

Teachers Retirement System of Georgia Campaign Contribution Disclosure Policy

Purpose

The purpose of this policy is to ensure the integrity of the Teachers Retirement System (TRS) investment transactions by conforming to the highest fiduciary, ethical, and legal standards of all parties involved. The cornerstone of this standard is that all investment decisions and recommendations must be free of impropriety or improper influence and the appearance of either.

Policy

It is the policy of the Investment Committee to ensure that the selection of investment firms to provide investment advisory or consulting services, and the allocations to current firms, by TRS is based on the merits of such firms and not on the campaign contributions by such firms.

The policy will be implemented by requiring firms that provide or are applying to provide investment services to TRS to disclose certain campaign contributions, as well as other information. Furthermore, only full-time employees of firms seeking to be engaged by TRS shall communicate with members of the Board of Trustees and the Division of Investment Services. Firms that fail to meet the established standards for campaign contributions will be prohibited from being hired. Firms that violate the communication standard for soliciting business will be prohibited from being hired. Any investment firm currently engaged by TRS that fails to meet the established standards for campaign contributions shall be terminated.

This policy is intended to supplement, and not to replace, other state and federal laws. Where this policy is less restrictive than another law, executive order, or regulation, such other stricter terms shall apply. Where this policy is more restrictive than any other applicable law, executive order or regulation, the stricter standards of this policy shall apply.

Prohibitions

- (1) It shall be a violation of this policy for any investment firm to provide services to TRS within two years after a contribution to any candidate for a Designated State Office is made by the investment firm or any covered associate of the investment firm (including a person who becomes a covered associate within two years after the contribution is made); and
- (2) It shall be a violation of this policy for any investment firm or any of the investment firm's covered associates:
 - (i) To provide or agree to provide, directly or indirectly, payment to any person, including but not limited to any third party solicitor, to solicit TRS for investment management services on behalf of such investment firm unless such person is an

executive officer, general partner, managing member (or, in each case, a person with a similar status or function), or employee of the investment firm; and

- (ii) To coordinate, or to solicit any person or political action committee to make, any:
 - (A) Contribution to any candidate for a Designated State Office when the investment firm is providing or seeking to provide investment management services to TRS or
 - (B) Payment to a political party of the State of Georgia or of a locality of the State of Georgia when the investment firm is providing or seeking to provide investment management services to TRS.
- (3) Prohibitions as applied to covered investment pools. For purposes of this section, an investment firm to a covered investment pool in which TRS invests or is solicited to invest shall be treated as though that investment firm were providing or seeking to provide investment management services directly to TRS.
- (4) No investment firm will be permitted to provide investment management services to TRS if the investment firm or any of its covered associates do anything indirectly that, if done directly, would result in a violation of this policy.

Exceptions

- (1) *De minimus* exception. Prohibition (1) above does not apply to contributions made by a covered associate, if a natural person, to candidates for Designated State Offices for whom the covered associate was entitled to vote at the time of the contributions and which in the aggregate do not exceed \$350 to any one candidate, per election, or to candidates for Designated State Offices for whom the covered associate was not entitled to vote at the time of the contributions and which in the aggregate do not exceed \$150 to any one candidate, per election.
- (2) Exception for certain new covered associates. Prohibition (1) above shall not apply to an investment firm as a result of a contribution made by a natural person more than six months prior to becoming a covered associate of the investment firm unless such person, after becoming a covered associate, solicits clients on behalf of the investment firm.
- (3) Exception for certain returned contributions.
 - (i) An investment firm that is prohibited from providing investment management services for compensation pursuant to Prohibition (1) above as a result of a contribution by a covered associate of the investment firm is excepted from such prohibition, subject to paragraphs (3)(ii) and (3)(iii) of this section, upon satisfaction of the following requirements:

- (A) The investment firm must have discovered the contribution that resulted in the prohibition within four months of the date of such contribution;
 - (B) Such contribution must not have exceeded \$350; and
 - (C) The contributor must obtain a return of the contribution within 60 calendar days of the date of discovery of such contribution by the investment firm.
- (ii) In any calendar year, an investment firm that has reported on its annual updating amendment to Form ADV (17 CFR 279.1) of the United States Securities and Exchange Commission that it has more than 50 employees is entitled to no more than three exceptions pursuant to paragraph (3)(i) of this section, and an investment firm that has reported on its annual updating amendment to Form ADV that it has 50 or fewer employees is entitled to no more than two exceptions pursuant to paragraph (3)(i) of this section.
 - (iii) An investment firm may not rely on the exception provided in paragraph (3)(i) of this section more than once with respect to contributions by the same covered associate of the investment firm regardless of the time period.

