

Policy Committee Meeting

June 16, 2016

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
POLICY COMMITTEE**

*(Mr. Colonna, Committee Chair; Mr. Corpus, Mr. Kelly,; Ms. Ramirez, & Vacant Position,
Committee Members. Committee members subject to change at the June meeting.)*

AGENDA

**June 16, 2016 – 11:00 a.m.
TRS East Building, 5th Floor, Boardroom**

1. Consider approval of the proposed minutes of the April 7, 2016 committee meeting – Committee Chair.
2. Consider recommending to the Board adoption of amendments to the Code of Ethics for Contractors – Carolina de Onís and Heather Traeger.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Policy Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Policy Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Tab 1



Minutes of the Policy Committee

April 7, 2016

The Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 7, 2016 in the boardroom located on the fifth floor of the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas 78701. The following committee members were present:

David Corpus, presiding chair
Todd Barth
David Kelly
Dolores Ramirez

Others present:

Karen Charleston, TRS Trustee	Barbie Pearson, TRS
Christopher Moss, TRS Trustee	Dan Junell
Anita Palmer, TRS Trustee	Lynn Lau, TRS
Nanette Sissney, TRS Trustee	Beckie Smith, TRS
Brian Guthrie, TRS	Heather Traeger, TRS
Ken Welch, TRS	Steven Huff, Fiduciary Counsel, Reinhart Boerner Van Deuren s.c.
Carolina de Onís, TRS	Dr. Keith Brown, Investment Consultant
Britt Harris, TRS	Steve Voss, Aon Hewitt
Jerry Albright, TRS	Mike McCormick, Aon Hewitt
Amy Barrett, TRS	Philip Mullins, Texas Retired Teachers Association
Don Green, TRS	Ann Fickel, Texas Classroom Teachers Association
Ronnie Bounds, TRS	

Mr. Corpus called the meeting to order at 1:24 p.m. A quorum was present.

1. Consider the approval of the proposed minutes of the November 19, 2015 committee meeting – Committee Chair.

On a motion by Mr. Kelly, seconded by Ms. Ramirez, the committee approved the proposed minutes of the November 19, 2015 meeting, as presented.

2. Consider recommending to the Board the adoption of amendments proposed by the Executive Director to TRS Rule § 31.1, relating to Definitions (concerning Substitute Service) in Title 34, Part 3 of the Texas Administrative Code – Rebecca Smith.

Ms. Smith discussed proposed amendments to rule §31.1 concerning the definition of a substitute with regard to employment after retirement. She stated that the proposed amendments were published under the authority the board delegated to the executive director. She stated that the proposed rules had been published in the *Texas Register* for 30 days, and TRS received no written public comments about the proposed rule. She explained that the proposed amendments would allow a retiree to serve in a vacant position for 20 days and still be considered a substitute. She noted that the retiree can serve in more than one position during a year as long as each position does not last longer than 20 days so as to maintain the temporary employment status. If a retiree serves in a vacant position longer than 20 days, she stated, they will have to limit their work to

half-time to avoid forfeiting their annuity. She further clarified that retirees can work without limit provided that they do not work in a vacant position. She stated that the proposed amendments also specified that retirees cannot serve in the same position that they vacated. She stated that the proposed amendments would help the employment-after-retirement program. Mr. Guthrie confirmed for Mr. Corpus that it was common for school districts to utilize retirees in a substitute role and that the current amendments would avoid oversights relating to hiring retirees in a vacant position. Ms. Ramirez expressed her concerns on the burden put on retirees to verify whether it was a vacant position and stated that the district should be responsible for the verification. She stated that schools preferred putting retired teachers as substitutes because they are certified. She stated that the 20-day time for verification would help retirees to continue to serve as substitutes and school districts and campuses to have certified teachers fill the substitute positions. Ms. Smith stated that the burden had been on the retirees to verify with the school whether it was a vacant position. She confirmed for Mr. Corpus that employers and retirees will be informed about the rule amendments in TRS publications and staff would communicate with them through the summer before the next school year.

There being no further discussion, on a motion by Ms. Ramirez, seconded by Mr. Kelly, the committee voted unanimously to recommend that the board adopt the proposed amended rule section 31.1 in as presented by staff.

3. Conduct the required comprehensive review of the Authority to Approve and Sign Vouchers resolution under the Policy Review Schedule and consider recommending to the Board adoption of any amendments – Don Green.

The committee reviewed the Authority to Approve and Sign Vouchers resolution under the Policy Review Schedule. Mr. Green stated Ms. Vicki Garcia, the former team leader of Investment Accounting, retired in February. The current proposed change would replace Ms. Garcia with Lauren Burroughs, the new team leader of Investment Accounting.

There being no further discussion, on a motion by Mr. Kelly, seconded by Ms. Ramirez, the committee unanimously voted to recommend to the board adoption of the proposed amendments to the Authority to Approve and Sign Vouchers resolution, as presented by staff.

The committee adjourned at 1:40 p.m.

Approved by the Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas on the 16th day of June 2016.

ATTESTED BY:

Dan Junell
Secretary to the TRS Board of Trustees

Date



Tab 2

Teacher Retirement System of Texas



Discussion of Proposed Changes to Code of Ethics for Contractors

Carolina de Onís – General Counsel

Heather Traeger – Chief Compliance Officer & Compliance Counsel



Agenda

- The Office of the General Counsel (OGC) is today proposing modifications to the Code of Ethics for Contractors (the “Code”)
 - This presentation highlights the key modifications and provides a list of the primary recommended modifications

- Additional items enclosed for your review and reference are:
 - Memorandum summarizing proposed amendments
 - Revised Code (clean copy)
 - Revised Code (marked copy)
 - Current Code



Due Diligence

- Reviewed other entities' policies and model policies
- Reviewed federal, state and industry best practices
- Reviewed studies and academia
- Reviewed history of related TRS policies and Code
- Spoke with TRS: IMD, Purchasing, HR, Executive, Audit, Legal and Fiduciary Counsel
- Spoke with 7 TRS consultants most likely to be affected
- Spoke with industry, regulators and counsel



Objectives Following Due Diligence

- Protect TRS by maintaining high ethical standards in the Code
- Conform to legal requirements
- Standardize and enhance process
 - Reduce ambiguity and uncertainty
 - Increase TRS' flexibility
 - Create consistency with other TRS policies
- Replace punitive automatic disqualification provisions with disclosure and “facts and circumstances” analysis for cure or prevention of conflicts

Recommended Modifications

Modification Number	Description
1	Modify definitions used in Code
2	Modify “automatic disqualification” regime to create “disclosure and cure” regime
3	Permit “notice and cure” of potential violations
4	Emphasize Contractor responsibilities under the Code
5	Enhance recordkeeping and reporting
6	Modify formatting, conform forms to Code, and update legal references
7	Clarify scope of Code



Definitions



Code Definitions: "Contractors"

Agent

Consultant

Broker

Financial
Adviser

Financial
Services
Provider

Current

Agent

Consultant

Financial
Services
Provider

Proposed





Code Definitions: “Conflicts”

- Retain and consolidate existing definitions:
 - A relationship with any party to a transaction with TRS, or with an Employee or Trustee, other than a relationship necessary to the services that that contractor performs for TRS, if a reasonable person could expect the relationship to diminish the Contractor’s independence of judgment in the performance of the Contractor’s responsibilities
 - A direct or indirect pecuniary interest in any party to a transaction with TRS if the transaction is connected with services the Contractor provides to TRS or to the Trustees in connection with the management or investment of TRS assets



Process



Current Process - Complex

- 4 different processes dependent on the particular facts and circumstances:
 - Process 1 –Solely for Financial Advisors with an interest in a vehicle in which TRS may invest (i.e., co-invest scenario)
 - Process 2 – For disclosing, curing or waiving a conflict
 - Process 3 – For seeking guidance on whether a conflict exists or will exist
 - Process 4 – For violations of Standards of Conduct



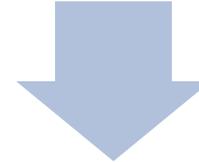
Comparison of Processes

Current
Process



Punitive/Dis-
qualification
Regime

Proposed
Process



Disclosure/Due
Diligence
Regime

Proposed Process - Streamlined

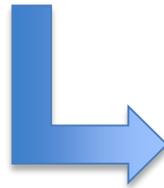
Disclose conflict, violation of Standards of Conduct, or violation of Code in writing; disclose factors supporting cure



Refrain from giving advice or providing services until directed by TRS



Conflict Determination/Resolution:
ED reviews Financial Services Providers;
GC reviews other contractors



Expansion of
Board
Involvement



Reporting to Board
regarding disclosures,
determinations and
resolutions



Cure Determination

- Non-exclusive list of factors
 - Nature of the conflict
 - Contractor's status as a fiduciary
 - Alignment of interest with TRS'; Best interests of TRS in proceeding
 - Cost-benefit analysis regarding proceeding
 - Experience with the Contractor; Contractor's expertise
 - Measures taken by the Contractor to mitigate, control or eliminate the conflict



Obligations



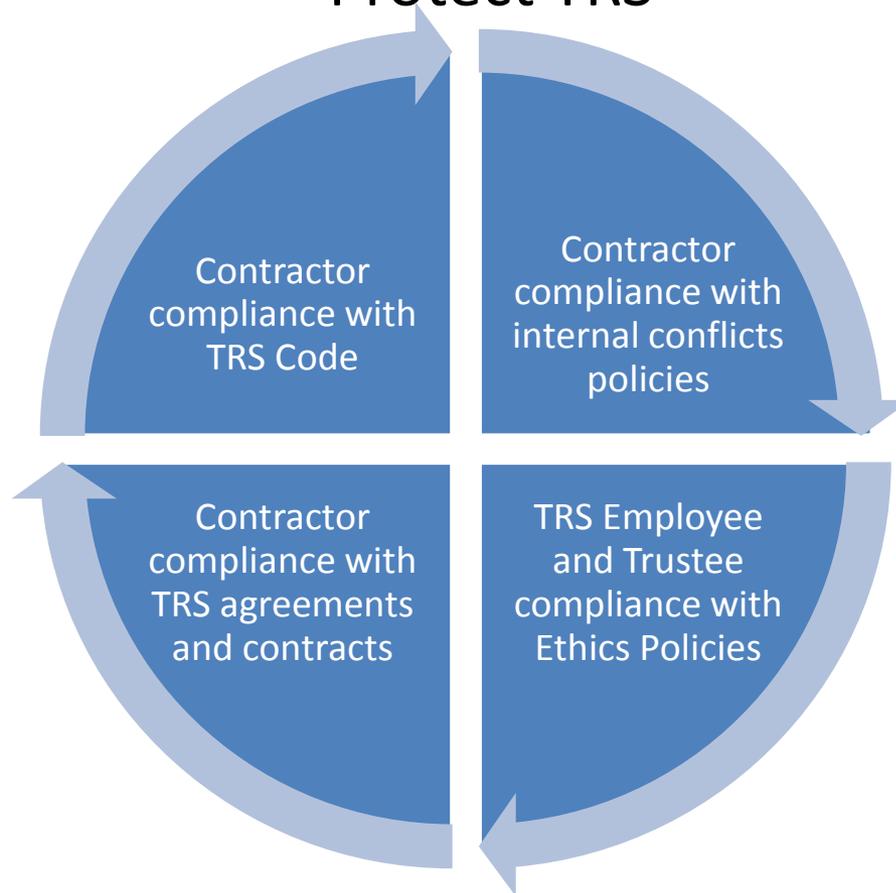
Obligations Related to Code

- Contractor retains obligations under Code to:
 - Continuously evaluate its circumstances under the definition of “conflict of interest”
 - Contact TRS and disclose conflicts, as applicable
 - Comply with Standards of Conduct
- Contractor retains reporting and disclosure obligations under TRS due diligence questionnaires, placement agent questionnaires, contracts, side letters, annual certifications, IPS, etc.
- Hedge fund and GP Contractors not subject to Code
- Employees and Trustees retain reporting and disclosure obligations related to respective Ethics Policies



TRS Conflicts Compliance Regime

A Comprehensive Set of Complementary Obligations to Protect TRS





Appendix



Current Process - Complex

Process 1

Financial Adviser with conflict related to pecuniary interest in vehicle in which TRS may invest



Disclose interest in writing as soon as practicable – prior to acting



GC reviews affect on Financial Adviser's judgment and makes conflict determination



If no conflict, Financial Adviser must further disclose the interest in prudence letter, etc.

Process 2

Disclose conflict in writing



Refrain from giving advice or providing services until cured or waived



CURE: eliminate conflict, terminate relationship, or withdraw from action on particular TRS matter; GC determines if cure is appropriate



WAIVER: By CIO or ED for Financial Services Provider or Broker in certain circumstances; Board, for other conflicts, after consultation with GC, in open meeting

Process 3

Contractor uncertain as to whether conflict does or will exist under certain circumstances



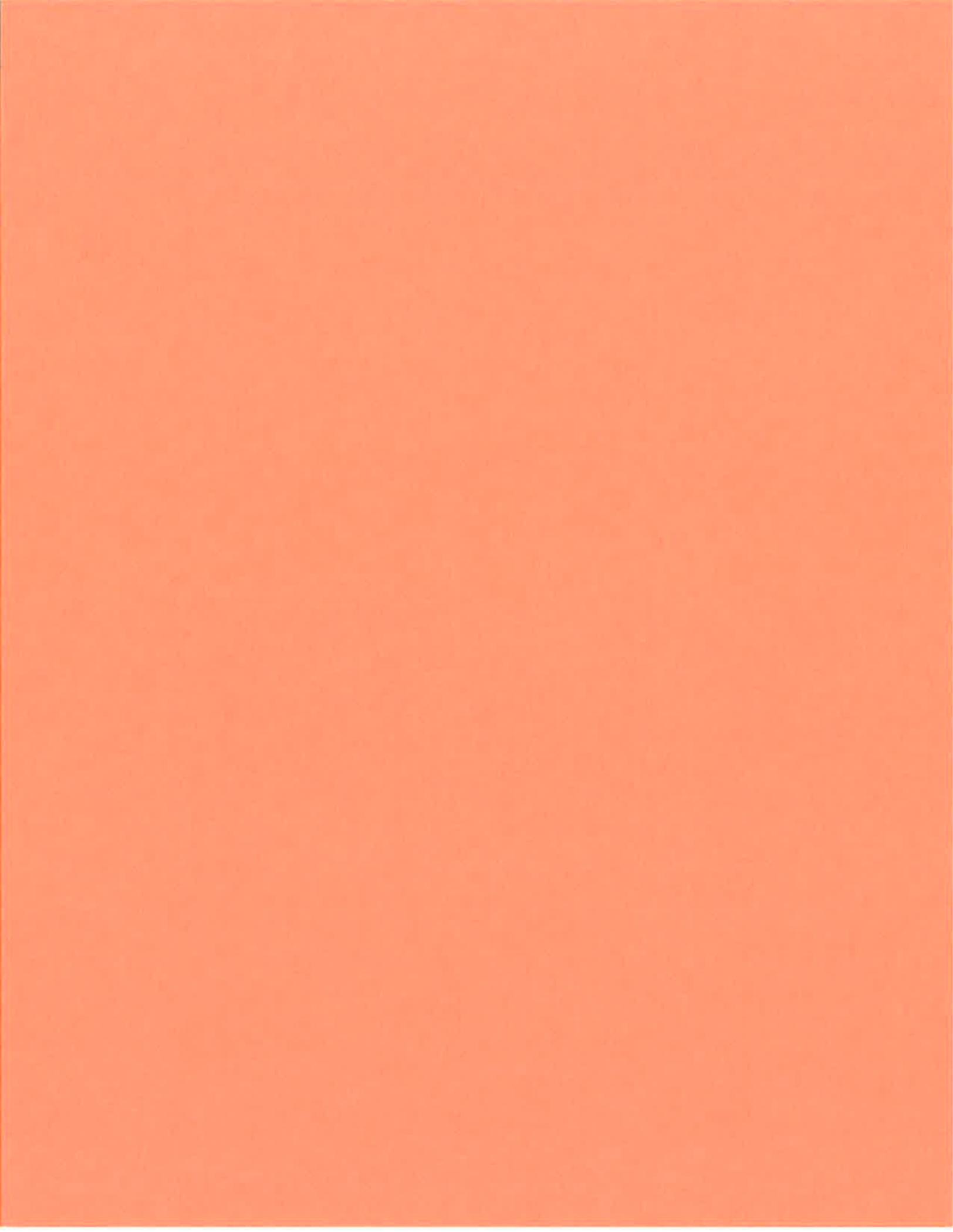
Promptly inform GC for determination

Process 4

Violation of Standards of Conduct



Automatic disqualification





Memorandum

DATE: June 7, 2016

TO: Policy Committee of the Board of Trustees

FROM: Heather Traeger, Chief Compliance Officer
Carolina de Onís, General Counsel

COPY: Brian Guthrie, Executive Director

RE: Code of Ethics for Contractors – Possible 2016 Revisions

The proposed amendments to the Code of Ethics for Contractors (“Code”) are designed to improve TRS’ process for identifying, curing, and documenting Contractor conflicts of interest. The proposed amendments would eliminate certain inefficiencies and inconsistencies present in the current process, substituting a more streamlined, transparent and flexible process. In so doing, the proposed modifications would implement certain federal and industry best practices while recognizing commercial realities of TRS’ business. The proposed modifications would not, however, change the current disclosure obligations of Contractors under the Code or reduce the types of conduct that could qualify as a conflict of interest.

The primary changes to the Code would include:

- Clarifying and modifying certain terms used in the Code
- Creating a new, standardized process for disclosing and curing Contractor conflicts of interest
- Applying the new process to potential violations of the Standards of Conduct
- Enhancing recordkeeping and reporting

The following is a more detailed summary of proposed amendments to the Code of Ethics for Contractors. The numbers below are cross-referenced in the clean and marked copies of the proposed changes to the Code.

1. Modify certain definitions.
 - a. Combine definitions of Broker, Financial Advisor and Financial Services Provider into a single Financial Services Provider definition. Make related changes to reflect the consolidation and simplification of terms.
 - b. Combine all definitions of conflicts of interest into one section.
 - c. Modify definitions to clarify applicability to certain persons.
2. Modify “automatic disqualification” provisions to create “disclosure and cure” regime where (1) disclosure is required for potential and actual conflicts and (2) “cure” means mitigate, control or eliminate, thereby permitting greater flexibility in making determinations on whether and how to proceed with a conflict.

