

## PENNSYLVANIA TREASURY DEPARTMENT

### INVESTMENT CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY

#### **Fiduciary Duty**

As an employee of Treasury, each covered party (*see*, Exhibit A) has a fiduciary duty to the Commonwealth to act solely in the interests of the Commonwealth for the exclusive benefit of the public. Each Treasury employee's obligations also include making full and fair disclosure of all relevant facts and any potential or actual conflicts of interest, acting with loyalty and good faith, and placing the public's interests before their own. Covered parties are held to the Prudent Investor Standard in performance of their duties. *See*, 72 P.S. § 301.1.

It is incumbent upon all covered parties to conduct their dealings in a manner consistent with high standards of conduct and to avoid even the appearance of engaging in any activity that could be deemed contrary to their fiduciary duty.

#### **Conflicts of Interest**

As a fiduciary, Treasury has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its beneficiaries. Compliance with this duty can be achieved by avoiding conflicts of interest and by fully disclosing all material facts concerning any conflict that may arise with respect to Treasury activities. The avoidance of both an actual conflict of interest and the appearance of a conflict of interest are of great importance at Treasury. A conflict or perception of a conflict can damage an individual's professional reputation, as well as the reputation of Treasury.

A conflict of interest occurs when you allow an interest, activity, or influence outside Treasury to:

- Influence your judgment when acting on behalf of Treasury;
- Use information gained from your duties with Treasury for your private benefit;
- Diminish the efficiency with which you can perform your regular duties; or,
- Harm or impair Treasury's financial or professional reputation.

As an employee, you are not permitted to participate in any activity that causes a conflict of interest or the appearance of a conflict of interest.

A situation may arise when the employee is unclear if a conflict exists. Under these circumstances, the individual should explain the details of the event, in writing, to a committee comprised of the Chief Integrity Officer, Treasury's Chief Counsel, and the Chief Investment Officer ("the Committee"). The Committee will evaluate the circumstances and issue an opinion regarding the matter.

## **Covered Party's Personal Investment Transactions**

Because of the role of Treasury's staff in investing activities your personal investing decisions could be perceived as a violation of regulations restricting trading on inside information.

To avoid this perception, you must comply with the following Personal Investment Restrictions:

1. A covered party may not directly or indirectly purchase or sell a security that is included on the Prohibited Securities List prepared by the Chief Investment Officer. The Prohibited Securities List will include individual securities that have been approved for purchase/sale, significant individual holdings reported by Treasury on SEC Schedule 13D or 13G, material liquidations or purchases of illiquid stocks, and other securities deemed appropriate to restrict.

The provision is not to be seen as punitive. If a covered party currently holds a position that is placed on Treasury's Prohibited Securities List and public information becomes available that will negatively impact that holding, the covered party may ask the Committee for a waiver or permission to liquidate that position.

2. A covered party may not directly or indirectly purchase any initial public offerings (IPOs) or private placements purchased by Treasury.
3. A covered party is prohibited from profiting from the purchase and sale, or sale and purchase, of the same securities, excluding investment transactions exempt from the reporting requirements noted below, within thirty (30) calendar days. The 30 day provision does not apply to securities that are purchased and subsequently sold within the 30 days at a loss, as long as not in violation of subsection 4 below. The ban on short-term trading profits is specifically designed to deter potential conflicts of interest and front running transactions, which typically involve a quick trading pattern to capitalize on a short-lived market impact of a trade by an investment manager.
4. A covered party may not inappropriately use or disclose material, non-public information (i) obtained as a result of your employment with Treasury (including information obtained at Advisory Board meetings), and (ii) not available to the general public, in connection with the direct or indirect purchase or sale of a security.
5. Treasury staff subject to this policy, as well as their immediate family (i.e. spouse and dependent children), are prohibited from participating in Investment Clubs, unless approval is obtained from the Executive Director and Chief Investment Officer. Adoptive relationships are included for purposes of determining whether a member of a person's immediate family hold securities.
6. No covered party will engage in any trading activity that interferes with their job responsibilities.

## Reporting of Employee Personal Investment Transactions

A report of all personal investment transactions will be filed quarterly with the Chief Investment Officer. The Personal Securities Transaction Report will be kept confidential. For purposes of this section, unless specifically exempted below, all personal investment transactions are required to be disclosed where a pecuniary interest exists or where the covered party has control over the trading activities in a securities account. Pecuniary interest means the opportunity, directly or indirectly, to profit or share in the profit derived from a transaction in a security.

A covered party will be regarded as having a pecuniary interest in, and therefore the beneficial owner of, securities held by any member of the covered party's household, whether or not related.

A covered party is considered a "beneficial owner" if he or she has:

- a direct or indirect pecuniary interest in the investment;
- the power to vote or direct the voting of the shares of the investments; or
- the power to dispose or direct the disposition of the investment.

Personal investment transactions exempt from the reporting requirements include:

- Direct obligations of the U.S. government (i.e. treasury securities);
- Bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt obligations, including repurchase agreements;
- Shares issued by money market funds;
- Shares issued by open-end mutual funds;
- Shares of closed-end funds and exchange-traded funds (such as iShares, SPYDERS, HOLDERS, etc.);
- Normal dividend reinvestment plans limited to the periodic reinvestment of the dividend amount. Note: Additions of capital to a dividend reinvestment plan are reportable;
- Investment transactions in the State Employees' Retirement System Deferred Compensation Program and in 529 plans and ABLE plans;
- Purchases of securities by an exercise of rights issued to the holders of a class of securities *pro rata*, to the extent those rights are issued with respect to securities of which you have beneficial ownership;
- Acquisitions or dispositions of securities as a result of a stock dividend, stock split, reverse stock split, merger, consolidation, spin-off or other similar corporate action distributions or reorganization applicable to all holders of a class of securities of which you have beneficial ownership; and
- Currency transactions.

All other personal investment transactions shall be considered subject to the reporting provisions included herein.

## Treasury's' Code of Conduct for Investment Operations

### Acknowledgement

- I have received, read and understand Treasury's Code of Conduct for Investment Operations.
- I understand that, at a minimum, my immediate family members (i.e. spouse and dependent children) and I are subject to the provisions of this Code. Adoptive relationships are included for purposes of determining whether securities are held by a member of a person's immediate family.
- I have had the opportunity to ask questions about any provisions that are unclear to me.
- I understand that failure to abide by this Code may lead to disciplinary action up to and including termination.
- I agree to comply with the terms of the Code.

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Signature

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Print of Typed Name

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Date

## Exhibit A – Covered Positions

- A. State Treasurer
- B. All Investment Office Staff
- C. Members of Investment Advisory Committee
- D. Executive Office
  - a) Chief of Staff
  - b) Press Secretary
  - c) Legislative Liaison
  - d) Director of Cash Management
  - e) Chief Integrity Officer
  - f) Chief Investment Officer
  - g) Administrative Staff
- E. Office of Chief Counsel
  - a) Chief Counsel
  - b) All Counsel
  - c) Legislative Director, Director of Internal Audits
  - d) Administrative Staff