



# COMMONWEALTH OF PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

**Policy Name:** Policy on Referrals of Investment Opportunities and Service Provider Candidates  
**Policy Number:** 2023-2  
**Effective Date:** October 20, 2023  
**Reviewed Date:** --  
**Applies To:** PSERS Board Members and Designees  
**Contact Person:** PSERS Chief Counsel

## I. Purpose

This policy describes the process that Board members should follow with respect to referrals of investment opportunities and service provider candidates to PSERS and how Board members should handle related communications. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

## II. Definitions

"Referral" shall mean, for purposes of this policy, when:

- a. A Board member seeks to establish contact between a Third Party and PSERS staff or outside consultants; or,
- b. A Board member seeks to provide an endorsement of a Third Party to PSERS staff or outside consultants.

"Third Party" shall mean and include any potential or existing investment manager, investment advisor/consultant, contractor, vendor, and/or service provider (and/or a representative, agent, intermediary, affiliate or advocate thereof) and/or a public official that is seeking an action, opportunity, and/or a specific outcome from the Board and/or PSERS.

"Undue Influence" shall mean the improper, unfair or wrongful use of power, authority, or a relationship to induce someone to act or make a decision that they otherwise would not do/make if left to act freely as a fiduciary in the exercise of prudent discretion.

## III. Communication with Third Parties

Board members have no duty or obligation to meet or communicate with Third Parties except as authorized by the Board.

Any unauthorized contact or communication between individual Board members and Third Parties is in the Board member's capacity as an individual, with the understanding that individual Board members in and of themselves do not represent the Board and have no authority to bind the Board to any agreements, unless specifically authorized to do so by the Board.

Board members shall direct any Referrals regarding a prospective or existing investment transaction or contract, or any non-investment contract or selection, including any proposals, questions, or communications from Third Parties regarding such Referrals to the Chief Compliance Officer.

The Chief Compliance Officer shall notify the Executive Director, Chief Counsel, and as applicable, appropriate senior staff members as designated by the Executive Director, of the receipt of the referral.

The Chief Compliance Officer shall report in writing all Referrals to the Audit, Compliance, and Risk committee on at least a quarterly basis and to the Board or Board committee before any deliberation or action is taken on the subject matter of the Referral.

Upon making a Referral, the Board member making the Referral shall not directly or indirectly participate in the staff or consultant's review process, or otherwise contact or communicate with staff or outside consultants regarding the Referral to avoid actual or perceived pressure. A Board member shall not initiate contact with a Third Party, who is the subject of a Referral, while the review process is underway.

If a Third Party that is the subject of a Referral contacts a Board member regarding the Referral, the Board member shall direct the Third Party to the Chief Compliance Officer.

A Board member may make a general inquiry to the Chief Compliance Officer as to the status of a Referral.

As a general matter, incidental contact between a Third Party or its representatives and Board members, staff, or outside consultants which arises from a social interaction, or which clearly pertains to a matter not related to PSERS or its investment or contracting process is permissible. Contact and communications between Board members, staff, and outside consultants that is in accordance with PSERS and Board normal customs and practices during the review process for any Referral is also permissible. A simple statement of support of a Third Party to the Chief Compliance Officer, to the Board or a committee of the Board, or in a public forum, without any other action by the Board member making a Referral, shall not constitute Undue Influence.

Any inquiries or correspondence by a Third Party addressed to a Board member which the Board member wishes to direct to PSERS staff for assistance in preparing a response, which is otherwise Board authorized, should be forwarded to the Executive Director, who shall notify the Chief Compliance Officer of the receipt of same.

#### IV. Disclosure of Third Party Communications and Investment Opportunities

Board members have a duty to disclose information that is material to Board decisions or deliberations, so that co-fiduciaries may take it into consideration during due diligence reviews and/or deliberations. Communications from or on behalf of Third Parties to Board members can be relevant to Board or PSERS staff decisions.

Any advocacy by a Third Party to a Board member for a specified outcome in regard to an investment,

contract or service provider selection must be promptly reported to the Chief Compliance Officer prior to any Board or Board Committee action thereon. A record of such communications shall be documented and maintained by the Chief Compliance Officer and reported to the Board.