- a. Require contractors to promptly disclose actual or potential conflicts in writing, together with all relevant and material facts associated with the particular circumstances, including a cure, to the General Counsel via a template form – Conflict of Interest Disclosure and Request for Determination.
- b. Make a conflict determination. The General Counsel will review the facts and circumstances surrounding the potential or actual conflict of interest. For Financial Services Providers, the Executive Director, in consultation with the General Counsel, will make a determination as to whether or not there is a conflict. For all other Contractors, the General Counsel will make the conflict determination.
- c. Make a cure determination. For Financial Services Providers, the Executive Director, informed by the General Counsel, will make a determination as to whether a cure is sufficient. The General Counsel will retain that responsibility for all other Contractors.
 - i. Provide a non-exclusive list of factors for the Executive Director to consider in making a cure determination. The factors will include consideration of the nature of the conflict, the Contractor’s status as a fiduciary, the alignment of the Contractor’s interest with TRS’, the best interests of TRS in proceeding despite the conflict, a cost-benefit analysis regarding proceeding despite the conflict, TRS’ experience with the Contractor, the Contractor’s expertise in a category of services, and any measures taken by the Contractor to mitigate, control or eliminate the conflict, such as information barriers, in depth disclosure, monitoring and reporting.
 - ii. Highlight for the Executive Director’s consideration a non-exclusive list of Contractor services where the value of such services to TRS may outweigh the risk of certain conflicts, including, for example, scenarios where the Contractor is acting as a principal or counterparty, affiliate, multi-service provider, or co-investor.
 - iii. Permit the Executive Director to impose conditions as part of a determination that a conflict can or has been cured. Such conditions could include prudence letters, contractual amendments, or ongoing monitoring and reporting by the Contractor and/or TRS.
3. In the case of a violation, allow for a “notice and cure” approach to retain the validity of the contract. Require notice via a Disclosure Statement within 7 days of the discovery of the violation to the General Counsel and a cure, as determined by the Executive Director, within 30 days.
4. Emphasize Contractor responsibilities under the Code including a continuing (1) affirmative obligation to disclose actual or potential conflicts and (2) fiduciary duty notwithstanding a determination by TRS that a conflict has been cured.
5. Enhance TRS recordkeeping and reporting. Require General Counsel to retain a record of all conflicts and potential conflicts as filed on Disclosure Statements as well as any resolution – meaning cure determination, conditions for cure, restrictions on Contractor/TRS relationship, and termination. Require regular reporting to the Executive Director, the Audit Committee of the Board and the Chief Audit Executive for these same items and any violations of the Code.
6. Modify formatting and update legal references, including moving signature block to front page and adding contact information for representative responsible for administration of the Code, appending related forms to Code, cross-referencing other TRS policies, and deleting references to repealed statutes and related provisions.
7. Clarify scope of the Code to provide flexibility for limited circumstances in which application of the Code to a particular service provider would be inappropriate or unnecessary.

Categories of Proposed Changes

Modification Number	Description
1	Modify definitions used in Code
2	Modify “automatic disqualification” regime to create “disclosure and cure” regime
3	Permit “notice and cure” of potential violations
4	Emphasize Contractor responsibilities under the Code
5	Enhance recordkeeping and reporting
6	Modify formatting, conform forms to Code, and update legal references
7	Clarify scope of Code

Clean Proposal



Teacher Retirement System of Texas

Code of Ethics for Contractors

Adopted: September 9, 1994
Revised Effective as of [TBD 2016]:

6

I, the undersigned, acknowledge that I have read this Code and am familiar with, and agree to be bound by, the standards that govern the conduct of Contractors.

I, the undersigned, am responsible for compliance and administration of the Code, including any ethics matters that may arise thereunder. If those obligations reside with another representative of the Contractor, I have included the contact information for that person below.

If the undersigned is executing this Code on behalf of an entity engaged by TRS as a Contractor, I further acknowledge that I have distributed this Code to those persons who work for or represent the Contractor on TRS matters. They have read this Code and are familiar with, and agree to be bound by, the standards that govern the conduct of Contractors.

Further, the Contractor shall distribute this Code (i) immediately to any other person with the Contractor who begins working on or representing the Contractor on TRS matters and (ii) once a year to all persons with the Contractor who work on or represent the Contractor on TRS matters.

Commented [A1]: Move certification to front of policy; add information for contact at Contractor.

Signature

Title

Printed Name

Contractor Entity Name

Date

Contact for Code administration: _____

Phone number: _____

Email address: _____

Code of Ethics for Contractors

The Teacher Retirement System of Texas (“TRS”) is charged by the Texas Constitution and state law with the administration and investment of pension assets held in trust for the exclusive benefit of active or retired TRS members and their beneficiaries; assets may not be diverted for other purposes. The TRS Board of Trustees is the trustee of all plan assets, responsible for the general administration and operation of TRS and authorized by law to adopt rules for TRS administration and Board business. The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act, the Texas School Employees Uniform Group Health Coverage Act, and other trusts or programs authorized by law to be administered by TRS. The Code of Ethics for Contractors (“Code”) sets forth the ethical responsibilities and requirements of Contractors, as that term is defined in the Code, in performing services for TRS.

Commented [A2]: Table of Contents to be added above the Code of Ethics for Contractors Section.

Section I. Conflicts of Interest

A. Conflicts of Interest Defined.

A conflict of interest exists for a Contractor when the Contractor has:

1

Commented [A3]: Combine all definitions of conflicts of interest into one section.

1. A relationship with any party to a transaction with TRS, or with an Employee, or Trustee, other than a relationship necessary to the services that the Contractor performs for TRS, if a reasonable person could expect the relationship to diminish the Contractor’s independence of judgment in the performance of the Contractor’s responsibilities; or
2. A direct or indirect pecuniary interest in any party to a transaction with TRS if the transaction is connected with services the Contractor provides to TRS or to the Trustees in connection with the management or investment of TRS assets.

A person's independence of judgment reasonably could be diminished when he or she is in a position to take action or not take action with respect to TRS or its business and a reasonable person could expect that such action or inaction on behalf of TRS is influenced by considerations of gain, loss avoidance, or benefit to the Contractor or a third party, rather than motivated by the best interests of TRS.

A conflict of interest will not exist under this Code if any benefit is merely incidental to the Contractor’s membership in a large class sharing a common interest, such as the class of TRS members. Further, a conflict of interest will not be deemed to exist solely because a Contractor is or has a relative who is a TRS member, retiree, annuitant or beneficiary who is not also an Employee.

B. Disclosure of Potential and Actual Conflicts of Interest.

If a Contractor either:

1. Has determined that it has a potential or actual conflict of interest; or
2. Is uncertain whether it has or would have a conflict of interest under a particular set of circumstances then existing or reasonably anticipated to occur,

2, 5

Commented [A4]: Enhance the Disclosure Statement to create proactive and routinized disclosure of potential and actual conflicts of interest. Use the Disclosure Statement to form the basis for “disclosure and cure” regime for Contractor conflicts, as required by Gov. Code Section 2263, instead of “automatic disqualification” regime.

the Contractor should promptly disclose the underlying circumstances to the General Counsel in writing by submitting a completed Conflict of Interest Disclosure and Request

for Determination (the “Disclosure Statement”) (Form TRS 541C). (See Appendix B.) In completing the Disclosure Statement, a Contractor must provide full disclosure of all relevant facts and circumstances related to the potential or actual conflict.

A contractor who files a Disclosure Statement must refrain from giving advice or making decisions about any matters affected by the potential or actual conflict of interest until the Contractor cures the conflict or obtains guidance to proceed from the General Counsel or Executive Director.

If a Contractor with a duty to disclose conflicts reasonably believes that disclosure to the General Counsel would be ineffective, the Contractor shall disclose the potential or actual conflict of interest to the Executive Director.

Teacher Retirement System of Texas
Executive Director
1000 Red River Street
Austin, Texas 78701-2698

Whether disclosure is made to the General Counsel or to the Executive Director, a Contractor shall provide a copy of the Disclosure Statement to the Employee assigned to monitor or manage the performance of the Contractor.

C. Conflict Determination.

The process for determining whether a conflict of interest exists or may exist under the circumstances described in the Disclosure Statement will be based on the type of Contractor: (1) Financial Services Provider or (2) all other Contractors.

1. Financial Services Provider.

Upon receipt of a Disclosure Statement, the Executive Director, in consultation with the General Counsel, will determine whether a potential or actual conflict of interest exists or would arise under the circumstances disclosed.

If the Executive Director determines that a conflict does not exist, the Contractor will be notified of such determination in writing by the General Counsel. The General Counsel will record the determination on the Disclosure Statement and the Disclosure Statement will be retained in the Office of the General Counsel.

If the Executive Director determines that either (1) a conflict does not exist presently but would exist upon the occurrence of future events or circumstances identified by the Contractor in the Disclosure Statement or otherwise or (2) a conflict exists, the General Counsel will notify the Contractor of the Executive Director’s determination in writing, and resolution of the conflict will be addressed as provided in Section I.D.

When a Disclosure Statement has been provided directly to the Executive Director, the Executive Director may consult with the Chief Compliance Officer and/or another member of the Legal or Investment Management staff, as appropriate, for guidance in making a determination regarding the existence of and resolution of a conflict. In such cases, the Disclosure Statement will be updated and retained as provided in this Section I.C. and in Section I.D.

2

1

2, 5

Commented [A5]: Separate implementation of Code into two categories: Financial Services Providers and all others. Because his role and responsibilities related to the investment trust, require the Executive Director, aided by the General Counsel and others as needed, to make decisions related to Financial Services Providers. Provide that the General Counsel is responsible for decisions related to all other Contractors.

Commented [A6]: Combine definitions of Broker, Financial Advisor and Financial Services Provider into a single Financial Services Provider definition. This is consistent with Gov. Code Section 2263 terminology, and provides a more streamlined approach to the code.

Commented [A7]: Require that the Executive Director determine whether a conflict exists. Require that the Contractor be notified and that the General Counsel retain the Disclosure Statement with the determination.

2

2. **All Other Contractors.**

Upon receipt of a Disclosure Statement, the General Counsel will determine whether a potential or actual conflict of interest exists or would arise under the circumstances disclosed.

If the General Counsel determines that a conflict does not exist, the Contractor will be notified of such determination in writing. The General Counsel will record the determination on the Disclosure Statement and the Disclosure Statement will be retained in the Office of the General Counsel.

If the General Counsel determines that either (1) a conflict does not exist presently but would exist upon the occurrence of future events or circumstances identified by the Contractor in the Disclosure Statement or otherwise, or (2) a conflict exists, the General Counsel will notify the Contractor of the determination in writing, and resolution of the conflict will be addressed as provided in Section I.D.

Commented [A8]: Provide that the General Counsel will determine whether a conflict exists. Require that the Contractor be notified and that the General Counsel retain the Disclosure Statement with the determination.

D. Conflict Resolution.

2

A Contractor with a conflict of interest must disclose the conflict and cure it. A conflict may be cured by mitigating, controlling or eliminating the conflict. For each determination that a conflict exists, the cure, or the absence of a cure, will be documented by the General Counsel on the Disclosure Statement submitted by the Contractor. The documentation will summarize the reasons supporting the decision, including any conditions required as part of the cure. The Disclosure Statement will be retained in the Office of the General Counsel, with a copy to be provided to the Contractor.

Commented [A9]: Define "cure" to mean mitigating, controlling or eliminating. This modification to the "automatic disqualification" process allows TRS greater flexibility to manage potential and actual conflicts and weigh the risks associated with such conflicts. This approach is comparable to the approaches envisioned under the Advisers Act of 1940 and ERISA.

5

Commented [A10]: Require that the determination, regarding whether a conflict has or can be cured, be documented and communicated to the Contractor.

The process for evaluating whether a conflict of interest has been cured will be based on the type of Contractor: (1) Financial Services Provider or (2) all other Contractors.

1. Financial Services Provider.

Upon receipt of a Disclosure Statement, the Executive Director, in consultation with the General Counsel, and as appropriate, the Chief Investment Officer, will make any determinations regarding whether a conflict of interest has been cured under this Section I.D.1 in his sole discretion.

2

a. When evaluating whether a conflict has been or can be cured, the Executive Director may consider, among others, the following factors relating to the Contractor's disclosures and steps to mitigate, control, or eliminate the conflict:

- i. Whether the Contractor is a fiduciary;
- ii. The nature and extent of the provider's disclosed pecuniary interests and relationships;
- iii. Whether, applying the reasonable person standard, the Contractor's exercise of judgment on behalf of TRS in performing such services is, or is likely to be, affected by the Contractor's interests and/or relationships;
- iv. Whether the appearance of a conflict is contrary to or materially inconsistent with the known facts underlying the perceived conflict;

Commented [A11]: Add a non-exclusive list of factors for the Executive Director and General Counsel to consider in making a cure determination.

- v. Whether the Contractor's interests are in fact substantially aligned with TRS's best interests (or the degree to which they are not harmful or opposed to TRS' interests) in the transaction;
 - vi. Whether TRS's best interests will be best served by proceeding with the Contractor's services even though the Contractor also has an interest;
 - vii. A cost-benefit analysis, including a review of pricing and fee structures, that demonstrates that TRS will not suffer any economic or other disadvantages or can reasonably expect cost-savings or pecuniary benefits (including loss avoidance) if TRS consents to the services;
 - viii. The nature and extent of transparency and reporting that the Contractor will be required to deliver with respect to its own interests and relationships in connection with its services, and, if applicable, whether the Contractor's contract for services with TRS will, or should be amended to, require such transparency and reporting;
 - ix. Whether the Contractor proposes to create information barriers between business units, lines of business, relationship contacts, personnel, and affiliates with respect to confidential TRS or transaction information and due diligence matters;
 - x. The Contractor's qualifications, reputation, and experience in the industry for the services to be provided for the relevant transaction;
 - xi. Whether an RFP or Trustee approval was part of the engagement process for the Contractor;
 - xii. The prior experience with and quality of the Contractor's services in previous TRS transactions; and
 - xiii. Whether, in relation to the provision of analysis or research from a Financial Services Provider that is a Broker or independent research provider, the disclosures provided by the Contractor are sufficient under the circumstances to cure the conflict by informing TRS of the nature and extent of any bias, and to form a judgment about the credibility or value of the Contractor's services, particularly if the services are of a limited nature – such as research.
- b. When evaluating whether a conflict has been or can be cured, the Executive Director may also consider the type of services underlying the conflict of interest and the value such services provide within the different segments of TRS' business. For example, whether the Contractor proposes, in addition to providing the financial services it provides to TRS under an existing or proposed agreement, to:
- i. Act as a principal or counterparty (including as an agent for a disclosed or undisclosed third party principal) opposed to TRS in a financial or investment transaction or series of transactions;
 - ii. Offer inconsistent or, alternatively, numerous services by different areas of the Contractor's organization;
 - iii. Engage an affiliate to perform services for TRS that may or may not provide an indirect or direct benefit to the Contractor;

2

Commented [A12]: Highlight certain services where the value of the service may outweigh the risks associated with a conflict the Contractor may face providing the service.

- iv. Recapture commissions for certain services it provides; or
 - v. Provide investment advice to TRS in connection with a TRS investment and the Contractor has a conflict or holds or intends to hold or acquire a direct or indirect pecuniary interest in the same portfolio investment or transaction as TRS whether for itself as a principal or as an agent on behalf of disclosed or undisclosed third parties.
- c. The Executive Director may consider whether a Contractor has or can cure a potential or actual conflict if the Contractor or the Contractor's Employee or affiliate prudently refrains or withdraws from taking action on a particular TRS matter provided that:
- i. The person, persons, or Contractor may be, is or are effectively separated from influencing the action taken;
 - ii. The action may properly and prudently be taken by others without undue risk to the interests of TRS; and
 - iii. The nature of the conflict is not such that the person, persons, or Contractor must regularly and consistently withdraw from decisions that are normally his, their, or its responsibility with respect to the services provided to TRS.
- d. The Executive Director may elect to impose conditions as part of a determination that a conflict has been or can be cured. Such conditions will be tailored to the particular facts and circumstances. They may include, among others, requirements to:
- i. Further disclose the Contractor's interests and relationships in any written advice, prudence letter, or recommendation provided to TRS for the transaction or series of transactions to which the determination relates;
 - ii. Revisit the "disclosure and cure" determination upon the occurrence of certain facts or circumstances;
 - iii. Agree to contractual amendments;
 - iv. Conduct ongoing monitoring and reporting; or
 - v. Acknowledge possible reconsideration of the Contractor's disclosures at any time.

Commented [A13]: Incorporate "restriction" language into "cure" section.

Commented [A14]: Permit the Executive Director or General Counsel to impose conditions as part of the cure determination.

In each instance where the Executive Director has determined that a potential or actual conflict of interest has been cured, a Contractor may only proceed with the actions giving rise to the conflict upon written notice from the General Counsel or Executive Director. In the event the Executive Director determines that the conflict has not been cured, the Contractor may not proceed with the services and must terminate its relationship with TRS, as described in Section I.E.

2. All Other Contractors.

The General Counsel will make any determinations regarding whether a Contractor's conflict of interest has been cured under this Section I.D.2. In reviewing the Disclosure Statement, the General Counsel may consider the same factors identified in Section I.D.1, as applicable.

Following the same process, the Executive Director may undertake a conflicts determination for those conflicts where the Disclosure Statement was filed directly with the Executive Director.

E. Termination.

A contractor who cannot or does not want to cure a conflict of interest must terminate his or its relationship with TRS as promptly as responsibly and legally possible. The decision to terminate, and a summary of the analysis related to that decision, will be documented by the General Counsel on the Disclosure Statement submitted by the Contractor. The Disclosure Statement will be retained in the Office of the General Counsel, with a copy to be provided to the Contractor.

F. Reporting.

5

The Chief Compliance Officer shall regularly provide a report to the Executive Director, the Chief Audit Executive and the Audit Committee of the Board regarding all Disclosure Statements evidencing a conflict of interest and violations of the conflicts provisions.

Commented [A15]: Require reporting regarding Disclosure Statements to the ED, CAE and Audit Committee of the Board.

Section II. Standards of Conduct

A. Professional Standards and Laws.

Contractors must comply with all applicable state, federal and non-U.S. professional standards and laws, including, without limitation, the following:

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1. Section 36.02 of the Texas Penal Code, which prohibits bribery.
2. Section 36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants.
3. Section 572.054 of the Texas Government Code.
4. Section 825.212 of the Texas Government Code.
5. Section 2252.908 of the Texas Government Code.
6. Chapter 2263 of the Texas Government Code.
7. All applicable securities and commodities laws.

Commented [A16]: Update legal references.