Definitions

For purposes of this policy:

- (1) *Contribution* means any gift, subscription, loan, advance, or deposit of money or anything of value made for:
 - (i) The purpose of influencing any election for a Designated State Office;
 - (ii) Payment of debt incurred in connection with any such election; or
 - (iii) Transition or inaugural expenses of the successful candidate for Designated State Office.
- (2) *Control* means the power to exercise a controlling influence over the management or policies of an investment firm or political action committee.
- (3) *Covered associate* of an investment firm means:
 - (i) Any general partner, management member, or executive officer, or other individual with a similar status or function;
 - (ii) Any employee who solicits TRS for the investment firm and any person who supervises, directly or indirectly, such employee; and

- (iii) Any political action committee controlled by the investment firm or by any person described in paragraphs (3)(i) and (3)(ii) of this section.
- (4) *Covered investment pool* means:
 - (i) An investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a) that is an investment option of TRS; or
 - (ii) Any company that would be an investment company under section 3(a) of the Investment Company of 1940 (15 U.S.C. 80a-3(a)), but for the exclusion provided from that definition by either section 3(c)(1), section 3(c)(7), or section 9(c)(11) of that Act (15 U.S.C. 80a-3(c)(1), (c)(7), or (c)(11)).
- (5) *Designated State Office* means a state constitutional office for which any person was, at the time of the contribution, an incumbent, candidate, or successful candidate for any office that is elected by a statewide vote of the citizens of the State, including any election committee for the person, which office:
 - (i) Is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity; or
 - (ii) Has the authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment professional.
- (6) *Executive officer* of an investment firm 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 firm who performs a policy-making function; or
 - (iv) Any other person who performs similar policy-making functions for the investment firm.
- (7) *Investment firm* means one or more natural persons, corporations, partnerships, or other entities, incorporated or unincorporated, that provide investment management services or consulting services.
- (8) *Investment management services* means:
 - (i) The business of making or recommending investment management decisions for TRS;

- (ii) The business of advising or managing a separate entity that makes or recommends investment management decision for TRS; and
 - (iii) The provision of financial advisory or consultant services to TRS.
- (9) *Payment* means any gift, subscription, loan, advance, or deposit of money or anything of value.
- (10) *Political party* means an political organization that at the preceding statewide election nominated a candidate for a statewide office and whose candidate for that office at such election polled at least 20 percent of the total vote cast in the state.
- (11) *Solicit* means:
- (i) With respect to investment management services, to communicate, directly or indirectly, for the purpose of obtaining or retaining a client for, or referring a client to, an investment firm; and
 - (ii) with respect to a contribution or payment, to communicate, directly or indirectly, for the purpose of obtaining or arranging a contribution or payment.
- (12) *Third party solicitor* means a third-party lobbyist who solicits investment management business through direct or indirect communication with a State office, employee, or official on behalf of an investment firm, but does not include any person whose sole basis of compensation from the investment firm is the actual provision of legal, accounting, engineering, real estate, or other professional advice, service, or assistance.

Enforcement

- (1) If an investment firm seeking a relationship with TRS is found to have violated this policy, that firm shall be disqualified from engaging in a relationship with TRS for a period of two years.
- (2) If an investment firm with an existing relationship with TRS is found to be in violation of this policy, it shall be terminated and disqualified from receiving business or funding for a period of two years.

Reporting Requirements

All investment firms shall provide a written response to the questionnaire referred to as the Investment Firm Campaign Disclosure Form. Existing investment firms shall be required to file the disclosure form annually by December 31, for the 12 month period ending November 30 of that same year, and as requested.

Investment firms being considered for new mandates shall provide responses as soon as reasonably possible in the due diligence process.

Effective Date

This policy originally became effective January 1, 2010, and was amended on February 24, 2010, with said amendment becoming effective on that date. This document constitutes an amendment and restatement of this policy, to be effective on September 1, 2010.

Investment Firm Campaign Disclosure Form

Name of Investment Firm: _____

Disclosure Report Period*:

From: _____

Through: _____

Campaign Contributions and Payments to Political Parties

Were there any campaign contributions in excess of \$350 to a candidate for a designated State Office or a political party covered by the TRS Campaign Contribution Disclosure Policy within the last two years by:

The investment firm, including a covered investment pool, or any of the investment firm's covered associates?

(Please answer yes or no) _____

Did the investment firm, any covered investment pool, or any of the investment firm's covered associates:

1. Provide or agree to provide, directly or indirectly, payment to any person, including but not limited to any third party solicitor, to solicit TRS for investment management services on behalf of such investment firm unless such person is an executive officer, general partner, managing member (or, in each case, a person with a similar status or function), or employee of the investment firm;
2. Coordinate, or to solicit any person or political action committee to make, any:
 - (A) Contribution to any candidate for a Designated State Office when the investment firm is providing or seeking to provide investment management services to TRS or
 - (B) Payment to a political party of the State of Georgia or of a locality of the State of Georgia when the investment firm is providing or seeking to provide investment management services to TRS.

*The Disclosure Report is required to be answered annually. The disclosure period covers two years.

Exemptions from Disqualification

Is the investment firm claiming an exception from the prohibitions?

(Please answer yes or no) _____

If the investment firm is claiming an exemption from disqualification, did the firm follow the outlined procedures?

(Please answer yes or no) _____

Were there any campaign contributions or payments to political parties for which the firm is not claiming an exemption?

(Please answer yes or no) _____