"/Political Contributions Reporting Language for Agreements Between the Board and a DC Plan Investment Adviser

ADVISOR hereby represents and warrants to the Board that it is, and shall at all times during the term of this Agreement continue to be, in compliance with any and all federal and state securities laws and regulations, as well as all other applicable laws, rules, and regulations, including without limitation those relating to the (i) licensing of its personnel, and (ii) recordkeeping/reporting of any contribution as required by (A) United States Securities and Exchange Commission ("SEC") Rule 206(4)-5 (the "Rule"), and (B) the Pennsylvania Campaign Finance Act (Article XVI of the Pennsylvania Election Code, *see* 25 P.S. § 3260a).

In order to ensure its compliance with the Rule (regardless of whether ADVISOR may otherwise qualify for any exceptions/exemptions thereunder), on or before February 15th of each year during the term of this Agreement, ADVISOR shall submit annually to the Board's Chief Compliance Officer and the Board's Chief Counsel (i) a report of any contribution made by ADVISOR, any of its executive officers, and/or any of its covered associates, to any official of a government entity of the Commonwealth of Pennsylvania during the previous calendar year (as such terms have been defined in the Rule), including without limitation, any current or previous Board member(s), designee(s), or Board employee(s), or (ii) an affirmative written statement that no such contributions were made during the previous calendar year.