B. Benefits.

Contractors must avoid offering, conferring, soliciting, or accepting any benefit to or from Trustees, Employees, or Covered Contractors, except as otherwise allowed in Trustee and Employee ethics policies, incorporated herein by reference and available at <http://www.trs.state.tx.us/>. For example, a Contractor may not provide a special discount on services to a TRS Trustee or Employee if the discount is based on the Contractor's relationship with TRS.

C. Individual Advisor.

Irrespective of compensation, a Contractor may not be a representative of or be engaged by an individual Trustee if, in either case, the Contractor's role with respect to the Trustee is to provide advice that could reasonably be expected to form the basis for a significant TRS decision made by the Trustee.

D. Personal Business Relationship.

A personal business relationship exists when a Contractor and a Trustee or Employee own or operate a business together or co-invest in a business, other than through publicly traded securities. Contractors may not have a personal business relationship with a Trustee or Employee unless the Executive Director consents to the continuation of TRS's relationship with the Contractor after full disclosure. If a personal business relationship exists, a Contractor must promptly disclose the personal business relationship to the Executive Director by filing a Disclosure Statement with the General Counsel. The Executive Director, after consultation with the General Counsel, will then determine whether to approve the continuation of TRS's relationship with the Contractor while the Trustee or Employee continues in his or her respective role for TRS. Alternatively, the Executive Director may require the Contractor, Trustee and/or Employee to be screened from TRS matters in which the personal business relationship may reasonably be expected to diminish the Contractor's independence of judgment in the performance of duties for TRS.

E. Employment of Former Trustee or Executive Director.

Contractors may not employ a former Trustee or a former Executive Director for two years after termination of such former Trustee's TRS board service or such Executive Director's Employee relationship with TRS unless the former Trustee or Executive Director will not provide services to TRS or work on or have any involvement in TRS-related business of the Contractor. Further, Contractors may not employ any former Trustee or Employee, including the former Executive Director, at any time if the person's services to TRS, work, and involvement in TRS-related business of the Contractor would violate Government Code Section 572.054(b) of the Texas "Revolving Door" statute. To the extent that it does not violate statutory law or that it would be in the best interest of TRS, the Executive Director may waive the application of this prohibition in a specific situation.

TRS cannot enter into a contract with a former or current Executive Director or with a Contractor which employs a former Executive Director without Board approval in an open meeting.

F. Use or Disclosure of TRS Information.

A Contractor may not use or disclose any information acquired as a result of the relationship with TRS except as needed to provide the services required by the contract for TRS business purposes. A Contractor receiving or having access to sensitive or confidential TRS information must use its best efforts to protect such TRS information from unauthorized access, use or disclosure.

G. Bids.

A Contractor may not be awarded a contract that is funded in whole or in part by appropriations from the general revenue fund of the State of Texas if (1) TRS paid the Contractor to participate in preparing the specifications for, or request for proposals

Commented [A17]: Update to reflect legal analysis regarding applicability of statute and scope of code.

Commented [A18]: Condense provisions regarding use and disclosure of TRS information.

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related to, the contract or (2) the Contractor assisted TRS in the selection process to award the contract.

H. Controls.

Contractors must observe the accounting and operating controls established by law and TRS policies, including restrictions and prohibitions on the use of TRS property for non-TRS purposes, including personal purposes.

I. Foreseeable Conflicts of Interest.

Contractors may not take action personally or on behalf of TRS that would reasonably be likely to result in a foreseeable conflict of interest. If a Contractor believes that taking a particular action would be in the best interest of TRS but such action would foreseeably result in a conflict of interest for the Contractor, the Contractor must proceed under the conflict of interest provisions of Section I.

J. Foreseeable Violation of Standards of Conduct.

2

If a Contractor anticipates that future conduct by the Contractor itself, its employees or its affiliates could or is likely to violate the Standards of Conduct, but such conduct may not itself, without more, be a potential or actual conflict of interest, the Contractor may seek to “cure” that anticipated violation by following the process outlined in Section I.B. to I.D. for disclosing and curing potential and actual conflicts of interest by mitigating, controlling, or eliminating the violation.

As in Section I., the Executive Director will review Disclosure Statements for Financial Services Providers and the General Counsel will review Disclosure Statements for all other Contractors. The Executive Director’s determinations under this section may be appealed to the Audit Committee of the Board. Any use of this sub-section will be reported on a regular basis by the Chief Compliance Office to the Executive Director, the Chief Audit Executive, and the Audit Committee of the Board.

K. Signed Acknowledgement.

On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at any time this Code is revised by TRS, each Contractor must sign, date, and return to TRS a copy of this Code.

L. Reporting.

Contractors shall complete all reporting requirements in accordance with TRS prescribed systems or processes, including any electronic reporting system implemented by TRS.

M. Covered Contractor Ethics.

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Covered Contractors are subject to the Employee ethics policy, incorporated herein by reference and available at <http://www.trs.state.tx.us/> and, as applicable, any warranties and representations made in TRS questionnaires related to political contributions, improper influence, placement agents and finders.

Commented [A19]: Add provision to address departure from “automatic disqualification” regime within Standards of Conduct, Section II, that mirrors process in Conflicts of Interest, Section I.

Commented [A20]: Remind Contractors of their obligations under the placement agent questionnaires and policy.

Section III. Periodic Disclosures

A. Annual Compliance Statement.

On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List), the Contractor will have signed this Code in acknowledgement of the responsibilities and obligations thereunder and the consequences for non-compliance with the Code. At least once every twelve-month period, each Contractor must read and review any applicable policies and sign and date a Contractor Annual Ethics Compliance Statement (the “Annual Compliance Statement”) (Form TRS 550) (Appendix C) and any other forms as required by TRS.

B. Disclosure Statement for Financial Services Providers.

In addition to the Annual Compliance Statement filed pursuant to the paragraph immediately above, all Financial Services Providers shall also file annually a Disclosure Statement for Financial Services Providers (Form TRS 630) (Appendix D) with the Executive Director and the State Auditor’s Office. Also, all Financial Services Providers must promptly file a new or amended Disclosure Statement for Financial Services Providers with the Executive Director and the State Auditor’s Office whenever there is new information to report. In filing this statement, a Financial Services Provider will disclose in writing the following:

Any relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) the Financial Services Provider has with any party to a transaction with TRS, other than a relationship necessary to the advice or services that the Financial Services Provider performs for TRS, if a reasonable person could expect the relationship to diminish the Financial Services Provider’s independence of judgment in the performance of its responsibilities to TRS; and

Any direct or indirect pecuniary interests in any party to a transaction with TRS if the transaction is connected with services the Contractor provides to TRS or to the Trustees in connection with the management or investment of TRS assets.

If no relationship or pecuniary interest described in (1) or (2) immediately above existed during the disclosure period, then the Contractor must affirmatively state that fact. The Disclosure Statement for Financial Services Providers must be filed not later than April 15 and will cover the previous calendar year (the reporting period).

C. Expenditure Report.

Each Contractor must file annually an Expenditure Reporting Form for Contractors (Form TRS 543) (Appendix E), including itemized, reasonably detailed lists of expenditures of more than \$50 per day made by or on behalf of the Contractor with respect to or for the benefit of each Trustee or Employee. The Expenditure Reporting Form for Contractors must be filed not later than April 15 and will cover expenditures for the previous calendar year.

D. Ongoing Report.

Each Contractor has an ongoing obligation to determine whether it must file Disclosure Statements or update its Annual Compliance Statement to reflect new information related to potential or actual conflicts of interest or the standards of conduct discussed in this Code.

Commented [A21]: Remind Contractors of ongoing obligations under the Code.

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Section IV. Compliance and Enforcement

A. Enforcement.

The Executive Director is responsible for implementation and enforcement of this Code. The Executive Director will inform the Board of any significant enforcement action taken by TRS concerning a violation of this Code. The Executive Director may authorize and approve a system or process through which Contractors may electronically submit to TRS the forms, disclosures, and statements required by this Code. Any such system must, to the Executive Director's satisfaction, require Contractors to submit all information required by this Code with sufficient guarantees of reliability, accuracy, and authenticity. Implementation of any such system in no way alters or waives any requirement of submitting any form, disclosure, or other information. The Executive Director also may authorize any updates and revisions to TRS forms used for compliance with this Code so long as the changes are not inconsistent with the Code.

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Commented [A22]: Permit Executive Director to authorize changes to forms so long as the changes are consistent with the Code.

The Executive Director or General Counsel may, in unique and limited circumstances, grant exceptions to the policies proscribed in the Code. Any such exceptions must be reported to the Audit Committee of the Board and the Chief Audit Executive.

Commented [A23]: Provide mechanisms to address extraordinary circumstances warranting departures from Code provisions.

7

The General Counsel may delegate certain of its responsibilities under the Code to the Chief Compliance Officer.

B. Contracts; Violations.

This Code must be incorporated into and form part of each contract with a Contractor.

1. Termination.

Violations of this Code by any Contractor are grounds for terminating the contract or relationship, and may constitute a material breach of contract with no penalty to TRS for terminating the contract or relationship. Any Contractor whose contract or business relationship with TRS is terminated by TRS because of a violation of this Code may not receive a contract award from TRS for up to ten years, as determined by the Executive Director or his designee, commencing from the date of the termination. The Executive Director will maintain and serve as custodian for a list of the Contractors whose contract or relationship with TRS has been terminated because they were found to be in violation of this Code. This listing shall include information regarding the length of time during which the Contractor may not receive another contract award with TRS.

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Commented [A24]: Update for legal implications.

2. Notice and Cure.

Notwithstanding the foregoing, to the extent that a violation of the Code (i) is disclosed to the General Counsel within seven days of the discovery of the occurrence of such violation and (ii) such violation can be cured within 30 days of proper and

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Commented [A25]: Add "notice and cure" provision, consistent with Gov. Code Section 825.212(c) which allows TRS to adopt procedures for disclosing and curing violations of the conflicts of interest and to specify time periods for such disclosures and cures.

complete disclosure based on the procedures in Section I.B. and Section I.D., such violation may be resolved and such contract may remain in effect. The disclosure noted in clause (i) of this paragraph must be made through a Disclosure Statement and must describe in detail the violation and the action proposed to cure such violation. The determination of whether such violation has been appropriately cured will be made by the Executive Director. All violations of this Code, whether cured or not, will be reported to the Audit Committee of the Board.

C. Fiduciary Duties.

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Contractors who are Fiduciaries shall take appropriate action as co-fiduciaries in the event a violation of this Code involves a breach of fiduciary duties. Such Contractors should be mindful that a decision by the Executive Director that a conflict has been properly disclosed and cured does not lessen a Contractor's duty of care to TRS or continuing duty of loyalty under the Contractor's fiduciary duty.

Commented [A26]: Remind Contractors of fiduciary duty notwithstanding a TRS determination regarding a particular conflict.

D. Report Violations.

Contractors with knowledge of a violation of this Code, by themselves or others, must report promptly such violation to the Executive Director, General Counsel or Chief Compliance Officer.

E. Internal Reporting and Enforcement.

A Contractor shall be responsible for compliance with this Code by the Contractor and each of its employees and affiliates working on TRS matters. Any disclosure or report required by this Code must be submitted to TRS by the Contractor entity rather than by individual employees and affiliates. A Contractor is responsible for making a diligent inquiry of each of the Contractor's employees and affiliates working on TRS matters before each submission and from time to time during engagement as a Contractor to determine if further submissions are required. The Contractor's inquiry shall include any employee or affiliates who worked on TRS matters during the reporting period, regardless of whether the employee or affiliate works on TRS matters at the reporting time, ceased working on TRS matters during that time or has since left employment with the Contractor. This inquiry obligation may be satisfied by an inquiry made near or at the time of a former employee's departure from a Contractor's employment. A Contractor must ensure that any Disclosure Statement required by this Code contains all relevant and material facts and circumstances necessary for TRS to fully understand the details of the potential or actual conflict of interest and, if applicable, the factors supporting a proposed cure for the conflict. This may involve updating a Disclosure Statement prior to TRS making a conflict or cure determination.

Appendix A – Definitions

In this Code the following definitions apply unless the context requires otherwise:

“Affiliate.” Entities (units, divisions, parents, subsidiaries, etc.) and individual agents, representatives, contractors, and employees of the Contractor organization.

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Commented [A27]: Add definition to clarify scope of Code and obligations for Contractors.

“Agent.” An entity or person, engaged as an independent contractor, performing material or significant duties on behalf of TRS as its representative. An Agent would include an unpaid intern or volunteer. For purposes of this Code, the term “Agent” does not include a Financial Services Provider. However, if an Agent also falls within the definition of a Consultant, the entity or person is considered a Consultant under this Code. If an Agent also falls within the definition of Financial Services Provider, the entity or person is considered a Financial Services Provider for all purposes. If questions exist regarding who constitutes an Agent, the Executive Director or his designee shall make that determination after consultation with the General Counsel or Chief Compliance Officer.

Notwithstanding the above, there may be certain entities or persons engaged by TRS, performing material or significant duties on behalf of TRS as its representative, that will be considered outside the scope of this Code. Any such determinations will be made on a case by case basis in the best interest of TRS, and a record of such determination will be maintained by the Office of the General Counsel.

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Commented [A28]: Permit TRS to determine that certain entities may not be subject to the Code, such as, for example, a non-U.S. securities litigation class counsel.

“Board.” The Board of Trustees of TRS.

“Broker.” See Financial Services Provider.

“Consultant.” An entity or person, other than an Employee or Trustee, (i) who provides advice to TRS intended to affect or form a basis for significant TRS decisions, including but not limited to an actuary or insurance and health care plan advisor or (ii) who provides advice to TRS and may reasonably be expected to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31). Consultant does not include a Financial Services Provider. However, if a Consultant also falls within the definition of Financial Services Provider, the entity or person is considered a Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes a Consultant, the Executive Director or his designee shall make that determination after consultation with the General Counsel or Chief Compliance Officer.

“Contractors.” A collective term used to signify inclusion of all groups. For example, Agents, Consultants, and Financial Services Providers, as each separate term is defined herein.

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“Covered Contractor.” A Contractor who works on location at TRS or a worker assigned by or paid, directly or indirectly, by the Contractor to work at TRS. A secondee to TRS from a Financial Services Provider would be a Covered Contractor.

Commented [A29]: Modify definition to clarify applicability to certain non-TRS and TRS employees.

“Employee.” A person who works for TRS in an employer-employee relationship (including a paid intern) and not in an independent contractor capacity, and includes the Executive Director and Chief Investment Officer of TRS.

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Commented [A30]: Modify definition to clarify applicability to certain non-TRS and TRS employees.

“Executive Director.” The individual appointed as the executive director pursuant to Section 825.202 of the Texas Government Code.

“Fiduciary.” For purposes of this Code, a Contractor identified or appointed by contract or otherwise designated by TRS as a TRS fiduciary. If questions exist regarding who constitutes a Fiduciary for purposes of this Code, the Executive Director or his designee shall make that determination after consultation with the General Counsel or the Chief Compliance Officer.

“Financial Advisor.” See Financial Services Provider.

“Financial Services Provider.” A person or entity, other than an Employee or Trustee, who provides: (i) financial management or advice to TRS or to the Board that is the a basis for significant financial, investment, or fund management decisions or actions by or on behalf of TRS, and whose primary role is to provide such management or advice; (ii) financial services to TRS or advice in connection with the management or investment of TRS trust funds and who may reasonably expect to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31); or (iii) assistance to TRS in the buying or selling of stocks, bonds, commodities, options, and other securities, including related analysis or research (for example, on a security, company, industry, or sector) and who is named from time to time on the TRS Approved Broker List. A Financial Services Provider would include but is not limited to (i) financial advisors, (ii) financial consultants, (iii) investment counselors, (iv) money or investment managers, (v) custodian banks and security lending agents, (vi) Strategic Partners, (vii) external managers retained pursuant to agency agreements and (viii) brokers. For purposes of reporting compliance, the term “Financial Services Provider” includes an entity or person who appeared on the TRS Approved Broker List or the TRS Code Contractors List during any portion of the period of time covered by a particular report, even if that entity or person is no longer named on the TRS Approved Broker List or TRS Code Contractors List.

If questions exist regarding who constitutes a Financial Services Provider, the Executive Director or his designee shall make that determination after consultation with the General Counsel or the Chief Compliance Officer.

Notwithstanding the above, the following persons or entities are not considered Financial Services Providers: (i) attorneys and law firms, (ii) companies that provide actuarial services that impact investment strategies, (iii) companies that only provide financial information, research or advice that is not created for TRS’s exclusive use, or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.

“General Counsel.” The Employee of TRS serving in the position of chief legal advisor for TRS.

“Strategic Partner.” The institutions that are advisors that provide services under relationships designated by TRS as Strategic Partners.

“TRS.” The Teacher Retirement System of Texas.

“Trustee.” A member of the Board of TRS.

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Commented [A31]: Combine definitions of Broker, Financial Advisor and Financial Services Provider into a single Financial Provider Services Provider definition. This is consistent with Gov. Code Section 2263 terminology, and provides a more streamlined approach to the Code.

Appendix B – Conflict of Interest Disclosure and Request for Determination (“Disclosure Statement”)

Form TRS 541C

8

Commented [A32]: Attach TRS forms to the Code.



CONFLICT OF INTEREST DISCLOSURE and REQUEST FOR DETERMINATION

Contractor's Complete Name: _____

Under Section I.B. of the TRS Code of Ethics for Contractors ("Code"), a Contractor should promptly inform the General Counsel and Chief Compliance Officer by use of this TRS Form 541C if the Contractor either:

- has determined that it has a potential or actual conflict of interest; or
- is uncertain whether it has or would have a conflict of interest under a particular set of circumstances then existing or reasonably anticipated to occur.¹

A signed copy of this form may be emailed to the TRS Chief Compliance Officer or such other address as may be specified by TRS. If you have reason to believe that disclosure to the General Counsel would be ineffective, your TRS Form 541C should be sent directly to the Executive Director.

You must include all relevant and material facts and circumstances necessary for TRS to fully understand the details surrounding the possible, potential or actual conflict of interest. If any information you provide below requires updating or amending, immediately inform the General Counsel (or Executive Director, as applicable) and promptly provide the updated or amended information.

I. Conflict Determination

Describe fully the facts and circumstances that create the possible, potential or actual conflict of interest. Specify the interest or relationship that creates the conflict. Name all relevant parties. If there are non-confidential documents or related materials, attach those materials to your submission or provide website links to where those materials may be found.

