

ETHICS POLICIES AND RELATED INFORMATION

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Employees Retirement System of Texas

Ethics Policies and Related Information

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I. ERS Ethics Policy Summary

It is important for an organization like the Employees Retirement System of Texas (ERS) to promote a strong ethical culture throughout the agency. ERS is firmly committed to encouraging ethical behavior among its staff as reflected in the agency's Ethics Policy and the requirement that staff complete annual ethics training. The Ethics Policy consists of the Standards of Conduct found in Section 7 of the ERS Personnel Policy and Procedure Manual that each person receives when hired at ERS. On top of that, the ERS Investment Policy Statement contains additional ethics requirements that must be followed by staff who participate in investment-related activities.

The Ethics Policy establishes minimal requirements that are not to be considered all-inclusive. The following is a brief reminder of some important aspects of the Ethics Policy:

- Duties must be performed with fairness, propriety, and competence and must preserve the public's trust in ERS.
- ERS employees must maintain the highest ethical standards as public servants, including the standards of conduct outlined in the Ethics Policy and in Chapter 572 of the Texas Government Code and Chapters 36 and 39 of the Texas Penal Code.
- An employee may not use or attempt to use the employee's position for the purpose of obtaining any personal or financial benefit, favor, concession, gift, or other advantage. An employee must avoid behaviors that create the perception of a conflict of interest.
- An employee may not accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of official duties or that the employee knows or should know is being offered with the intent to influence the employee's official conduct.
- An employee may not intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised official powers or performed official duties in favor of another.
- An employee may not accept employment in any business or professional activity if a reasonable person would expect that the acceptance of such employment is likely to result in the disclosure of confidential information acquired as a result of the employee's position at ERS.
- An employee may not accept other employment or compensation that could reasonably be expected to impair the employee's independence of judgment in the performance of official duties.
- In addition, an employee may not make personal investments that could reasonably be expected to create a substantial conflict between the employee's private interest and the interest of the public.
- ERS expects employees to avoid behavior that creates the appearance that there is a conflict between the interests of ERS and the employee's other interests. Employees are also

expected to use sound judgment in making decisions about ethics issues. Seek guidance from management, the Office of the General Counsel (OGC), or Human Resources (HR) if you have any doubt regarding the right course of action to take. The General Counsel is the agency's ethics advisor and is available to assist both employees and supervisors in the resolution of ethical concerns.

- Employees must not accept any benefit in the course of their employment with ERS (other than the compensation routinely and lawfully provided to employees).
 - A benefit is anything reasonably regarded as financial gain or financial advantage, including a benefit to another person in whose welfare the employee has a direct and substantial interest.
 - In limited situations, non-cash items of promotional or commemorative value do not fall within the definition of "benefit" for purposes of Texas Penal Code § 36.10(5) (i.e., snacks or refreshments, greeting cards, plaques, certificates of achievement or recognition, and trophies that are solely for presentation). See § 36.10 for other examples of exceptions to this prohibition.
 - An employee who receives any gift from a person or organization that has an interest or that might in the future have an interest in matters within the jurisdiction of ERS must deliver that item to the Executive Office where the Deputy Executive Director (or designee) will determine the manner of disposition of all gifts.
- An employee who violates any provision of the ERS policies is subject to disciplinary action, including termination of employment or another employment-related sanction. An employee who violates any applicable federal or Texas law or rule may also be subject to civil or criminal penalties in addition to any employment-related sanction.
- Agency employees who work in a professional area where there is a code of ethics (for example, internal auditors, accountants, lawyers, and investment professionals) must also abide by the ethics requirements of their respective professional fields.
- Employees are encouraged to use their immediate chain of command as a first effort in resolving any question or concern related to employee ethics, conflicts of interest, or standards of conduct if it is appropriate under the circumstances. Employees also may seek the guidance of the Office of the General Counsel regarding any ethics-related question or concern.
- ERS employees should report any conduct or activity that they in good faith believe to be in violation of the Ethics Policy to the General Counsel personally or anonymously through the "Report an Ethics Violation" link on the Connect Home page. ERS strictly prohibits any action against an employee for good faith reporting of an ethics violation.

II. Deterring, Detecting, and Investigating Potential or Actual Fraud and Other Illegal Acts

The potential for fraud and other illegal acts is a significant and sensitive management concern in any organization. At ERS, this concern is heightened by the breadth and complexity of the agency's responsibilities, as well as the public expectation of honesty and integrity in government, particularly regarding public trust funds. This policy formalizes the process for, and assigns responsibility for coordinating all efforts related to, compliance with this policy to the Internal Audit Department.

