pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM

SERS Board Governance Policy Manual

Policy Name:	**SEC "Pay-to-Play" Rule Compliance and Reporting Policy**
Policy Number:	2018-POL-BD-08
Effective Date:	September 12, 2018, as amended September 26, 2023
Reviewed Date:	January 9, 2018; September 19, 2023
Applies To:	SERS Board
Contact Person:	SERS Chief Compliance Officer

I. Purpose

Rule 206(4)-5 (the "Rule") of the Investment Advisers Act of 1940 (the "Act"), 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 policy describes the manner in which members of the State Employees' Retirement Board ("Board") 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. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

II. Definitions

"**Associated Party"** or "**Associated Parties**" shall mean and include: (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) third parties affiliated with the Investment Adviser (e.g., spouses, relatives, lawyers, agents, consultants, related companies, etc.), and (iv) any political action committee controlled by the Investment Adviser or any person described in (i) or (ii) above.

"**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.

"**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 Pennsylvania State Employees' Retirement System ("SERS").

"**Investment Relationship**" shall mean and include a compensated relationship between SERS 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.

"**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 by SERS (e.g., without limitation, SERS 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 SERS (e.g., without limitation, the Pennsylvania Governor, the Speaker of the Pennsylvania House of Representatives, and the President Pro Tempore of the Pennsylvania Senate).

III. Prohibition of Contributions by Investment Advisers

SERS 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 SERS' due diligence process, before making any recommendation to SERS Investment Committee or the SERS Board that SERS engage an Investment Adviser, and in addition to any other "pay-to-play"/campaign finance reporting inquiries made as part of SERS' standard due diligence process, SERS Chief Investment Officer ("CIO") and/or SERS Investment Office shall request and receive the following information from the 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 SERS Investment Office shall provide for Contributions disclosed by an 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

SERS Investment Committee and the Board in connection with discussions about an Investment Relationship with the disclosing Investment Adviser.

If a Board member becomes aware 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 CIO, the Executive Director, the Chief Compliance Officer, and the Chief Counsel.

Any Board member who knowingly receives, or 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 CIO, the Executive Director, the Chief Compliance Officer, and the Chief Counsel.

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

Document Properties

a. **Document Owner:** SERS Chief Compliance Officer
b. **Document Author:** Jo Ann P. Collins
c. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL-BD-08	SERS Legal Office	This policy replaces policy #2010 POL-EO-00 established September 8, 2010 and describes the manner by which Board members shall (i) apply the SEC Pay-to-Play Rule, and (ii) report activities prohibited thereunder. This policy also establishes how the Board shall respond in the event of any violation of the Rule and changed the policy number.
September 19, 2023	2	Jo Ann Collins, Chief Compliance Officer	Biennial review. Revised for clarity and consistency with the SEC's "Pay-to-Play" Rule, 17 C.F.R. § 275.206(4)-5; updated to include the Chief Compliance Officer position.

Appendix A

Model "Pay-to-Play"/Political Contributions Reporting Language for Agreements Between SERS and an Investment Adviser

- For Investment Management Agreements (IMAs):

MANAGER hereby represents and warrants to SERS that it is, and shall at all times during the term of this Agreement continues 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 MANAGER may otherwise qualify for any exceptions/exemptions thereunder), on or before February 15th of each year during the term of this Agreement, MANAGER shall submit annually to SERS Chief Compliance Officer and SERS Chief Counsel (i) a report of any contribution made by MANAGER, 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 SERS Board member(s), designee(s), or SERS 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 SERS, 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 SERS Chief Compliance Officer and SERS 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 SERS Board member(s), designee(s), or SERS 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.