As a reminder, Section I.A. of the Code provides that a conflict of interest exists when a Contractor has:

1. A relationship with any party to a transaction with TRS, or with an Employee or Trustee, other than a relationship necessary to the services that the Contractor performs for TRS, if a reasonable person could expect the relationship to diminish the Contractor's independence of judgment in the performance of the Contractor's responsibilities; or
2. A direct or indirect pecuniary interest in any party to a transaction with TRS if the transaction is connected with services the Contractor provides to TRS or to the Trustees in connection with the management or investment of TRS assets.

Enter a complete, reasonably detailed description of the facts and circumstances here.

¹ Contractors should complete TRS Form 541C in the same manner proscribed for addressing conflicts of interest when (1) reporting potential or actual violations of the Standards of Conduct in the Code, pursuant to Section II.J., or (2) using the Notice and Cure provisions in Section IV.B.2.

Provide your preliminary analysis of why you believe the situation may or may not be a conflict of interest under the definition of conflict in Section I.A. of the Code. Please address each element of the definition of conflict of interest as set forth in items 1. or 2. above, as applicable to your circumstances.

Enter your preliminary analysis here, explaining why there is or is not a possible, potential or actual conflict of interest.

For TRS: _____ No Conflict
 _____ Conflict
 _____ Conflict Upon Occurrence of Future Events

II. Cure Determination

Provide your preliminary analysis of why you believe the conflict of interest has or may be cured. Use the factors outlined in Section II.D. of the Code, among others that you may consider relevant, to describe how and whether the conflict has been mitigated, controlled or eliminated. In addition to the factors, your analysis should discuss, as applicable, the type of service underlying the conflict, the value of the service, any cost-benefit analysis that has been performed related to the service, and any restrictions on persons or activities in relation to the service or relationship underlying the conflict. If there are non-confidential documents or related materials, attach those materials to your submission or provide website links to where those materials may be found.

Enter your preliminary analysis here, explaining whether and how the conflict has or may be cured.

For TRS: _____ Conflict Not Cured or Incurable
 _____ Conflict Cured
 _____ Conflict Cured with Conditions (see below)

For TRS: Conditions Required as Part of Cure Determination:
Identify conditions required as part of the cure determination pursuant to Section I.D.

_____ I have withdrawn from participation in this matter pending further notification from TRS.

_____ I believe that I can effectively withdraw from participation in this matter.

Why or why not? _____

III. Reporting Obligations

A. Self-reporting

_____ I have provided a copy of this disclosure statement to my supervisor, team leader or manager, or monitoring personnel. If "no," why not?

Please provide requested explanation, if applicable.

B. Reporting of Others

_____ I believe another individual or entity has a conflict of interest, as defined in the Code.

_____ I have knowledge that the other individual or entity has withdrawn from participation in the matters affected by the conflict of interest pending further notification from TRS.

_____ I have provided a copy of this TRS Form 541C to the TRS personnel who supervise or monitor the individual or entity that is the subject of this disclosure statement.

Please provide additional explanation regarding the known facts surrounding a potential conflict of interest by another individual or entity.

As, or on behalf of, the Contractor listed below, I certify that all of the information provided in this TRS Form 541C is accurate and complete.

Contractor

Signature

Printed Name

Title or Position of Individual Named Immediately Above

Phone Number and Email Address

Date

For TRS: _____ Contract Continued _____ Contract Terminated _____ Date

Appendix C – Annual Ethics Compliance Statement
Form TRS 550



CONTRACTOR ANNUAL ETHICS COMPLIANCE STATEMENT

Consistent with Section IV. E. of the Code of Ethics for Contractors (the “Code”), an entity engaged by TRS as a Contractor shall be responsible for compliance with the Code by each of its employees and representatives and the authorized representative completing and executing this Statement does so on behalf of the entity itself and all of its employees. In this regard, any response, disclosure, or report required by this Code must be submitted to TRS by such entity rather than by individual employees and representatives, and such entity is responsible for making a diligent inquiry before each submission and from time to time during its engagement as a Contractor to determine if further submissions are required.

CAPITALIZED WORDS APPEARING HEREIN HAVE THE SAME MEANING ASSIGNED TO THEM IN THE CODE.

FOR ALL CONTRACTORS

- ◆ After diligent inquiry, Contractor represents that the Code has been read by those persons who work or represent the Contractor on TRS matters and that these individuals are familiar with the standards that govern the conduct of TRS’s Contractors.
- ◆ Contactor agrees to comply with both the letter and spirit of the Code (including prohibitions upon offering or conferring any gifts, entertainment, or other economic benefits to Trustees and Employees, found in Section II.B of the Code) and the Expenditure Reporting Form and Memorandum. Contactor understands that a violation of the Code is grounds for termination of the contract or relationship with TRS, and constitute a material breach of contract with no penalty to TRS for terminating the contract or relationship. **Contractor further understands that termination of a contract or relationship because of a violation of the Code can preclude another contract or relationship with TRS as provided in the Code.**
- ◆ Contactor agrees to report in writing to the General Counsel or to the Executive Director as required in the Code if Contactor:
 - 1) has determined that it has a potential or actual conflict of interest as defined in the Code, or
 - 2) is uncertain whether it has or would have a conflict of interest under a particular set of circumstances then existing or reasonably anticipated to occur, or
 - 3) has knowledge that a Trustee, Employee, or Contractor has violated the Code, or
 - 4) has violated the Code or has an interest or relationship which violates the Code.

Such written report should be made on the TRS Form 541C, Conflict of Interest Disclosure and Request for Determination.

- ◆ Contactor agrees to provide a copy of any such disclosure to the Employee who monitors or manages the Contractor’s work.
- ◆ Contactor agrees to not take action personally or on behalf of TRS which is reasonably likely to result in a foreseeable conflict of interest unless permitted under Section II.I or II.J. of the Code or pursuant to Section I.D. of the Code.
- ◆ To the best of the knowledge and belief of Contractor, Contractor does not have a conflict of interest, nor has Contractor engaged in any activity that constitutes a conflict of interest, as defined in the Code, except as indicated below.

(Write "None" if there is nothing to report. If there is something to report that requires additional space, please use and attach an additional sheet to this form.)

- ◆ To the best of the knowledge and belief of Contractor, Contractor has no personal business relationship with a Trustee or Employee, except as indicated below.

(Write "None" if there is nothing to report.)

- ◆ To the best of the knowledge and belief of Contractor, Contractor has not violated the Code, except as indicated below.

(Write "None" if there is nothing to report.)

- ◆ To the best of the knowledge and belief of Contractor, Contractor is unaware of any violations of:
 - 1) the TRS policy prohibiting the offering or accepting of gifts, entertainment, or other economic benefits involving any Trustee, Employee, Contractor or
 - 2) the Code by any other Contractor, except as indicated below.

(Write "None" if there is nothing to report.)

- ◆ Contractor agrees that if any change in circumstances occurs which should be reported in accordance with the Code, Contractor will promptly report this change to the General Counsel or to the Executive Director.
- ◆ If Contractor was a Contractor during the prior calendar year, Contractor hereby certifies and represents that Contractor filed the Expenditure Reporting Form for Contractors that was due by April 15 of this calendar year. Contractor agrees to file by April 15 of the next calendar year an Expenditure Reporting Form for Contractors addressing expenditures made in this calendar year.
- ◆ Contractor is in compliance with all professional standards and laws that apply to Contractor.

Signature

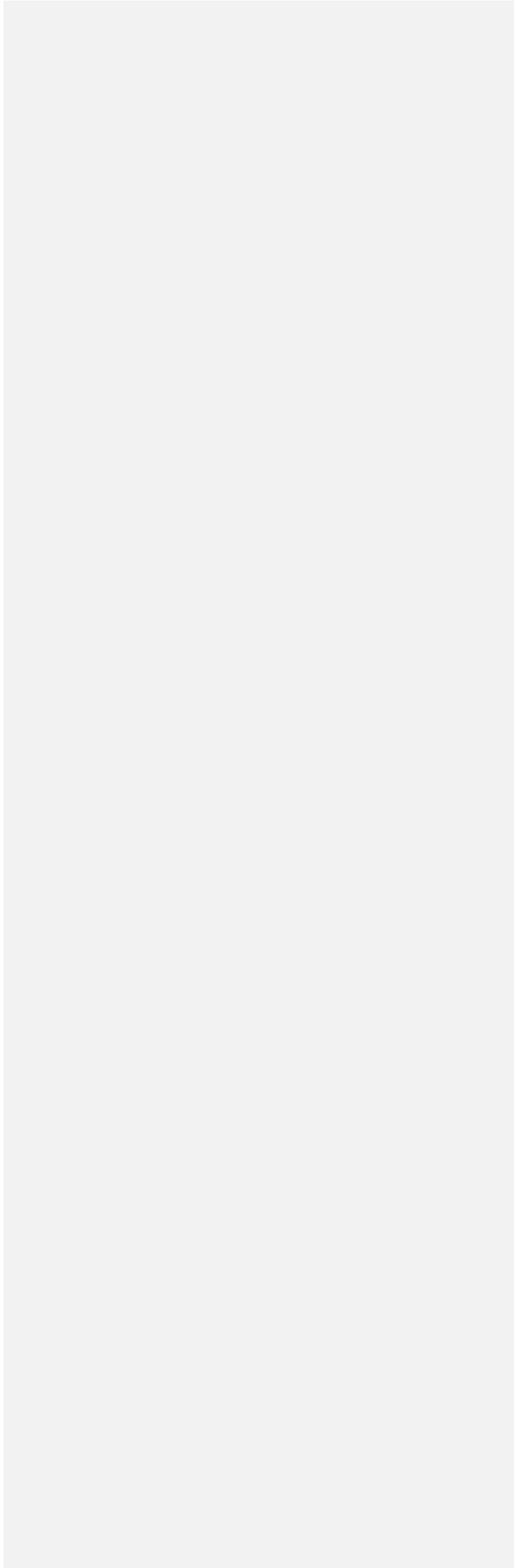
Name of Contractor

Printed Name and Position

Date

Appendix D – Disclosure Statement for Financial Services Providers
Form TRS 630

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DISCLOSURE STATEMENT FOR FINANCIAL SERVICES PROVIDERS

**DUE ANNUALLY NO LATER THAN APRIL 15
OR WHENEVER THERE IS NEW INFORMATION TO REPORT**

INSTRUCTIONS:

- 1) THE REPORTING PERIOD COVERED BY THIS STATEMENT CONSISTS OF THE PRECEDING CALENDAR YEAR.
- 2) THIS STATEMENT MUST BE FILED ANNUALLY, NOT LATER THAN APRIL 15.
- 3) A NEW OR AMENDED STATEMENT MUST BE PROMPTLY FILED WITH THE PARTIES LISTED IN STEP 4 OF THESE INSTRUCTIONS WHENEVER THERE IS NEW INFORMATION TO REPORT UNDER TEXAS GOVERNMENT CODE, SECTION 2263.005 (a) OR SECTION III.B OF THE TRS CODE OF ETHICS FOR CONTRACTORS.
- 4) THIS STATEMENT MUST BE SUBMITTED EVEN IF YOU ANSWER "NO" TO QUESTIONS 1 AND 2 IN PART 2.
- 5) SUBMIT A COPY OF THIS STATEMENT TO THE FOLLOWING:
 - a. THE EXECUTIVE DIRECTOR OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ("TRS") (mail to 1000 Red River Street, Austin, TX, 78701-2698)
 - b. THE STATE AUDITOR (mail to P.O. Box 12067, Austin, TX, 78711-2067 Attn: Disclosure Statement)
- 6) THE TERM "FINANCIAL SERVICES PROVIDER" HAS THE MEANING GIVEN TO IT BY THE TRS CODE OF ETHICS FOR CONTRACTORS.

PART 1: GENERAL INFORMATION

FILING TYPE (Check one) ANNUAL DISCLOSURE FOR YEAR ENDING DECEMBER 31, 2012 UPDATED DISCLOSURE

FILER (check one) INDIVIDUAL BUSINESS ENTITY (on behalf of itself and all of its employees or representatives who provided advice or services to TRS)

NAME OF INDIVIDUAL _____ JOB TITLE _____

NAME OF BUSINESS ENTITY (if any) _____ TYPE OF FINANCIAL ADVICE OR SERVICE PROVIDED _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____ PHONE _____

IF YOU ARE PROVIDING FINANCIAL ADVICE OR FINANCIAL SERVICES **CONCERNING TRS MATTERS** TO A TRS TRUSTEE, BUT **NOT** TO TRS ITSELF, PLEASE PROVIDE THE NAME(S) OF THE TRUSTEE(S) _____
(if there are none, please answer "NONE") (Note: A current listing of trustees can be found at the TRS website – www.trs.texas.gov. Once at this site, go to the left margin and click on "About TRS." Then click on "Board of Trustees" for a current listing of TRS trustees.)

PART 2: DISCLOSURES

DISCLOSURE REQUIREMENTS FOR FINANCIAL SERVICES PROVIDERS

Financial Services Providers must disclose information regarding certain relationships and interests to the TRS Executive Director and the Texas State Auditor pursuant to Texas Government Code Section 2263.005.

- 1) Do you or your business entity have or did you or your business entity have any relationship with any party to a transaction with TRS (other than a relationship necessary to the services that you or your business entity will perform, are performing, or performed for TRS) that a reasonable person could expect the relationship to diminish your or your business entity's independence of judgment in the performance of your or your business entity's responsibilities to TRS?
Yes _____ No _____

If yes, please explain in detail the nature of such relationships. (Attach additional sheets as needed.)

- 2) Do you or your business entity have or did you or your business entity have any direct or indirect pecuniary interests in any party to a transaction with TRS where the transaction is or was connected with any financial advice or service that you or your business entity provide to or provided to TRS or to a TRS trustee concerning TRS matters?
 Yes _____ No _____

If yes, please explain in detail the nature of such pecuniary interests. (Attach additional sheets as needed.)

PART 3: SIGNATURE AND DATE

TO BE COMPLETED BY AN ENTITY ENGAGED BY TRS

Pursuant to Section IV. E. of the Code of Ethics for Contractors (the “Code”), an entity engaged by TRS as a Financial Services Provider shall be responsible for compliance with the Code by each of its employees and representatives. This Disclosure Statement must be submitted to TRS by such entity rather than by individual employees and representatives, and such entity is responsible for making a diligent inquiry before each submission and from time to time during its engagement as a Financial Services Provider to determine if further submissions are required.

Consistent with Section IV. E. of the Code, I hereby attest that I am authorized to file this Disclosure Statement on behalf of the business entity named above and that all information provided above is complete and accurate with respect to the business entity and all of its employees and representatives that provide financial advice or services to TRS. I further attest that a diligent inquiry of such employees and representatives was made by the business entity before each submission and periodically during the time that the business entity provides financial advice or services to TRS. Acting on behalf of the business entity, it hereby acknowledges its responsibility to submit promptly a new or amended Disclosure Statement to the parties listed in step 5 of the above instructions if any of the above information changes.

Signature _____ Date _____

Printed Name and Position _____

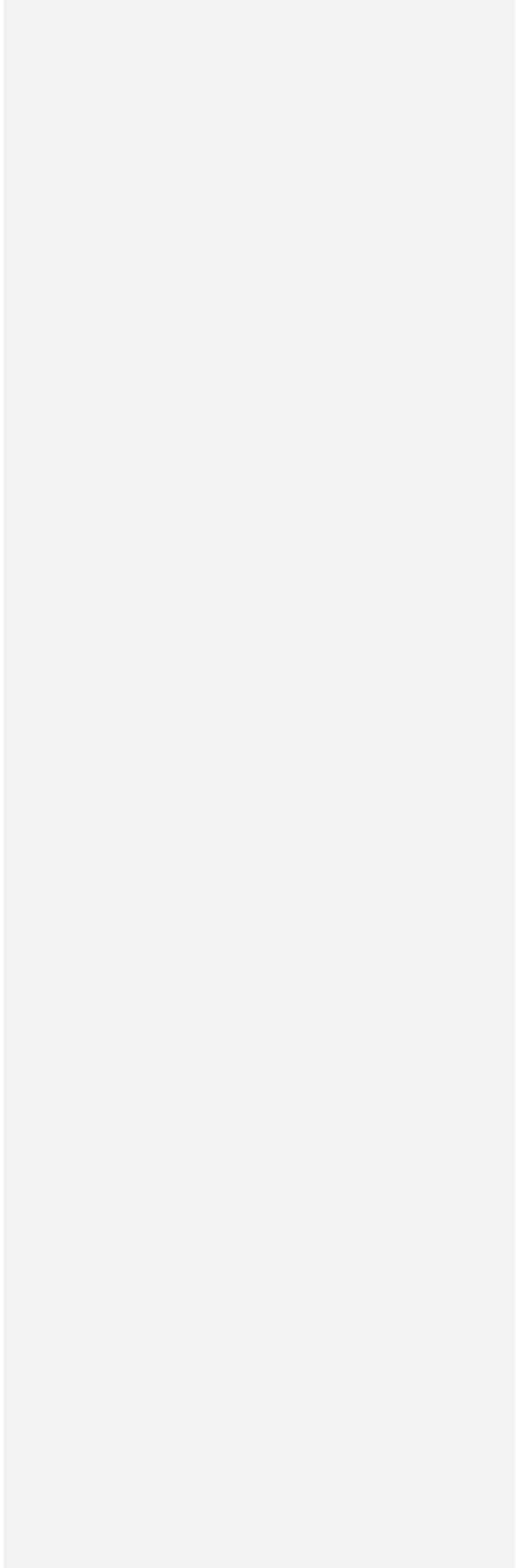
TO BE COMPLETED BY AN INDIVIDUAL ENGAGED BY TRS

I hereby attest that all information provided above is complete and accurate. I hereby acknowledge my responsibility to submit promptly a new or amended Disclosure Statement to the parties listed in step 5 of the above instructions if any of the above information changes.

Signature _____ Date _____

Printed Name _____

Appendix E – Expenditure Reporting Form for Contractors
Form TRS 543





EXPENDITURE REPORTING FORM FOR CONTRACTORS

Required for: Expenditures of more than \$50 per day made on behalf of any one trustee or employee by a TRS Contractor (as defined in the TRS Code of Ethics for Contractors; not including any other provider of goods or services)

Return to: Executive Director, Teacher Retirement System of Texas

Due by: April 15, following the calendar year covered by the report

PLEASE CHECK THE APPROPRIATE BLANK:

_____ Contractor made no reportable expenditures during the calendar year covered by this report. If this blank is checked, please sign and provide the information requested in the signature block located at the end of this form.

_____ Contractor made reportable expenditures during the calendar year covered by this report. If this blank is checked, please complete the rest of this form AND sign and provide the information requested in the signature block located at the end of this form.