The purpose of this policy is to minimize the impact of potential or actual fraudulent or illegal action at ERS by deterring such activity and detecting it as early as possible; to alert the public that there is a mechanism through which such activities can be reported and investigated; and to ensure the fair, objective, and thorough investigation and reporting of all such activities while safeguarding individual rights and maintaining confidentiality in accordance with applicable law. All documents related to an investigation are considered audit work papers.

This policy relates to all potential or actual fraudulent and other illegal activities:

- (1) within ERS involving its employees in the conduct of their employment responsibilities, which includes but is not limited to theft, malfeasance, insider trading, abuse of power or authority, kickbacks, and embezzlement;
- (2) that involve the loss, misappropriation, or theft of any asset belonging to ERS or for which ERS is responsible, including but not limited to cash, checks, securities, intellectual property, property and equipment, information, and other data.

This policy does not relate to such activities involving any individual, group, organization, government, or other entity which is not part of ERS, unless such activity may have involved an employee of ERS in the conduct of his or her employment responsibilities or unless such activity involved the loss, embezzlement, misappropriation, or theft of any asset belonging to ERS or for which ERS is responsible.

Every effort will be made to maintain the anonymity and protect the rights of all individuals who may be directly connected with reporting fraud or illegal activity.

This policy should not be perceived as a substitute for management's responsibility to be alert to and to deter fraud and other illegal acts in its daily activities.

III. Standards of Conduct

ERS supports the state workforce by offering competitive benefits at a reasonable cost. Each employee must perform their duties with fairness, propriety, and competence in order to enhance the lives of ERS customers through the efficient delivery of high quality benefits at the lowest practical cost. Each employee must preserve the public's trust in ERS. The Standards of Conduct described in this section establish minimum requirements that are not to be considered all-inclusive. The absence of a specific rule covering any act that may discredit an employee or the agency does not mean that the act is permissible.

Disciplinary action shall be based on the presumption that the employee has read and is familiar with the Standards of Conduct and is aware of the employee's obligations. Compliance with the Standards of Conduct does not create a right to future employment. ERS is an at-will employer, and all employees serve at the discretion of the Executive Director.

A. Computer Crimes

Under the provisions of Chapter 33 of the Texas Penal Code, it is a criminal offense for an ERS employee, an agent of ERS, a temporary worker, or any independent contractor to knowingly access an agency computer, computer network, or computer system without the effective consent of ERS. It also is a crime to knowingly obtain a benefit, defraud or harm another, or alter, damage, or delete property.

Additional information about the ERS policy regarding computer usage is included on the Computer Access Security Policy and Employee Acknowledgement form that all new employees must read and sign.

B. Handguns and Other Weapons

Employees, including employees licensed to carry a handgun under Chapter 411 of the Texas Government Code, are prohibited from carrying a handgun or any other object that could reasonably be used as a weapon onto ERS premises or in any ERS-owned or leased vehicle. For the purposes of this policy, "premises" is defined as a building or a portion of a building but does not include any public or private driveway, street, sidewalk or walkway, parking lot, parking garage, or other parking area.

The following two notices apply to ERS employees:

Pursuant to § 30.06 of the Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter ERS property with a concealed handgun.

Pursuant to § 30.07 of the Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter ERS property with a handgun that is carried openly.

The prohibition does not apply to lawfully-possessed firearms or ammunition kept in locked, privately owned motor vehicles parked in parking lots, parking garages or other parking areas provided by ERS; however, employees should be aware of potential personal liability associated therewith and take all necessary precautionary measures to prevent harm or damage.

If an employee suspects that another employee on the premises may have a weapon, he/she should notify the Building Security Coordinator immediately. Employees who violate this Handgun policy will be subject to immediate dismissal and other applicable legal action.

C. Criminal History Checks and Self-Reporting Requirements

In accordance with § 411.1402 of the Texas Government Code, ERS may obtain criminal history record information maintained by the Texas Department of Public Safety (DPS) for all job applicants. The information may be used to evaluate an applicant for employment. All ERS job postings shall state that the agency conducts a criminal history check on the primary and secondary candidates recommended for the position. All applicants for ERS positions who have not resided in Texas for the previous 2 years must also undergo an FBI background check.

Criminal history record information also may be obtained for current and former employees; people who serve as or apply to serve as consultants, contract workers, independent contractors, interns, or volunteers; and candidates for appointment or election to the ERS board or a board advisory committee. The Executive Director, Deputy Executive Director, General Counsel, or their designee must approve a request for a criminal history check on a current or former employee.

FBI Background Check: The criminal history record information for all internal and external job applicants selected to fill employment positions as “covered persons,” as that term is defined in the ERS Investment Policy, shall also include an FBI background check. Covered persons include all ERS staff whom the Executive Director determines to have access to confidential ERS investment trading information. To complete an FBI background check, the applicant must have his or her fingerprints taken at a location designated by DPS. ERS shall reimburse the employee, when applicable, the actual cost charged by DPS for taking the required fingerprints.