V. Board member Referrals and Communications

It is acknowledged that Board members might become aware of investment and/or service provider opportunities in the normal course of their duties. Such contacts should not be considered inherently suspect. However, all investment and contracting opportunities shall go through the same due diligence and contracting processes as any other opportunity, without special consideration because of a contact involving a Board member.

The Chief Compliance Officer shall document and maintain a log of all Board member Referrals, including the ultimate disposition of the opportunity, and share it with the Audit, Compliance, and Risk committee on at least a quarterly basis and/or before any Board or Board committee action is taken on the subject matter of the Referral, whichever is sooner.

Normally, a Referral of a proposal in which a Board member does not have any personal, financial, or pecuniary interest does not preclude the Board member from voting on the matter, provided full disclosure of the Referral and any relationship with the parties is made. Board members may not make a Referral of a Third Party in which the member has a personal, financial or pecuniary interest in the Third Party's consideration by the System or Board. In all instances, Board members making a Referral shall adhere to the PSERS Governance Policy Manual's Standards of Conduct for PSERS Board regarding disclosure of interest and recusal. Notwithstanding the foregoing, the Chief Compliance Officer shall have the authority to determine whether and when a Referral has created the need for recusal.

VI. No Contact Policy During Procurements

Once the Board issues a request for proposal ("RFP"), request for information ("RFI"), invitation for bid ("IFB"), or comparable procurement vehicle, Board members shall not knowingly communicate with any Third Party interested in the proposed contract, except as provided below. If such communication occurs, it shall be reported promptly to the Chief Compliance Officer, who shall notify the Executive Director, Chief Counsel and, as applicable, appropriate senior staff members as designated by the Executive Director.

Board members may communicate with a Third Party that is financially interested in a proposed contract with PSERS if:

1. Communication is incidental, arises from a social interaction, and does not involve the Board or its business, or the individual's role as a Board member;
2. Communication does not involve the Board, or its business and communication is within the scope of the Board member's private business or public office and wholly unrelated to the Board;

3. Communication is part of the process expressly described in an RFP, RFI, IFB or comparable procurement vehicle;
4. Communication is part of a noticed Board or Committee meeting, or otherwise authorized by the Board; or
5. Communication occurs after the applicable contract execution or issuance of a purchase order to the Third Party.

VII. Avoidance of Undue Influence

Any attempt by a Third Party to exert Undue Influence upon a Board member or PSERS staff to a specified action, decision or course of conduct could compromise decision-making to the detriment of PSERS members and beneficiaries.

Any Board member or PSERS staff who thinks he or she has been subject to conduct or communication by any Third Party that can be reasonably interpreted as an attempt to exert Undue Influence on the outcome of a Board or staff decision, or advisor/consultant recommendation, in an investment transaction or contracting decision shall immediately disclose the occurrence to the Chief Compliance Officer, who shall notify the Executive Director, Chief Counsel and, as applicable, appropriate senior staff members designated by the Executive Director. Even if such conduct or communication does not rise to the level of Undue Influence, such conduct or communication should nevertheless be reported. Retaliation for good faith reporting of a potential Undue Influence incident is prohibited.

The Executive Director shall consult with the Chief Counsel and receive advice on appropriate response actions. Appropriate response actions may include, without limitation, informing the entire Board, notifying an external enforcement agency, and/or making a public disclosure during an open session Board meeting.

VIII. Procedures in Case of Vacancy

Should the position of Chief Compliance Officer be vacant, the roles of that position, as defined in this policy shall be carried out by the Chief Counsel, or appropriate staff within the Office of General Counsel, as designated by the Chief Counsel.

**Document Properties**

Document Owner: Executive Office

Document Author: Executive Office

Summary of Changes:

Date	Version	Author	Summary
10/20/2023	1.0	Governance and Administration Committee	The policy established by the Board describing the manner by which Board members should carry out the duties with respect to referrals of investment opportunities and service provider candidates to PSERS and how Board members should handle related communications.