NOTE: If daily expenditures which total in excess of \$50 fall within two or more categories noted in Item 1 of the TRS Expenditure Reporting Memorandum, then a separate form for each trustee or employee and for each category may be filed with TRS.

Recipient trustee's or employee's Name(s): _____

Were spouses/other guests in attendance? YES _____ NO _____

Have you reported expenditures on spouses/guests of TRS recipients as expenditures on behalf of the TRS recipients? YES _____ NO _____

Category of Expenditure: _____
(For example, food and beverages. Refer to Item 1 of the Expenditure Reporting Memorandum for other categories.)

Description of Expenditure: _____

(Be very specific in your description.)

Vendor/Provider Name: _____

Street Address: _____

City, State: _____

Location Served/Held (if different from address immediately above):

Name: _____

Street Address: _____

City, State: _____

Amount of Expenditure per day per trustee or employee:

Date of Expenditure: _____
(For consumption, use, purchase, receipt.)

Date of Receipt: _____
(If different from date of expenditure.)

BY MY SIGNATURE, I HEREBY CERTIFY AND REPRESENT THAT THE
INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

Signature

Printed Name

Title

Name of Contractor

Contractor's Address

Date of Signature

20__ CALENDAR YEAR
COVERED BY THIS REPORT

Marked Proposal

Marked Proposal



Teacher Retirement System of Texas

Code of Ethics for Contractors

Adopted: ~~September 9, 1994~~

Revised Effective as of April 20, 2012

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Style Definition: Heading 1: Font: 14 pt, Bold, Font color: Text 1, Space Before: 12 pt, After: 12 pt, Line spacing: Multiple 1.05 li, Outline numbered + Level: 1 + Numbering Style: I, II, III, ... + Start at: 1 + Alignment: Left + Aligned at: 0" + Indent at: 0", Widow/Orphan control, Keep with next, Keep lines together

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I, the undersigned, acknowledge that I have read this Code and am familiar with, and agree to be bound by, the standards that govern the conduct of Contractors.

I, the undersigned, am responsible for compliance and administration of the Code, including any ethics matters that may arise thereunder. If those obligations reside with another representative of the Contractor, I have included the contact information for that person below.

If the undersigned is executing this Code on behalf of an entity engaged by TRS as a Contractor, I further acknowledge that I have distributed this Code to those persons who work for or represent the Contractor on TRS matters. They have read this Code and are familiar with, and agree to be bound by, the standards that govern the conduct of Contractors.

Further, the Contractor shall distribute this Code (i) immediately to any other person with the Contractor who begins working on or representing the Contractor on TRS matters and (ii) once a year to all persons with the Contractor who work on or represent the Contractor on TRS matters.

Signature Title

Printed Name Contractor Entity Name

Date
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Covered Contractor

Contact for Code administration: _____

Phone number: _____

Email address: _____

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The Teacher Retirement System of Texas ("TRS") is charged by the Texas Constitution and state law with the administration and investment of pension assets held in trust for the exclusive benefit of active or retired TRS members and their beneficiaries; assets may not be diverted for other purposes. The TRS Board of Trustees is the trustee of all plan assets, responsible for the general administration and operation of TRS and authorized by law to adopt rules for TRS administration and Board business. The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act, the Texas School Employees Uniform Group Health Coverage Act, and other trusts or programs authorized by law to be administered by TRS. The Code of Ethics for Contractors ("Code"), sets forth the ethical responsibilities and requirements of Contractors, as that term is defined in the Code, in performing services for TRS.

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Section I.

I. Conflicts of Interest

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A. Conflicts of Interest Defined.

~~Conflict of Interest for Contractors (excluding Brokers).~~ A conflict of interest exists for a Contractor (excluding a Broker) when the Contractor has a personal, commercial (including private commercial), or business:

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~~1. A relationship with any party to a transaction with TRS, or with an Employee, or interest, unrelated Trustee, other than a relationship necessary to the services that the Contractor performs for TRS, that if a reasonable person could reasonably be expected expect the relationship to diminish the Contractor's Contractor's independence of judgment in the performance of the Contractor's Contractor's responsibilities to TRS;~~
~~or~~

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~~2. For example, a direct or indirect pecuniary interest in any party to a transaction with TRS if the transaction is connected with services the Contractor provides to TRS or to the Trustees in connection with the management or investment of TRS assets.~~

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~~A person's independence of judgment reasonably could be diminished when he or she is in a position to take action or not take action with respect to TRS or its business and a reasonable person could expect that such action or failure to action on behalf of TRS is influenced by considerations of gain, loss avoidance, or benefit to the Contractor, a Trustee, an Employee or a third party, rather than motivated by the best interests of TRS, its members, and beneficiaries. A conflict of interest shall not be deemed to exist solely because a Contractor is or has a relative who is a member, retiree, annuitant or beneficiary of TRS, provided the relative is not also an Employee.~~

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~~For example, a Contractor may not participate in or advise or consult on a specific~~

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~~matter before TRS that involves a business, contract, property or investment in which the Contractor has a pecuniary interest if it is reasonably foreseeable that action or inaction by or on behalf of TRS on that matter would be likely to, directly or indirectly, confer a benefit on the Contractor by reason of the Contractor's interest in such business, contract, property or investment. The foregoing prohibition does not apply if~~

- ~~• The~~ **A conflict of interest will not exist under this Code if any benefit is merely incidental to the Contractor's membership in a large class sharing a common class interest, such as the class of TRS members.**
- ~~• The benefit is merely an increase in fees or the awarding of another contract to the Contractor for other business with TRS.~~

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(2) ~~Additional Conflicts of Interest for Brokers, Financial Advisors and Financial Services Providers. A conflict of interest exists for a Broker, Financial Advisor or a Financial Services Provider when the Broker, Financial Advisor or Financial Services Provider has one of the following:~~

- ~~• A direct or indirect pecuniary interest in any party to a transaction with TRS and the transaction is connected with any financial advice or service the Broker, such Financial Advisor, or Financial Services Provider provides to TRS or to a Trustee concerning TRS matters.~~
- ~~• A relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) with one of the following:

 - ~~• Any party to a transaction with TRS, other than a relationship necessary to provide the Broker, Financial Advisor or such Financial Services Provider services to TRS;~~
 - ~~• An Employee; or~~
 - ~~• A Trustee~~
 if a reasonable person could expect the relationship to diminish the Broker, Financial Advisor, or Financial Services Provider independence of judgment in the performance of the Broker, Financial Advisor or Financial Services Provider responsibilities to TRS.~~

~~Notwithstanding the definition of Further, a conflict in this subsection I.A.2, if a TRS Financial Advisor is asked to advise TRS in a transaction and the Financial Advisor or the Financial Advisor's affiliate holds or intends to hold or acquire a direct or indirect pecuniary interest in a limited partnership (or similar vehicle, including a co-investment or alternate or parallel investment vehicle) in which TRS is considering investing, the Financial Advisor of interest will not be deemed, in future or past applications of this subsection, to have a disqualifying conflict of interest under this Code to exist solely because of that pecuniary interest. The Financial Advisor must disclose such a pecuniary interest in writing to TRS as soon as practicable, but to the extent possible before performing any services for TRS related to the particular transaction. The General Counsel may review any such disclosures to analyze whether the Financial Advisor's exercise of judgment on behalf of TRS in performing advisory or consulting services is, or is likely to be, affected by the Financial Advisor's interest under the circumstances. The General Counsel may consider whether the disclosed interest aligns the Financial Advisor's interests with TRS' interest (or is at least not harmful or opposed to TRS' interests) in the transaction. If the General Counsel determines that no conflict of interest exists based on the Financial Advisor's disclosures, then, to the extent applicable, the Financial Advisor shall further disclose the interest in any written advice, prudence letter, or recommendation provided to TRS for the transaction. A Contractor is or has a~~

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relative who is a TRS member, retiree, annuitant or beneficiary who is not also an Employee.

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B. Determination Disclosure of a Potential Conflict and Actual Conflicts of Interest.

If a Contractor, Trustee, either:

1. Has determined that it has a potential or Employee (to the extent a Trustee or an Employee is or reasonably should be aware actual conflict of the circumstances) is inter

or
B.2. Is uncertain whether a Contractor it has or would have a conflict of interest under a particular set of circumstances then existing or reasonably anticipated to occur, the Contractor, Trustee, or Employee should promptly inform the General Counsel, who shall determine whether a conflict of interest exists under the circumstances presented. If the General Counsel determines that a conflict does not now exist but would exist upon the occurrence of the anticipated circumstances and they later do occur, the Contractor must file a disclosure statement on the occurrence of such events.

Disclosure. Contractors must the Contractor should promptly disclose conflicts in writing the underlying circumstances to the General Counsel in writing by submitting a completed Conflict of Interest Disclosure and Request for Determination (the "Disclosure Statement") (Form TRS 541C). (See Appendix B.) In completing the Disclosure Statement, a Contractor must provide full disclosure of all relevant facts and circumstances related to the potential or actual conflict.

C. A Contractor contractor who files a Conflict of Interest Disclosure Statement must refrain from giving advice or making decisions about any matters affected by the potential or actual conflict of interest until the Contractor cures the conflict under Section I.D or obtains a waiver under Section I.E guidance to proceed from the General Counsel or Executive Director.

The General Counsel shall send a copy of all Conflict of Interest Disclosure Statements received to the Ethics Committee of the Board. If a person or entity If a Contractor with a duty to disclose conflicts reasonably believes that disclosure to the General Counsel would be ineffective, the person or entity Contractor shall disclose the potential or actual conflict of interest to the Ethics Committee of the Board by submitting a Conflict of Interest Disclosure Statement to the Chair of such committee, addressed to: Executive Director.

Chair Teacher Retirement System of the Ethics Committee of the Board c/o Texas Executive Director of TRS 1000 Red River Street Austin, Texas 78701-2698

Whether disclosure is made to the General Counsel or to the Ethics Committee of the Board Executive Director, a Contractor shall provide a copy of the Conflict of Interest

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Commented [A4]: Enhance the Disclosure Statement to create proactive and routinized disclosure of potential and actual conflicts of interest. Use the Disclosure Statement to form the basis for "disclosure and cure" regime for Contractor conflicts, as required by Gov. Code Section 2263, instead of "automatic disqualification" regime.

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If the General Counsel determines that either (1) a conflict does not exist presently but would exist upon the occurrence of future events or circumstances identified by the Contractor in the Disclosure Statement or otherwise, or (2) a conflict exists, the General Counsel will notify the Contractor of the determination in writing, and resolution of the conflict will be addressed as provided in Section I.D.

D. Conflict Resolution.

A Contractor with a conflict of interest must disclose ~~that~~ the conflict and cure (eliminate) it. A Contractor who cannot or does not want to eliminate the conflict of interest must terminate his or its conflict may be cured by mitigating, controlling or eliminating the conflict. For each determination that a conflict exists, the cure, or the absence of a cure, will be documented by the General Counsel on the Disclosure Statement submitted by the Contractor. The documentation will summarize the reasons supporting the decision, including any conditions required as part of the cure. The Disclosure Statement will be retained in the Office of the General Counsel, with a copy to be provided to the Contractor.

The process for evaluating whether a conflict of interest has been cured will be based on the type of Contractor: (1) Financial Services Provider or (2) all other Contractors.

1. Financial Services Provider.

Upon receipt of a Disclosure Statement, the Executive Director, in consultation with the General Counsel, and as appropriate, the Chief Investment Officer, will make any determinations regarding whether a conflict of interest has been cured under this Section I.D.1 in his sole discretion.

- a. When evaluating whether a conflict has been or can be cured, the Executive Director may consider, among others, the following factors relating to the Contractor's disclosures and steps to mitigate, control, or eliminate the conflict:
 - i. Whether the Contractor is a fiduciary;
 - ii. The nature and extent of the provider's disclosed pecuniary interests and relationships;
 - iii. Whether, applying the reasonable person standard, the Contractor's exercise of judgment on behalf of TRS in performing such services is, or is likely to be, affected by the Contractor's interests and/or relationships;
 - iv. Whether the appearance of a conflict is contrary to or materially inconsistent with the known facts underlying the perceived conflict;
 - v. Whether the Contractor's interests are in fact substantially aligned with TRS's best interests (or the degree to which they are not harmful or opposed to TRS' interests) in the transaction;
 - vi. Whether TRS's best interests will be best served by proceeding with the Contractor's services even though the Contractor also has an interest;
 - vii. A cost-benefit analysis, including a review of pricing and fee structures, that demonstrates that TRS will not suffer any economic or other disadvantages or can reasonably expect cost-savings or pecuniary benefits (including loss avoidance) if TRS consents to the services;

Commented [A9]: Define "cure" to mean mitigating, controlling or eliminating. This modification to the "automatic disqualification" process allows TRS greater flexibility to manage potential and actual conflicts and weigh the risks associated with such conflicts. This approach is comparable to the approaches envisioned under the Advisers Act of 1940 and ERISA.

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Commented [A10]: Require that the determination, regarding whether a conflict has or can be cured, be documented and communicated to the Contractor.

Commented [A11]: Add a non-exclusive list of factors for the Executive Director and General Counsel to consider in making a cure determination.

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viii. The nature and extent of transparency and reporting that the Contractor will be required to deliver with respect to its own interests and relationships in connection with its services, and, if applicable, whether the Contractor's contract for services with TRS will, or should be amended to, require such transparency and reporting;

~~ix.~~ ix. Whether the Contractor proposes to create information barriers between business units, lines of business, relationship with TRS as promptly as responsibly and legally possible, or seek a waiver of the conflict under Section 1.E, contacts, personnel, and affiliates with respect to confidential TRS or transaction information and due diligence matters;

x. Alternatively, if a Contractor or a The Contractor's qualifications, reputation, and experience in the industry for the services to be provided for the relevant transaction;

xi. Whether an RFP or Trustee approval was part of the engagement process for the Contractor;

xii. The prior experience with and quality of the Contractor's services in previous TRS transactions; and

xiii. Whether, in relation to the provision of analysis or research from a Financial Services Provider that is a Broker or independent research provider, the disclosures provided by the Contractor are sufficient under the circumstances to cure the conflict by informing TRS of the nature and extent of any bias, and to form a judgment about the credibility or value of the Contractor's services, particularly if the services are of a limited nature – such as research.

b. When evaluating whether a conflict has been or can be cured, the Executive Director may also consider the type of services underlying the conflict of interest and the value such services provide within the different segments of TRS' business. For example, whether the Contractor proposes, in addition to providing the financial services it provides to TRS under an existing or proposed agreement, to:

i. Act as a principal or counterparty (including as an agent for a disclosed or undisclosed third party principal) opposed to TRS in a financial or investment transaction or series of transactions;

ii. Offer inconsistent or, alternatively, numerous services by different areas of the Contractor's organization;

iii. Engage an affiliate to perform services for TRS that may or may not provide an indirect or direct benefit to the Contractor;

iv. Recapture commissions for certain services it provides; or

v. Provide investment advice to TRS in connection with a TRS investment and the Contractor has a conflict or holds or intends to hold or acquire a direct or indirect pecuniary interest in the same portfolio investment or transaction as TRS whether for itself as a principal or as an agent on behalf of disclosed or undisclosed third parties.

c. The Executive Director may consider whether a Contractor has or can cure a potential or actual conflict if the Contractor or the Contractor's employee may

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Commented [A12]: Highlight certain services where the value of the service may outweigh the risks associated with a conflict the Contractor may face providing the service.

Commented [A13]: Incorporate "restriction" language into "cure" section.

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Employee or affiliate prudently ~~refrain~~refrains or ~~withdraw~~withdraws from taking action on a particular TRS matter in which a conflict or potential conflict exists; provided that:

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he or it may cure the conflict or prevent or mitigate the potential conflict in that manner provided that

- i. The person, persons, or entityContractor may be ~~and~~, is or are effectively separated from influencing the action taken;
- ii. The action may properly and prudently be taken by others without undue risk to the interests of TRS; and
- iii. The nature of the conflict is not such that the person, persons, or entityContractor must regularly and consistently withdraw from decisions that are normally his, their, or its responsibility with respect to the services provided to TRS.

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~~The General Counsel shall determine whether or not the Contractor's proposed cure of an existing conflict or a preventive or mitigating measure for a potential conflict is appropriate and sufficient under this Section. The General Counsel shall inform the Executive Director and the Chief Audit Executive of any such determination.~~

~~E. Waiver. The Chief Investment Officer or Executive Director may determine that a Broker, or Financial Services Provider does not need to take further actions to cure a conflict provided the disclosures by the Broker or Financial Services Provider are deemed sufficient under the circumstances to inform TRS of the nature and extent of any bias, and to form a judgment about the credibility or value of the analysis, research, recommendations or other services provided by the Broker or such Financial Services Provider. The Chief Investment Officer or Executive Director shall notify the Chief Audit Executive and the General Counsel of the relevant facts and determination. In such an event, the Broker or Financial Services Provider may continue to provide analysis or research or recommendations and perform services without taking further action to cure the disclosed conflict of interest.~~

~~For all other conflicts where a Contractor seeks a waiver, the Board, after consultation with the General Counsel, may expressly waive a conflict. The Board will decide whether to waive the prohibition against involvement in any matter affected by a disclosed conflict of interest at a meeting held in compliance with the Texas laws governing open meetings of the Board. To assist the Board in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships or interests that do not constitute material conflicts of interest. Any waiver granted by the Board, including the reasons supporting the waiver, must be included in the minutes of the meeting. Records of all waivers granted, including reasons supporting the Board's decision in each case, will be maintained by the Office of the General Counsel.~~

- d. The Executive Director may elect to impose conditions as part of a determination that a conflict has been or can be cured. Such conditions will be tailored to the particular facts and circumstances. They may include, among others, requirements to:

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Commented [A14]: Permit the Executive Director or General Counsel to impose conditions as part of the cure determination.

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1. Section 36.02 of the Texas Penal Code, which prohibits bribery.

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2. Section 36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants.

Section 825.211 of the Texas Government Code, which prohibits applicable Contractors and certain relatives from participating in or being the beneficiary of, directly or indirectly, a loan, commitment to lend, a guarantee or endorsement to lend, or an investment by TRS or a contract to advise TRS or manage property or investments for TRS.

3. Section 572.054 of the Texas Government Code.

4. Section 825.212 of the Texas Government Code.

5. Section 2252.908 of the Texas Government Code.

6. Chapter 2263 of the Texas Government Code.

7. All applicable securities and commodities laws.

Any applicable requirements under the Dodd Frank Wall Street Reform and Consumer Protection Act and accompanying regulations as published. These laws mandate many of the requirements found in this Code.