ERS employees shall self-report all arrests and convictions for (a) felonies and (b) other crimes reflecting a lack of good moral character, a lack of trustworthiness, or that the person may pose a continuing danger to others. The arrest and conviction information must be reported immediately to the employee’s Division Director, the General Counsel, or the Director of Human Resources. Employees do not need to self-report arrests/convictions if they are more than ten (10) years old.

An arrest or conviction is not an automatic cause for adverse personnel action. However, failure to report an arrest or conviction may result in corrective action up to and including termination of employment.

ERS shall review all criminal arrests and convictions on a case-by-case basis based on factors that include but are not limited to the following:

- Nature and seriousness of each offense and its relationship to the job’s duties;
- Number of offenses committed by the individual;
- Length of time since the offense;
- Individual’s work performance and history;
- Accuracy of the information on the individual’s employment application; and
- Explanation that the applicant or employee provides in the event of an arrest or criminal conviction.

Confidentiality: ERS may not release or disclose criminal history information, including self-reported felony convictions, except on court order or with the consent of the person who is the subject of the information. Human Resources may discuss reported convictions with the Executive Director, the Deputy Executive Director, the General Counsel, and the appropriate Division Director to determine the nature and seriousness of the offense(s) and their relationship to the duties of the position.

Human Resources shall use the secure shred process to destroy all criminal history record information after it is used to make an employment decision or to take a personnel action, after the end of any probationary term of employment, or not later than the 180th day after the date of receipt of the information, whichever is later.

D. Employee Arrests and Convictions

Failure to comply with the notification procedures identified below may result in disciplinary action, up to and including termination of employment. Additionally, an employee may be subject to disciplinary action for failing to follow the call-in procedure or as the result of an unapproved absence due to an arrest or other criminal proceeding.

When an employee is arrested, the employee must:

- notify their immediate supervisor or appropriate division management at the earliest possible opportunity but no later than the end of the first business day following the arrest;
- provide the immediate supervisor or appropriate division management with an official offense report as soon as possible but no later than 14 calendar days from the date of the arrest;
- provide the immediate supervisor or appropriate division management with periodic updates of the pending case; and
- provide the immediate supervisor or appropriate division management with official documentation regarding the outcome of the proceedings as soon as possible but no later than 5 calendar days after a conviction or unfavorable disposition.

ERS reserves the right to take disciplinary action if an internal investigation reveals that any misconduct took place, regardless of the outcome of any criminal proceeding.

When a supervisor is made aware of the arrest of one of their employees, they must:

- immediately notify their chain of command, the General Counsel, the Director of Human Resources, and the Deputy Executive Director;
- request an official offense report from the employee; and
- keep their chain of command informed of each development in the case.

The Division Director, the Director of Human Resources, the General Counsel, and the Deputy Executive Director shall collectively decide the appropriate action to address criminal matters involving an ERS employee based upon relevant factors such as whether the activity leading to the arrest or conviction:

- is directly related to the employee's job;
- has rendered the employee unable to perform the job satisfactorily;
- would lead a reasonable person to refuse to work with the employee;
- compromises the agency's effectiveness in fulfilling its responsibilities;
- has created publicity that could diminish the agency's image; or
- evidence exists of abuse of authority and/or belligerence during the arrest.

Upon learning of an employee's arrest, conviction, or acquittal or another disposition of criminal proceedings, the employee's Division Director, the General Counsel, the Director of Human Resources, and the Deputy Executive Director may decide to:

- permit the employee to continue working at ERS pending the outcome of the criminal proceedings or an internal investigation but require that the employee use appropriate accrued leave for all matters resulting from the arrest or other criminal proceedings;
- suspend the employee with or without pay pending the outcome of the criminal proceedings or an internal investigation;
- permit the employee to resign; or
- terminate the employee's at-will employment.

E. Dress Code

All ERS employees interact to some degree with the public in the performance of their duties. Grooming and dress should conform to business standards that reflect a conscientious approach to serving the public and to employment with ERS. If employees are unsure as to what is

considered business attire for their department, they should check with their supervisor or Human Resources for guidance.

Examples of inappropriate dress includes but is not limited to:

- Tank tops;
- Muscle shirts;
- Shirts or blouses that expose the midriff;
- Shorts, other than dressy shorts as part of a suit or capri pants;
- Mini skirts;
- Collarless shirts for men, unless banded collar dress shirt;
- T-shirts with words other than ERS;
- Sweat suits or wind suits;
- Flip flops (such as shower shoes); and
- Overly baggy clothing.

Supervisors have discretion to allow employees to wear items listed as inappropriate dress if business necessity or other circumstances warrant the exception.