B. Benefits.

B. Contractors must avoid offering, conferring, soliciting, or accepting any benefit to or from Trustees, Employees, or Covered Contractors, except as otherwise allowed in Trustee and Employee ethics policies, incorporated herein by reference and available at <http://www.tris.state.tx.us/> - <http://www.tris.state.tx.us/>. For example, a Contractor cannot provide a special discount on services to a TRS Trustee or Employee if the discount is based on the Contractor's relationship with TRS.

C. Individual Advisor.

C. Irrespective of compensation, a Contractor may not be a representative of or be hired/engaged by an individual Trustee if, in either case, the Contractor's role with respect to the Trustee is to provide advice that could reasonably be expected to form the basis for a significant TRS decision made by the Trustee.

D. Personal Business Relationship.

D. A personal business relationship exists when a Contractor and a Trustee or Employee own or operate a business together or co-invest in a business, other than through publicly traded securities. Contractors may not have a personal business relationship with a Trustee or Employee unless the Executive Director consents to the continuation of TRS's relationship with the Contractor after full disclosure. A personal business relationship exists when a Contractor and a Trustee or Employee operate a business together or co-invest in a business, other than through publicly traded securities. If a personal business relationship exists, a Contractor must promptly disclose the personal business relationship in writing to the Executive Director by filing a Disclosure Statement with a

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~~copy to~~ the General Counsel. The Executive Director, after consultation ~~with~~ the General Counsel, will then determine whether to approve the continuation of TRS's relationship with the Contractor while the Trustee or Employee continues in his or her respective role for TRS. Alternatively, the Executive Director may require the Contractor, Trustee and/or Employee to be screened from TRS matters in which the personal business relationship may reasonably be expected to diminish the Contractor's independence of judgment in the performance of duties for TRS.

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E. Employment of Former Trustee or ~~Employee~~ Executive Director.

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~~E.~~ Contractors ~~may not employ a~~ former Trustee or a former Executive Director for two years after termination of such former Trustee's TRS board service or such Executive Director's ~~Employee~~ relationship with TRS unless the former Trustee or Executive Director will not provide services to TRS or work on or have any involvement in TRS-related business of the Contractor. ~~Further, Contractors~~

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may not employ any former Trustee or Employee, including the former Executive Director, at any time if the person's services to TRS, work, and involvement in TRS-related business of the Contractor would violate Government Code § 572.054(b) of the Texas "Revolving Door" statute. The prohibition on former Employees in the preceding sentence applies only to those former Employees who were compensated, as of the last date of TRS employment, at or above the minimum amount prescribed by the Texas General Appropriations Act for salary group A17, of the position classification salary schedule. The amount prescribed for fiscal year 2011 is \$35,651. To the extent that it does not violate statutory law, the Executive Director can waive the application of this prohibition in a specific situation.

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To Section 572.054(b) of the Texas "Revolving Door" statute. To the extent that it does not violate statutory law or that it would be in the best interest of TRS, the Executive Director may waive the application of this policy provision prohibition in a specific situation.

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Confidential TRS cannot enter into a contract with a former or current Executive Director or with a Contractor which employs a former Executive Director without Board approval in an open meeting.

F. Use or Disclosure of TRS Information.

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F. A Contractor may not make unauthorized use or disclosure of confidential or sensitive information acquired as a result of the relationship with TRS except as needed to provide the services required by the contract for TRS business purposes. A Contractor receiving or having access to sensitive or confidential TRS information must use its best efforts to protect such TRS information and may from unauthorized access, use such information only for performing the services for which the Contractor is engaged and for legitimate TRS business purposes in accordance with the engagement agreement or disclosure.

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G. Use of Information for Advantage or Gain. A Contractor may not use information derived from a relationship with TRS in a manner that might reasonably be expected to affect the value of any investment or contemplated investment if such use would provide advantage or gain to the Contractor or any third party.

G. Bids.

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H. A Contractor may not be awarded a contract that is funded in whole or in part by appropriations from the general revenue fund of the State of Texas if (1) TRS paid the Contractor to participate in preparing the specifications for, or request for proposals related to, the contract or (2) the Contractor assisted TRS in the selection process to award the contract. For example, an actuary may advise TRS to obtain actuarial services for an issue and may serve as the actuary to provide the services to TRS under its existing contract, but the actuary may not participate in developing the specifications on which the contract is to be based. If the contract is not funded using money appropriated from the general

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I. Foreseeable Conflicts of Interest.

Contractors may not take action personally or on behalf of TRS that would reasonably be likely to result in a foreseeable conflict of interest. If a Contractor believes that taking a particular action would be in the best interest of TRS but such action would foreseeably result in a conflict of interest for the Contractor, the Contractor must proceed under the conflict of interest provisions of Section I.

J. Foreseeable Violation of Standards of Conduct.

If a Contractor anticipates that future conduct by the Contractor itself, its employees or its affiliates could or is likely to violate the Standards of Conduct, but such conduct may not itself, without more, be a potential or actual conflict of interest, the Contractor may seek to “cure” that anticipated violation by following the process outlined in Section I.B. to I.D. for disclosing and curing potential and actual conflicts of interest by mitigating, controlling, or eliminating the violation.

As in Section I., the Executive Director will review Disclosure Statements for Financial Services Providers and the General Counsel will review Disclosure Statements for all other Contractors. The Executive Director’s determinations under this section may be appealed to the Audit Committee of the Board. Any use of this sub-section will be reported on a regular basis by the Chief Compliance Office to the Executive Director, the Chief Audit Executive, and the Audit Committee of the Board.

K. Signed Acknowledgement.

On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at any time this Code is revised by TRS, each Contractor must sign, date, and return to TRS a copy of this Code.

L. Reporting.

Contractors shall complete all reporting requirements in accordance with TRS prescribed systems or processes, including any electronic reporting system implemented by TRS.

M. Covered Contractor Ethics. Any

Covered Contractor is Contractors are subject to the Employee ethics policy, incorporated herein by reference and available at <http://www.trs.state.tx.us/> <http://www.trs.state.tx.us/> and, as applicable, any warranties and representations made in TRS questionnaires related to political contributions, improper influence, placement agents and finders.

Commented [A19]: Add provision to address departure from “automatic disqualification” regime within Standards of Conduct, Section II, that mirrors process in Conflicts of Interest, Section I.

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Commented [A20]: Remind Contractors of their obligations under the placement agent questionnaires and policy.

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Section III.

III. Periodic Disclosures

A. Annual Compliance Statement.

On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at, the Contractor will have signed this Code in acknowledgement of the responsibilities and obligations thereunder and the consequences for non-compliance with the Code. At least once every twelve-month period, each Contractor must read and review any applicable policies and sign and date a Contractor Annual Ethics Compliance Statement (the "Annual Compliance Statement") (Form TRS 550) (Appendix C) and any other forms as required by TRS.

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B. Disclosure Statement— for Financial Services Providers.

In addition to the Annual Compliance Statement filed pursuant to the paragraph immediately above, all Brokers, Financial Advisors, and Financial Services Providers shall also file annually a Disclosure Statement for Brokers, Financial Advisors, and Financial Services Providers (Form TRS 630) (Appendix D) with the General Counsel/Executive Director and the State Auditor's Office. Also, all Brokers, Financial Advisors, and Financial Services Providers must promptly file a new or amended statement with the General Counsel/Executive Director and the State Auditor's Office whenever there is new information to report. In filing this statement, a Financial Services Provider will disclose in writing the following:

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In filing this statement, the Broker, Financial Advisor, or Financial Services Provider will disclose in writing the following:

(+) Any relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) the Broker, Financial Advisor or Financial Services Provider has with any party to a transaction with TRS, other than a relationship necessary to the advice or services that the Broker, Financial Advisor or Financial Services Provider performs for TRS, if a reasonable person could expect the relationship to diminish the Broker, Financial Advisor or Financial Services Provider's independence of judgment in the performance of the Broker, its responsibilities to TRS; and

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Financial Advisor or Financial Services Provider responsibilities to TRS; and

(-) Any direct or indirect pecuniary interests in any party to a transaction with TRS if the transaction is connected with any financial advice or services the Broker, Financial Advisor, or Financial Services Provider/Contractor provides to TRS or to a Trustee concerning the Trustees in connection with the management or investment of TRS matters/assets.

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If no relationship or pecuniary interest described in (1) or (2) immediately above existed during the disclosure period, then the ~~Broker, Financial Advisor or Financial Services Provider~~ Contractor must affirmatively state that fact. The Disclosure Statement for ~~Brokers, Financial Advisors, and Financial Services Providers~~ must be filed not later than April 15 and will cover the previous calendar year (the reporting period).

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C. Expenditure Report.

C. Each Contractor must file annually an expenditure report on the ~~prescribed~~ Expenditure Reporting Form for Contractors (Form TRS form 543) (Appendix E), including itemized, reasonably detailed lists of expenditures of more than \$50 per day made by or on behalf of the Contractor with respect to or for the benefit of each Trustee or Employee. ~~Each Contractor shall comply with TRS rules governing the filing of and requirements for the expenditure reporting form promulgated by TRS~~ The Expenditure Reporting Form for Contractors must be filed not later than April 15 and will cover expenditures for the previous calendar year.

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D. Ongoing Report.

~~Each~~ Contractor has an ongoing obligation to determine whether it must file Disclosure Statements or update its Annual Compliance Statement to reflect new information related to potential or actual conflicts of interest or the standards of conduct discussed in this Code.

Commented [A21]: Remind Contractors of ongoing obligations under the Code.

IV. Section IV. Compliance and Enforcement

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A. Enforcement.

A. The ~~Board will enforce this Code through the Executive Director who is responsible for its implementation with respect to Contractors and enforcement of this Code.~~ The Executive Director will inform the Board of any significant enforcement action taken by TRS concerning a violation of this Code ~~by a Contractor.~~ The Executive Director may ~~authorize and~~ approve a system or process through which Contractors may electronically submit to TRS the forms, disclosures, and statements required by this Code. Any such system must, to the Executive Director's satisfaction, require Contractors to submit all information required by this Code with sufficient guarantees of ~~reliability, accuracy, and authenticity.~~ Implementation of any such system in no way alters or waives any requirement of ~~filing~~ submitting any form, disclosure, or other information ~~with.~~ The Executive Director also may authorize any ~~governmental body other than~~ updates and revisions to TRS forms used for compliance with this Code so long as the changes are not inconsistent with the Code.

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Commented [A22]: Permit Executive Director to authorize changes to forms so long as the changes are consistent with the Code.

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~~Termination.~~ The requirements of this Code applicable Executive Director or General Counsel may, in unique and limited circumstances, grant exceptions to Contractors will constitute a part of the contract or agreement with these parties policies proscribed in the Code. Any such exceptions must be reported to the Audit Committee of the Board and the Chief Audit Executive.

- Commented [A23]:** Provide mechanisms to address extraordinary circumstances warranting departures from Code provisions.
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The General Counsel may delegate certain of its responsibilities under the Code to the Chief Compliance Officer.

B. Contracts; Violations.

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This Code must be incorporated into and form part of each contract with a Contractor.

1. Termination.

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~~B. Violations~~ of this Code by any Contractor are grounds for terminating the contract or relationship, and may constitute a material breach of contract with no penalty to TRS for terminating the contract or relationship. Any Contractor whose contract or business relationship with TRS is terminated by TRS because of a violation of this Code may not have another receive a contract or relationship with award from TRS for a period of time up to ten years, as determined by the Executive Director or his designee, commencing from the date of the termination of the contract or relationship. The Executive Director will maintain and serve as custodian for a list of the Contractors whose contract or relationship with TRS is has been terminated because they were found to be in violation of this Code. This listing shall include information regarding the length of time during which the Contractor may not have receive another contract or relationship award with TRS.

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2. Notice and Cure.

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~~Notwithstanding the foregoing, to the extent that a violation of the Code (i) is disclosed to the General Counsel within seven days of the discovery of the occurrence of such violation and (ii) such violation can be cured within 30 days of proper and complete disclosure based on the procedures in Section I.B. and Section I.D., such violation may be resolved and such contract may remain in effect. The disclosure noted in clause (i) of this paragraph must be made through a Disclosure Statement and must describe in detail the violation and the action proposed to cure such violation. The determination of whether such violation has been appropriately cured will be made by the Executive Director. All violations of this Code, whether cured or not, will be reported to the Audit Committee of the Board.~~

- Commented [A25]:** Add "notice and cure" provision, consistent with Gov. Code Section 825.212(c) which allows TRS to adopt procedures for disclosing and curing violations of the conflicts of interest and to specify time periods for such disclosures and cures.

C. Fiduciary Duties.

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~~C. Contractors who are Fiduciaries shall take appropriate action as co-fiduciaries in the event a violation of this Code involves a breach of fiduciary duties. Such Contractors should be mindful that a decision by the Executive Director that a conflict has been properly disclosed and cured does not lessen a Contractor's duty of care to TRS or continuing duty of loyalty under the Contractor's fiduciary duty.~~

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D. Report Violations.

Contractors with knowledge of a violation of this Code, by themselves or others, must report promptly such violation to the General Counsel or to a member of the Ethics Committee of the Board. No retaliatory action will be taken for any such report made regarding others' violations if the report is made in good faith. Executive Director, General Counsel or Chief Compliance Officer.

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E. Internal Reporting and Enforcement.

~~E. A Contractor shall be responsible for compliance with this Code by the Contractor and each of its employees and representatives/affiliates working on TRS matters. Any disclosure or report required by this Code must be submitted to TRS by such the Contractor entity rather than by individual employees and representatives/affiliates. A Contractor is responsible for making a diligent inquiry of each of the Contractor's employees and representatives/affiliates working on TRS matters before each submission and from time to time during engagement as a Contractor to determine if further submissions are required. The Contractor's inquiry shall include any employee or representative/affiliates who worked on TRS matters during the reporting period, regardless of whether the employee or representative/affiliate works on TRS matters at the reporting time, ceased working on TRS matters during that time or has since left employment with the Contractor. This inquiry obligation may be satisfied by an inquiry made near or at the time of a former employee's departure from a Contractor's employment. A Contractor must ensure that any Disclosure Statement required by this Code contains all relevant and material facts and circumstances necessary for TRS to fully understand the details of the potential or actual conflict of interest and, if applicable, the factors supporting a proposed cure for the conflict. This may involve updating a Disclosure Statement prior to TRS making a conflict or cure determination.~~

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~~I, the undersigned, acknowledge that I have read this Code and am familiar with the standards that govern the conduct of Contractors.~~

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~~If the undersigned is executing this Code on behalf of an entity engaged by TRS as a Contractor, I further acknowledge that I have distributed this Code to those persons who work for or represent the Contractor on TRS matters. They have read this Code and are familiar with the standards that govern the conduct of Contractors.~~

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~~Further, the Contractor shall distribute this Code (i) immediately to any other person with the Contractor who begins working on or representing the Contractor on TRS matters and (ii) once a year to all persons with the Contractor who work on or represent the Contractor on TRS matters.~~

Signature

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Marked Proposal

Title

Contractor Entity Name

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Appendix A

Definitions

In this Code the following definitions apply unless the context requires otherwise:

“Affiliate.” Entities (units, divisions, parents, subsidiaries, etc.) and individual agents, representatives, contractors, and employees of the Contractor organization.

(+) “Agent.” An entity or person, engaged as an independent contractor, performing material or significant duties on behalf of TRS as its representative. An Agent would include an unpaid intern or volunteer. For purposes of this Code, the term “Agent” does not include a Broker, Consultant, Financial Advisor or Financial Services Provider. However, if an Agent also falls within the definition of a Broker, the entity or person will be considered a Broker under this Code. If an Agent also falls within the definition of a Consultant, the entity or person is considered a Consultant under this Code. If an Agent also falls within the definition of a Financial Advisor or Financial Services Provider, the entity or person is considered a Financial Advisor or Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes an Agent, the Executive Director or his designee shall make that determination after consultation with the General Counsel or Chief Compliance Officer.

Notwithstanding the above, there may be certain entities or persons engaged by TRS, performing material or significant duties on behalf of TRS as its representative, that will be considered outside the scope of this Code. Any such determinations will be made on a case by case basis in the best interest of TRS, and a record of such determination will be maintained by the Office of the General Counsel.

(2) “Board.” The Board of Trustees of TRS.

(3) “Broker.” Any entity or person (i) who is named from time to time on the TRS Approved Broker List and (ii) who provides TRS assistance in the buying or selling of stocks, bonds, commodities, options, and other securities, including related analysis or research. For example, on a security, company, industry, or sector. For purposes of reporting compliance, the term “Broker” includes an entity or person who appeared on the TRS Approved Broker List during any portion of the period of time covered by a particular report, even if that entity or person is no longer named on the TRS Approved Broker List. Broker does not include an Agent, Consultant, Financial Advisor or Financial Services Provider. However, if a Broker also falls within the definition of a Consultant, the entity or person is considered a Broker. If a Broker acts in more than one capacity for TRS such that the definition of Financial Advisor hereafter also applies, then as to those additional duties or services performed in the other capacity, the entity or person is considered a Financial Advisor. If questions exist regarding who constitutes a Broker, the Executive Director or his designee shall make that determination.

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Commented [A27]: Add definition to clarify scope of Code and obligations for Contractors.

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Commented [A28]: Permit TRS to determine that certain entities may not be subject to the Code, such as, for example, a non-U.S. securities litigation class counsel.

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“Broker.” See Financial Services Provider.

(4) “Consultant.” An entity or person, other than an Employee or Trustee, (i) who provides advice to TRS intended to affect or form a basis for significant TRS decisions, including but not limited to an actuary or insurance and health care plan advisor or (ii) who provides advice to TRS and may reasonably be expected to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31), Consultant does not include a Broker, Financial Advisor or a Financial Services Provider. However, if a Consultant also falls within the definition of a Financial Advisor or Financial Services Provider, the entity or person is considered a Financial Advisor or Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes a Consultant, the Executive Director or his designee shall make that determination after consultation with the General Counsel or Chief Compliance Officer.

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(5) **“Contractors.”** A collective term used to signify inclusion of all groups. For example, Agents, ~~Brokers~~, Consultants, ~~Financial Advisors~~, and Financial Services Providers, as each separate term is defined herein.

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(6) **“Covered Contractor.”** A Contractor who works on location at TRS or a worker assigned by or paid, directly or indirectly, by the Contractor to work at TRS. A ~~seconded to TRS from a Financial Services Provider~~ would be a Covered Contractor.

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(7) **“Employee.”** A person who works for TRS in an employer-employee relationship ~~and (including a paid intern) and~~ not in an independent contractor capacity, and includes the Executive Director and Chief Investment Officer of TRS.

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(8) **“Executive Director.”** The individual appointed as the executive director pursuant to Section 825.202 of the Texas Government Code.

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Commented [A30]: Modify definition to clarify applicability to certain non-TRS and TRS employees.

(9) **“Fiduciary.”** For purposes of this Code, a Contractor identified or appointed by contract or otherwise designated by TRS as a TRS fiduciary. If questions exist regarding who constitutes a Fiduciary for purposes of this Code, the Executive Director or his designee shall make that determination ~~after consultation with the General Counsel or the Chief Compliance Officer.~~

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“Financial Advisor.” See Financial Services Provider.

(10) **“Financial Services Provider.”** A person or entity, other than an Employee or ~~Trustee Broker~~, who provides: (i) financial management or advice to TRS or to a ~~Trustee intended to affect or form the Board that is the~~ a basis for significant financial, investment, or financial management decisions ~~by or actions by or on behalf of TRS~~, and whose primary role is to provide such management or advice; (ii) financial services to TRS or advice in connection with the management or investment of TRS trust funds and who may reasonably expect to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31); or (iii) assistance to TRS in the buying or selling of stocks, bonds, commodities, options, and other securities, including related analysis or research (for example, on a security, company, industry, or sector) and who is named from time to time on the TRS Approved Broker List. A Financial Services Provider would include ~~but is not limited to~~

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Commented [A31]: Combine definitions of Broker, Financial Advisor and Financial Services Provider into a single Financial Provider Services Provider definition. This is consistent with Gov. Code Section 2263 terminology, and provides a more streamlined approach to the Code.

~~(i) financial advisors, (ii) financial consultants, (iii) investment counselors, (iv) money or investment managers, (v) custodian banks and security lending agents, (vi) Strategic Partners, and (vii) external managers retained pursuant to agency agreements.~~

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~~Financial Advisor is not intended to include a Broker. However, if the Broker acts in more than one capacity for TRS such that the definition of “Financial Advisor” immediately above also applies, then as to those additional duties or services performed in the other~~

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capacity, the person or entity is considered a Financial Advisor.

~~If questions exist regarding who constitutes a and (viii) brokers. For purposes of reporting compliance, the term "Financial Advisor, the Executive Director or his designee shall make Services Provider" includes an entity or person who appeared on the TRS Approved Broker List or the TRS Code Contractors List during any portion of the period of time covered by a particular report, even if that determination.~~

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~~Notwithstanding the above, the following persons or entities are not considered Financial Advisors: (i) attorneys and law firms, (ii) companies that provide actuary services that impact investment strategies, (iii) companies that only provide financial information or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.~~

~~(11) "Financial Services Provider." A entity or person or entity, other than an Employee, Trustee, or Broker and who does not meet the definition of a Financial Advisor above, who provides financial services to TRS in connection with the management or investment of TRS trustis no longer named on the TRS Approved Broker List or TRS Code Contractors List.~~

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~~funds and who may reasonably expect to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31).~~

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~~Financial Services Provider is not intended to include a Broker.~~

~~If questions exist regarding who constitutes a Financial Services Provider, the Executive Director or his designee shall make that determination after consultation with the General Counsel or the Chief Compliance Officer.~~

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~~Notwithstanding the above, the following persons or entities are not considered Financial Services Providers: (i) attorneys and law firms, (ii) companies that provide ~~actuary~~actuarial services that impact investment strategies, (iii) companies that only provide financial information ~~research or advice that is not created for TRS's exclusive use~~, or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.~~

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~~(12) "General Counsel." The Employee of TRS serving in the position of chief legal advisor for TRS.~~

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~~(13) "Strategic Partner." The institutions that are advisors that provide services under relationships designated by TRS as Strategic Partners.~~

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~~(14) "TRS." The Teacher Retirement System of Texas.~~

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~~"Trustee." A member of the Board of TRS.~~

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[Appendix B – Conflict of Interest Disclosure and Request for Determination \(“Disclosure Statement”\)](#)

[Form TRS 541C](#)

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[Appendix C – Annual Ethics Compliance Statement](#)
[Form TRS 550](#)

[Appendix D – Disclosure Statement for Financial Services Providers](#)
[Form TRS 630](#)

[Appendix E – Expenditure Reporting Form for Contractors](#)

[Form TRS 543](#)

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Current Code

Code of Ethics for Contractors

Adopted: September 9, 1994

Revised: April 20, 2012

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The Teacher Retirement System of Texas (“TRS”) is charged by the Texas Constitution and state law with the administration and investment of pension assets held in trust for the exclusive benefit of active or retired TRS members and their beneficiaries; assets may not be diverted for other purposes. The TRS Board of Trustees is the trustee of all plan assets, responsible for the general administration and operation of TRS and authorized by law to adopt rules for TRS administration and Board business. The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act, the Texas School Employees Uniform Group Health Coverage Act, and other trusts or programs authorized by law to be administered by TRS. The Code of Ethics for Contractors ("Code") sets forth the ethical responsibilities and requirements of Contractors, as that term is defined in the Code, in performing services for TRS.

I. Conflicts of Interest

A. Conflicts of Interest Defined.

- (1) Conflict of Interest for Contractors (excluding Brokers). A conflict of interest exists for a Contractor (excluding a Broker) when the Contractor has a personal, commercial (including private commercial), or business relationship or interest, unrelated to the services that the Contractor performs for TRS, that could reasonably be expected to diminish the Contractor's independence of judgment in the performance of the Contractor's responsibilities to TRS.

For example, a person's independence of judgment reasonably could be diminished when he or she is in a position to take action or not take action with respect to TRS or its business and a reasonable person could expect that such act or failure to act on behalf of TRS is influenced by considerations of gain or benefit to the Contractor, a Trustee, an Employee or a third party, rather than motivated by the interests of TRS, its members, and beneficiaries. A conflict of interest shall not be deemed to exist solely because a Contractor is or has a relative who is a member, retiree, annuitant or beneficiary of TRS, provided the relative is not also an Employee.

For example, a Contractor may not participate in or advise or consult on a specific matter before TRS that involves a business, contract, property or investment in which the Contractor has a pecuniary interest if it is reasonably foreseeable that action or inaction by or on behalf of TRS on that matter would be likely to, directly or indirectly, confer a benefit on the Contractor by reason of the Contractor's interest in such business, contract, property or investment. The foregoing prohibition does not apply if

- The benefit is merely incidental to the Contractor's membership in a large class sharing a common class interest, such as the class of TRS members.
- The benefit is merely an increase in fees or the awarding of another contract to the Contractor for other business with TRS.

- (2) Additional Conflicts of Interest for Brokers, Financial Advisors and Financial Services Providers. A conflict of interest exists for a Broker, Financial Advisor or a Financial Services Provider when the Broker, Financial Advisor or Financial Services Provider has one of the following:
- A direct or indirect pecuniary interest in any party to a transaction with TRS and the transaction is connected with any financial advice or service the Broker, such Financial Advisor, or Financial Services Provider provides to TRS or to a Trustee concerning TRS matters.
 - A relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) with one of the following:
 - Any party to a transaction with TRS, other than a relationship necessary to provide the Broker, Financial Advisor or such Financial Services Provider services to TRS;
 - An Employee; or
 - A Trusteeif a reasonable person could expect the relationship to diminish the Broker, Financial Advisor, or Financial Services Provider independence of judgment in the performance of the Broker, Financial Advisor or Financial Services Provider responsibilities to TRS.

Notwithstanding the definition of a conflict in this subsection I.A.2, if a TRS Financial Advisor is asked to advise TRS in a transaction and the Financial Advisor or the Financial Advisor's affiliate holds or intends to hold or acquire a direct or indirect pecuniary interest in a limited partnership (or similar vehicle, including a co-investment or alternate or parallel investment vehicle) in which TRS is considering investing, the Financial Advisor will not be deemed, in future or past applications of this subsection, to have a disqualifying conflict of interest under this Code solely because of that pecuniary interest. The Financial Advisor must disclose such a pecuniary interest in writing to TRS as soon as practicable, but to the extent possible before performing any services for TRS related to the particular transaction. The General Counsel may review any such disclosures to analyze whether the Financial Advisor's exercise of judgment on behalf of TRS in performing advisory or consulting services is, or is likely to be, affected by the Financial Advisor's interest under the circumstances. The General Counsel may consider whether the disclosed interest aligns the Financial Advisor's interests with TRS' interest (or is at least not harmful or opposed to TRS' interests) in the transaction. If the General Counsel determines that no conflict of interest exists based on the Financial Advisor's disclosures, then, to the extent applicable, the Financial Advisor shall further disclose the interest in any written advice, prudence letter, or recommendation provided to TRS for the transaction.

- B. Determination of a Potential Conflict of Interest. If a Contractor, Trustee, or Employee (to the extent a Trustee or an Employee is or reasonably should be aware of the circumstances) is uncertain whether a Contractor has or would have a conflict of interest under a particular set of circumstances then existing or reasonably anticipated to occur, the Contractor, Trustee, or Employee should promptly inform the General Counsel, who shall determine whether a conflict of interest exists under the circumstances presented. If the General Counsel determines that a conflict does not now exist but would exist upon the occurrence of the anticipated circumstances and they later do occur, the Contractor must file a disclosure statement on the occurrence of such events.
- C. Disclosure. Contractors must promptly disclose conflicts in writing to the General Counsel by submitting a completed Conflict of Interest Disclosure Statement. A Contractor who files a Conflict of Interest Disclosure Statement must refrain from giving advice or making decisions about any matters affected by the conflict of interest until the Contractor cures the conflict under Section I.D or obtains a waiver under Section I.E.

The General Counsel shall send a copy of all Conflict of Interest Disclosure Statements received to the Ethics Committee of the Board. If a person or entity with a duty to disclose conflicts reasonably believes that disclosure to the General Counsel would be ineffective, the person or entity shall disclose the conflict to the Ethics Committee of the Board by submitting a Conflict of Interest Disclosure Statement to the Chair of such committee, addressed to:

Chair of the Ethics Committee of the Board
c/o Executive Director of TRS
1000 Red River Street
Austin, Texas 78701-2698

Whether disclosure is made to the General Counsel or to the Ethics Committee of the Board, a Contractor shall provide a copy of the Conflict of Interest Disclosure Statement to the Employee assigned to monitor or manage the performance of the Contractor.

Brokers, Financial Advisors and Financial Services Providers must additionally file a Disclosure Statement for Brokers, Financial Advisors and Financial Services Providers as provided in Section III.B. This Disclosure Statement for Brokers, Financial Advisors and Financial Services Providers is not the same form as the Conflict of Interest Disclosure Statement referenced above.

- D. Cure, Prevention, and Mitigation. A Contractor with a conflict of interest must disclose that conflict and cure (eliminate) it. A Contractor who cannot or does not want to eliminate the conflict of interest must terminate his or its relationship with TRS as promptly as responsibly and legally possible, or seek a waiver of the conflict under Section I.E.

Alternatively, if a Contractor or a Contractor's employee may prudently refrain or withdraw from taking action on a particular TRS matter in which a conflict or potential conflict exists,

he or it may cure the conflict or prevent or mitigate the potential conflict in that manner provided that

- The person, persons, or entity may be and is or are effectively separated from influencing the action taken.
- The action may properly and prudently be taken by others without undue risk to the interests of TRS.
- The nature of the conflict is not such that the person, persons, or entity must regularly and consistently withdraw from decisions that are normally his, their, or its responsibility with respect to the services provided to TRS.

The General Counsel shall determine whether or not the Contractor's proposed cure of an existing conflict or a preventive or mitigating measure for a potential conflict is appropriate and sufficient under this Section. The General Counsel shall inform the Executive Director and the Chief Audit Executive of any such determination.

- E. Waiver. The Chief Investment Officer or Executive Director may determine that a Broker, or Financial Services Provider does not need to take further actions to cure a conflict provided the disclosures by the Broker or Financial Services Provider are deemed sufficient under the circumstances to inform TRS of the nature and extent of any bias, and to form a judgment about the credibility or value of the analysis, research, recommendations or other services provided by the Broker or such Financial Services Provider. The Chief Investment Officer or Executive Director shall notify the Chief Audit Executive and the General Counsel of the relevant facts and determination. In such an event, the Broker or Financial Services Provider may continue to provide analysis or research or recommendations and perform services without taking further action to cure the disclosed conflict of interest.

For all other conflicts where a Contractor seeks a waiver, the Board, after consultation with the General Counsel, may expressly waive a conflict. The Board will decide whether to waive the prohibition against involvement in any matter affected by a disclosed conflict of interest at a meeting held in compliance with the Texas laws governing open meetings of the Board. To assist the Board in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships or interests that do not constitute material conflicts of interest. Any waiver granted by the Board, including the reasons supporting the waiver, must be included in the minutes of the meeting. Records of all waivers granted, including reasons supporting the Board's decision in each case, will be maintained by the Office of the General Counsel.

II. Standards of Conduct

- A. Professional Standards and Laws. Contractors must comply with all applicable professional standards and laws, including, without limitation, the following:
- Section 36.02 of the Texas Penal Code, which prohibits bribery.

- Section 36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants.
 - Section 825.211 of the Texas Government Code, which prohibits applicable Contractors and certain relatives from participating in or being the beneficiary of, directly or indirectly, a loan, commitment to lend, a guarantee or endorsement to lend, or an investment by TRS or a contract to advise TRS or manage property or investments for TRS.
 - Section 825.212 of the Texas Government Code.
 - Chapter 2263 of the Texas Government Code.
 - All applicable securities laws.
 - Any applicable requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act and accompanying regulations as published. These laws mandate many of the requirements found in this Code.
- B. Benefits. Contractors must avoid offering, conferring, soliciting, or accepting any benefit to or from Trustees, Employees, or Covered Contractors, except as otherwise allowed in Trustee and Employee ethics policies, incorporated herein by reference and available at <http://www.trs.state.tx.us/>. For example, a Contractor cannot provide a special discount on services to a TRS Trustee or Employee if the discount is based on the Contractor's relationship with TRS.
- C. Individual Advisor. A Contractor may not be a representative of or be hired by an individual Trustee if, in either case, the Contractor's role with respect to the Trustee is to provide advice that could reasonably be expected to form the basis for a significant TRS decision made by the Trustee.
- D. Personal Business Relationship. Contractors may not have a personal business relationship with a Trustee or Employee unless the Executive Director consents to the continuation of TRS's relationship with the Contractor after full disclosure. A personal business relationship exists when a Contractor and a Trustee or Employee operate a business together or co-invest in a business, other than through publicly traded securities. If a personal business relationship exists, a Contractor must promptly disclose the personal business relationship in writing to the Executive Director with a copy to the General Counsel. The Executive Director, after consultation with the General Counsel, will then determine whether to approve the continuation of TRS's relationship with the Contractor while the Trustee or Employee continues in his or her respective role for TRS. Alternatively, the Executive Director may require the Contractor, Trustee and/or Employee to be screened from TRS matters in which the personal business relationship may reasonably be expected to diminish the Contractor's independence of judgment in the performance of duties for TRS.
- E. Employment of Former Trustee or Employee. Contractors may not employ a former Trustee or a former Executive Director for two years after termination of such former Trustee's TRS board service or such Executive Director's Employee relationship with TRS unless the former Trustee or Executive Director will not provide services to TRS or work on or have any involvement in TRS-related business of the Contractor. Further, Contractors

may not employ any former Trustee or Employee, including the former Executive Director, at any time if the person's services to TRS, work, and involvement in TRS-related business of the Contractor would violate Government Code § 572.054(b) of the Texas "Revolving Door" statute. The prohibition on former Employees in the preceding sentence applies only to those former Employees who were compensated, as of the last date of TRS employment, at or above the minimum amount prescribed by the Texas General Appropriations Act for salary group A17, of the position classification salary schedule. The amount prescribed for fiscal year 2011 is \$35,651. To the extent that it does not violate statutory law, the Executive Director can waive the application of this prohibition in a specific situation.

To the extent that it does not violate statutory law or that it would be in the best interest of TRS, the Executive Director can waive the application of this policy provision in a specific situation.

- F. Confidential Information. A Contractor may not make unauthorized use or disclosure of confidential or sensitive information acquired as a result of the relationship with TRS. A Contractor receiving or having access to sensitive or confidential TRS information must use its best efforts to protect such TRS information and may use such information only for performing the services for which the Contractor is engaged and for legitimate TRS business purposes in accordance with the engagement agreement.
- G. Use of Information for Advantage or Gain. A Contractor may not use information derived from a relationship with TRS in a manner that might reasonably be expected to affect the value of any investment or contemplated investment if such use would provide advantage or gain to the Contractor or any third party.
- H. Bids. A Contractor may not be awarded a contract that is funded from the general revenue fund if (1) TRS paid the Contractor to participate in preparing the specifications for, or request for proposals related to, the contract or (2) the Contractor assisted TRS in the selection process to award the contract. For example, an actuary may advise TRS to obtain actuarial services for an issue and may serve as the actuary to provide the services to TRS under its existing contract, but the actuary may not participate in developing the specifications on which the contract is to be based. If the contract is not funded using money appropriated from the general revenue fund, TRS may still take these factors into consideration when awarding the contract.
- I. Foreseeable Conflicts of Interest. Contractors may not take action personally or on behalf of TRS that would reasonably be likely to result in a foreseeable conflict of interest. If a Contractor believes that taking a particular action would be in the best interest of TRS but such action would foreseeably result in a conflict of interest for the Contractor, the Contractor must proceed under the conflict of interest provisions of Section I.
- J. Controls. Contractors must observe the accounting and operating controls established by law and TRS policies, including restrictions and prohibitions on the use of TRS property for non-TRS purposes, including personal purposes.

- K. Signed Acknowledgement. On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at any time this Code is revised by TRS, each Contractor must sign, date, and return to TRS a copy of this Code.
- L. Reporting. Contractors shall complete all reporting requirements in accordance with TRS prescribed systems or processes, including any electronic reporting system implemented by TRS.
- M. Covered Contractor Ethics. Any Covered Contractor is subject to the Employee ethics policy, incorporated herein by reference and available at <http://www.trs.state.tx.us/>.

III. Periodic Disclosures

- A. Annual Compliance Statement. On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at least once every twelve-month period, each Contractor must read and review any applicable policies and sign and date a Contractor Annual Ethics Compliance Statement and any other forms as required by TRS.
- B. Disclosure Statement. In addition to the Annual Compliance Statement filed pursuant to the paragraph immediately above, all Brokers, Financial Advisors, and Financial Services Providers shall also file annually a Disclosure Statement for Brokers, Financial Advisors, and Financial Services Providers with the General Counsel **and** the State Auditor's Office. Also, all Brokers, Financial Advisors, and Financial Services Providers must promptly file a new or amended statement with the General Counsel and the State Auditor's Office when there is new information to report.

In filing this statement, the Broker, Financial Advisor, or Financial Services Provider will disclose in writing the following:

- (1) Any relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) the Broker, Financial Advisor or Financial Services Provider has with any party to a transaction with TRS, other than a relationship necessary to the advice or services that the Broker, Financial Advisor or Financial Services Provider performs for TRS, if a reasonable person could expect the relationship to diminish the Broker, Financial Advisor or Financial Services Provider independence of judgment in the performance of the Broker, Financial Advisor or Financial Services Provider responsibilities to TRS; and
- (2) Any direct or indirect pecuniary interests in any party to a transaction with TRS if the transaction is connected with any financial advice or service the Broker, Financial Advisor, or Financial Services Provider provides to TRS or to a Trustee concerning TRS matters.

If no relationship or pecuniary interest described in (1) or (2) immediately above existed during the disclosure period, then the Broker, Financial Advisor or Financial Services Provider must affirmatively state that fact. The Disclosure Statement for Brokers, Financial Advisors, and Financial Services Providers must be filed not later than April 15 and will cover the previous calendar year (the reporting period).

- C. Expenditure Report. Each Contractor must file annually an expenditure report on the prescribed TRS form, including itemized, reasonably detailed lists of expenditures of more than \$50 per day made by or on behalf of the Contractor with respect to or for the benefit of each Trustee or Employee. Each Contractor shall comply with TRS rules governing the filing of and requirements for the expenditure reporting form promulgated by TRS.

IV. Compliance and Enforcement

- A. Enforcement. The Board will enforce this Code through the Executive Director who is responsible for its implementation with respect to Contractors. The Executive Director will inform the Board of any significant enforcement action taken by TRS concerning a violation of this Code by a Contractor. The Executive Director may approve a system or process through which Contractors may electronically submit to TRS the forms, disclosures, and statements required by this Code. Any such system must, to the Executive Director's satisfaction, require Contractors to submit all information required by this Code with sufficient guarantees of accuracy and authenticity. Implementation of any such system in no way alters or waives any requirement of filing any form, disclosure, or other information with any governmental body other than TRS.
- B. Termination. The requirements of this Code applicable to Contractors will constitute a part of the contract or agreement with these parties. Violations of this Code by any Contractor are grounds for terminating the contract or relationship. **Any Contractor whose contract or business relationship with TRS is terminated by TRS because of a violation of this Code may not have another contract or relationship with TRS for a period of time up to ten years, as determined by the Executive Director or his designee, commencing from the date of the termination of the contract or relationship.** The Executive Director will maintain and serve as custodian for a list of the Contractors whose contract or relationship with TRS is terminated because they were found to be in violation of this Code. This listing shall include information regarding the length of time during which the Contractor may not have another contract or relationship with TRS.
- C. Fiduciary Duties. Contractors who are Fiduciaries shall take appropriate action as co-fiduciaries in the event a violation of this Code involves a breach of fiduciary duties.
- D. Report Violations. Contractors with knowledge of a violation of this Code, by themselves or others, must report promptly such violation to the General Counsel or to a member of the Ethics Committee of the Board. No retaliatory action will be taken for any such report made regarding others' violations if the report is made in good faith.

E. Internal Reporting and Enforcement. A Contractor shall be responsible for compliance with this Code by the Contractor and each of its employees and representatives working on TRS matters. Any disclosure or report required by this Code must be submitted to TRS by such entity rather than by individual employees and representatives. A Contractor is responsible for making a diligent inquiry of each of the Contractor's employees and representatives working on TRS matters before each submission and from time to time during engagement as a Contractor to determine if further submissions are required. The Contractor's inquiry shall include any employee or representative who worked on TRS matters during the reporting period, regardless of whether the employee or representative works on TRS matters at the reporting time, ceased working on TRS matters during that time or has since left employment with the Contractor. This inquiry obligation may be satisfied by an inquiry made near or at the time of a former employee's departure from a Contractor's employment.

I, the undersigned, acknowledge that I have read this Code and am familiar with the standards that govern the conduct of Contractors.

If the undersigned is executing this Code on behalf of an entity engaged by TRS as a Contractor, I further acknowledge that I have distributed this Code to those persons who work for or represent the Contractor on TRS matters. They have read this Code and are familiar with the standards that govern the conduct of Contractors.

Further, the Contractor shall distribute this Code (i) immediately to any other person with the Contractor who begins working on or representing the Contractor on TRS matters and (ii) once a year to all persons with the Contractor who work on or represent the Contractor on TRS matters.

Signature

Printed Name

Title

Contractor Entity Name

Date

Appendix A

Definitions

In this Code the following definitions apply unless the context requires otherwise:

- (1) **“Agent.”** An entity or person, engaged as an independent contractor, performing material or significant duties on behalf of TRS as its representative. For purposes of this Code, the term “Agent” does not include a Broker, Consultant, Financial Advisor or Financial Services Provider. However, if an Agent also falls within the definition of a Broker, the entity or person will be considered a Broker under this Code. If an Agent also falls within the definition of a Consultant, the entity or person is considered a Consultant under this Code. If an Agent also falls within the definition of a Financial Advisor or Financial Services Provider, the entity or person is considered a Financial Advisor or Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes an Agent, the Executive Director or his designee shall make that determination.
- (2) **“Board.”** The Board of Trustees of TRS.
- (3) **“Broker.”** Any entity or person (i) who is named from time to time on the TRS Approved Broker List and (ii) who provides TRS assistance in the buying or selling of stocks, bonds, commodities, options, and other securities, including related analysis or research. For example, on a security, company, industry, or sector. For purposes of reporting compliance, the term “Broker” includes an entity or person who appeared on the TRS Approved Broker List during any portion of the period of time covered by a particular report, even if that entity or person is no longer named on the TRS Approved Broker List. Broker does not include an Agent, Consultant, Financial Advisor or Financial Services Provider. However, if a Broker also falls within the definition of a Consultant, the entity or person is considered a Broker. If a Broker acts in more than one capacity for TRS such that the definition of Financial Advisor hereafter also applies, then as to those additional duties or services performed in the other capacity, the entity or person is considered a Financial Advisor. If questions exist regarding who constitutes a Broker, the Executive Director or his designee shall make that determination.
- (4) **“Consultant.”** An entity or person, other than an Employee or Trustee, (i) who provides advice to TRS intended to affect or form a basis for significant TRS decisions, including but not limited to an actuary or insurance and health care plan advisor or (ii) who provides advice to TRS and may reasonably be expected to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31). Consultant does not include a Broker, Financial Advisor or a Financial Services Provider. However, if a Consultant also falls within the definition of a Financial Advisor or Financial Services Provider, the entity or person is considered a Financial Advisor or Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes a Consultant, the Executive Director or his designee shall make that determination.

- (5) **“Contractors.”** A collective term used to signify inclusion of all groups. For example, Agents, Brokers, Consultants, Financial Advisors, and Financial Services Providers, as each separate term is defined herein.
- (6) **“Covered Contractor.”** A Contractor who works on location at TRS or a worker assigned by or paid, directly or indirectly, by the Contractor to work at TRS.
- (7) **“Employee.”** A person who works for TRS in an employer-employee relationship and not in an independent contractor capacity, and includes the Executive Director and Chief Investment Officer of TRS.
- (8) **“Executive Director.”** The individual appointed as the executive director pursuant to Section 825.202 of the Texas Government Code.
- (9) **“Fiduciary.”** For purposes of this Code, a Contractor identified or appointed by contract or otherwise designated by TRS as a TRS fiduciary. If questions exist regarding who constitutes a Fiduciary for purposes of this Code, the Executive Director or his designee shall make that determination.
- (10) **“Financial Advisor.”** A person or entity, other than an Employee, Trustee or Broker, who provides financial management or advice to TRS or to a Trustee intended to affect or form a basis for significant financial, investment, or fund management decisions by TRS, and whose primary role is to provide such management or advice, including but not limited to (i) financial advisors, (ii) financial consultants, (iii) investment counselors, (iv) money or investment managers, (v) custodian banks and security lending agents, (vi) Strategic Partners, and (vii) external managers retained pursuant to agency agreements.

Financial Advisor is not intended to include a Broker. However, if the Broker acts in more than one capacity for TRS such that the definition of “Financial Advisor” immediately above also applies, then as to those additional duties or services performed in the other capacity, the person or entity is considered a Financial Advisor.

If questions exist regarding who constitutes a Financial Advisor, the Executive Director or his designee shall make that determination.

Notwithstanding the above, the following persons or entities are not considered Financial Advisors: (i) attorneys and law firms, (ii) companies that provide actuary services that impact investment strategies, (iii) companies that only provide financial information or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.

- (11) **“Financial Services Provider.”** A person or entity, other than an Employee, Trustee, or Broker and who does not meet the definition of a Financial Advisor above, who provides financial services to TRS in connection with the management or investment of TRS trust

funds and who may reasonably expect to receive for its services more than \$10,000 in compensation from TRS during a fiscal year (September 1 to August 31).

Financial Services Provider is not intended to include a Broker.

If questions exist regarding who constitutes a Financial Services Provider, the Executive Director or his designee shall make that determination.

Notwithstanding the above, the following persons or entities are not considered Financial Services Providers: (i) attorneys and law firms, (ii) companies that provide actuary services that impact investment strategies, (iii) companies that only provide financial information or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.

- (12) **“General Counsel.”** The Employee of TRS serving in the position of chief legal advisor for TRS.
- (13) **“Strategic Partner.”** The institutions that are advisors that provide services under relationships designated by TRS as Strategic Partners.
- (14) **“TRS.”** The Teacher Retirement System of Texas.
- (15) **“Trustee.”** A member of the Board of TRS.

**Additional TRS Forms
539E and 541E**



ETHICS COMPLIANCE STATEMENT FOR EMPLOYEES AND CERTAIN CONTRACTORS¹

Name: _____

Title: _____

Department: _____

Date: _____

Key Employee (yes/no): _____

Please check the appropriate blank.

____ New Employee, ~~new Key Employee~~, New Contractor

 New Key Employee

____ Annual Confirmation for current Employees, current Key Employees, or Contractor (**Due on April 30 of each year**)

 Termination of Employment

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REPRESENTATIONS FOR ALL EMPLOYEES

- I have received and read the current Employee Ethics Policy. I have also received and read the current TRS Trading Policy for Employees and Certain Contractors (the "Trading Policy"). I agree to comply with the Employee Ethics Policy and the Trading Policy. I understand that adherence to the Employee Ethics Policy and the Trading Policy are basic conditions of my employment at TRS.
- If I believe I have a conflict of interest as defined in the Employee Ethics Policy, I agree to report my conflicts to the Executive Director in writing through the TRS Conflict of Interest Disclosure Statement.
- If I believe that I have knowledge that a Trustee, Employee, or Contractor (as defined in the TRS Code of Ethics for Contractors (the "Code of Ethics")) has a conflict of interest as defined respectively in the Trustee Ethics Policy (the "Trustee Ethics Policy"), in the Employee Ethics Policy, or in the Code of Ethics, I agree to report such conflicts either in writing to the Executive Director through the TRS Conflict of Interest Disclosure Statement or verbally through the TRS "hot" line for anonymous ethics reporting (the "Hot Line").
- If I believe that I have violated the Employee Ethics Policy or the Trading Policy, I agree to report my violation to the Executive Director in writing.
- If I believe that I have knowledge that a Trustee, Employee, or Contractor has violated the Trustee Ethics Policy, Employee Ethics Policy, or Code of Ethics, I agree to report such violations either in writing to the Executive Director or verbally through the Hot Line.
- I agree that I will not allow myself to be placed in a position which might give rise to a reasonably foreseeable conflict of interest, as defined in the Employee Ethics Policy.

¹ "Covered Contractors" as that term is defined in the Code of Ethics for Contractors must use this form to comply with their obligations under Section II.M of the Code of Ethics for Contractors.



- I agree that I will cooperate with any investigation under the Employee Ethics Policy, Trading Policy, Trustee Ethics Policy, Code of Ethics, or other applicable TRS policy.
- To the best of my knowledge and belief, I do not have any relationship or interest, nor have I engaged in any activity, which constitutes a conflict of interest as defined in the Employee Ethics Policy.

(Write "None" if you have nothing to report. If you have something to report, please attach a completed TRS Conflict of Interest Disclosure Statement to this form.)

- I am unaware of any unreported conflicts of interest under the Trustee Ethics Policy or the Employee Ethics Policy, as applicable, involving any Trustee or Employee, or any unreported conflicts of interest under the Code of Ethics involving any Contractor, except as indicated below.

(Write "None" if you have nothing to report or have reported all conflicts of interest of which you are aware. If you are aware of an unreported conflict of interest, please either attach a completed Conflict of Interest Disclosure Statement to this form or make your report verbally to the Hot Line before filing this form.)

- To the best of my knowledge and belief, I have not violated the Employee Ethics Policy or the Trading Policy, except as indicated below.

(Write "None" if you have nothing to report. If you have something to report, please attach a written explanation to this form. There is no required form for the explanation itself.)

- I am unaware of any unreported violations of the Trustee Ethics Policy, the Employee Ethics Policy or the Trading Policy, as applicable, by any Trustee or Employee, or any unreported violations of the Code of Ethics by any Contractor, except as indicated below.

(Write "None" if you have nothing to report or have reported all violations of which you are aware. If you are aware of an unreported violation, please either attach a written explanation to this form (there is no required form for the explanation itself) or make your report verbally to the Hot Line before filing this form.)

- If required by the Trading Policy, I have properly reported my Personal Securities Transactions and properly disclosed all of my ~~Covered Beneficial Ownership~~ Accounts ("~~BOAs~~") (as defined in the Trading Policy), in accordance with the Trading Policy, except as indicated below.

(Write "None" if you (1) either had no Personal Securities Transactions to report or if you properly reported all of your Personal Securities Transactions in accordance with the Trading Policy, and (2) you properly disclosed all of your BOAs in accordance with the Trading Policy.)

- I agree that if any change in circumstances occurs which should be reported in accordance with the Employee Ethics Policy or the Trading Policy, I will promptly report this change in accordance with those policies.



Outside Employment (please check blank that applies)

_____ I am not engaged in any outside employment, business or other activities, consistent with the Employee Ethics Policy.

_____ I am engaged in outside employment, business or other activities, and have obtained advance written approval for such activity, as required by the Employee Ethics Policy, by completing the Outside Business Activity Form.

_____ I am in the process of seeking approval of my outside employment, business or other activities. I will notify Human Resources after the process is completed.

FOR KEY EMPLOYEES

_____ I acknowledge my status as a TRS Key Employee.

ALL EMPLOYEE SIGNATURE BLOCK

Signature

Printed Name

Date

IF THIS STATEMENT IS THE EMPLOYEE'S ANNUAL ETHICS COMPLIANCE STATEMENT, THIS COMPLIANCE STATEMENT MUST BE RETURNED TO THE OFFICE OF THE EXECUTIVE DIRECTOR BY APRIL 30.

AS TO STATEMENTS OF PAST ACTIONS, THIS COMPLIANCE STATEMENT COVERS THE PERIOD FROM MAY 1 OF THE PRIOR CALENDAR YEAR THROUGH APRIL 30 OF THE CALENDAR YEAR DURING WHICH THIS COMPLIANCE STATEMENT IS DUE. AS TO STATEMENTS OR COMMITMENTS OF FUTURE ACTIONS, THIS COMPLIANCE STATEMENT COVERS THE PERIOD FROM MAY 1 OF THE CALENDAR YEAR DURING WHICH THIS COMPLIANCE STATEMENT IS DUE THROUGH APRIL 30 OF THE NEXT CALENDAR YEAR.

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CONFLICT OF INTEREST DISCLOSURE STATEMENT
(for use by Employees)

An Employee must promptly

- disclose his own conflicts of interest in writing to the Executive Director through this Conflict of Interest Disclosure Statement, and
- either in writing through this Conflict of Interest Disclosure Statement or verbally by contacting the TRS “hot” line for anonymous ethics reporting, disclose conflicts of interest involving others of which the Employee becomes aware.

To: Executive Director

(For use by TRS Employees. Your disclosure should be sent to the Executive Director, unless you have reason to believe that disclosure to the Executive Director would be ineffective. In the latter case, your disclosure should be sent to the General Counsel.)

Describe the facts and circumstances that create the conflict of interest. Specify the interest or relationship that creates the conflict. If a conflict of interest involving an Employee is the subject of this statement, see Section IV.A. of the Employee Ethics Policy for the definition of a conflict of interest; if a conflict of interest involving a Trustee is the subject of this statement, see the Board of Trustees Ethics Policy for the definition of a conflict of interest; and if a Contractor is the subject of this statement, see Section I.A. of the Code of Ethics for Contractors (the “Code”) for the definition of a conflict of interest. Name all relevant parties. Attach additional pages to this form, if needed.

(For use only if the reporting Employee has a conflict of interest.) Please answer "yes" or "no" and give any requested explanation.

_____ I believe that I have a conflict of interest.

_____ I have withdrawn from participation in the matters affected by the conflict of interest pending further notification from TRS.

_____ I have cured the conflict of interest or believe that I can cure the conflict of interest by taking the following action (check all applicable blanks and provide explanatory details below):

_____ promptly eliminating the conflict;

_____ prudently withdraw from action on the particular matter in which the conflict exists; or

_____ terminate my relationship with TRS as quickly and responsibly and legally possible.

Explanatory Details. _____

_____ I request a waiver from the Executive Director relating to the prohibition on giving advice or making decisions about matters affected by the conflict of interest that is the subject of this disclosure.

If "yes," state why.

_____ I have provided a copy of this disclosure statement to my supervisor, team leader or manager.

If "no," why not?

(For use only if the Employee that is filing this form is reporting on a conflict of interest involving another individual or entity.) Please answer "yes" or "no" or "do not know" and give any requested explanation.

_____ I believe that another individual or entity has a conflict of interest, as described above.

_____ The other individual or entity has withdrawn from participation in the matters affected by the conflict of interest pending further notification from TRS.

_____ I have provided a copy of this disclosure statement to the TRS personnel who supervise or monitor the individual or entity that is the subject of this disclosure statement.

If "no," why not? _____

Signature

Printed Name

Title or Position of Individual Named Immediately Above

Date