F. Customer Service and Communicating Respectfully

Quality customer service and effective communication are cornerstones of the agency's business. Employees provide customer service to members, vendors, contractors, visitors, and other employees at ERS. The ERS standard for customer service is to respond to requests for information or assistance in a timely and respectful manner, deliver quality results, and demonstrate a positive and professional attitude that consistently meets the customer's expectations.

ERS expects employees to communicate in a professional and respectful manner in all of their interactions with customers and co-workers.

G. Drug and Alcohol Abuse in the Workplace

It is the intent of ERS to provide its employees with a safe work place that is drug and alcohol-free. The following activities are prohibited during active duty: manufacturing, distributing, dispensing, possessing, selling, purchasing, or being under the influence or illegal use of alcoholic beverages, toxic inhalants, controlled substances, and drugs. ERS' funds may not be used for the payment of salary to an employee who uses alcoholic beverages while on active duty or for the purchase of alcoholic beverages when such expense is submitted on a travel voucher.

The use of illegal drugs or alcohol during active duty may subject an employee to disciplinary action. An employee whose job performance is adversely affected by the use of alcohol, drugs, or other controlled substances is encouraged to seek rehabilitative assistance. Employee participation in a rehabilitative program does not preclude disciplinary action by ERS, including termination, if the employee is unable to perform the essential functions of the job.

H. Solicitation on ERS Premises

Permission will not be granted to any individual or group for the purpose of soliciting, either in or on ERS premises, when such activities disrupt or interfere with the work of employees or the orderly operation of business activities.

I. Violence in the Workplace

ERS has ZERO tolerance for violence in the workplace toward any person, including an employee, contractor, or customer. Violence in the workplace includes but is not limited to:

- Causing physical injury to another person;
- Making threatening remarks;
- Aggressive or hostile behavior that creates a reasonable fear of injury to another person or subjects another individual to emotional distress;
- Intentionally damaging agency property or property of another employee;
- Possession of a weapon, which is broadly defined to include anything that could be used by someone to inflict harm on another, while on ERS property or while on agency business; and
- Committing acts motivated by, or related to, sexual harassment or domestic violence.

Violations of this policy will result in disciplinary action, up to and including termination.

Employees should not make independent decisions regarding how to handle a possible violent situation. All threats of (or actual) violence, both direct and indirect, **must be reported as soon as possible** to your immediate supervisor or any other member of management. These include threats by employees, as well as threats by customers, contractors, solicitors, or other members of the public. When reporting a threat of violence, the employee should be as specific and detailed as possible. As appropriate, ERS may contact law enforcement agencies to assist with any report of violence.

J. Ethics

ERS expects its employees to maintain the highest level of ethics as public servants and to follow the standards of conduct outlined in the ERS Personnel Policy and Procedure Manual and in Chapter 572 of the Texas Government Code and Chapters 36 and 39 of the Texas Penal Code. ERS employees shall perform their official duties in a lawful, professional, and ethical manner befitting the state and ERS. Additionally, ERS expects employees to avoid behavior that has the perception of a conflict of interest with their work at the agency. Employees must use sound judgment in making ethical decisions and seek guidance from the ERS Ethics Advisor or management if they have any doubt on the right course of action. The General Counsel is the agency's ethics advisor and is available to assist both employees and supervisors in the resolution of ethical concerns.

ERS employees must abide by all applicable federal and Texas laws, administrative rules, and ERS standards of conduct and related policies. Any violation by an employee is subject to disciplinary action, which may include termination of employment or another employment-related sanction. An employee who violates any applicable federal or Texas law or rule may be subject to civil or criminal penalties in addition to any employment-related sanction.

All ERS employees are required to take at least one hour of ethics-related training every year.

ERS employees are strongly encouraged to report to the Office of the General Counsel any conduct or activity they believe to be in violation of the law or the ERS standards of conduct or a related policy. Employees also may seek the guidance of the Office of the General Counsel or Human Resources regarding any ethics-related concern or question. Employees may utilize the "Report an Ethics Violation" link on the Connect Home page to notify ERS management of potential violations. Reports may be anonymous.

Nothing in any ERS policy should be construed to supersede any applicable federal or Texas law or administrative rule.

K. Conflicts of Interest

1. Standards of Conduct for State Officers and Employees

Chapter 572 of the Texas Government Code sets forth standards of conduct that apply to all state officers and employees. The standards of conduct are intended to prevent actual conflicts of interest, as well as actions that might create the appearance of a conflict of interest. Violation of any of these standards, which are found in § 572.051, is a ground for dismissal from employment with ERS:

- § 572.051(a)(1): An employee may not accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's duties or that the employee knows or should know is being offered with the intent to influence the employee's official conduct.
- § 572.051(a)(2): An employee may not accept other employment or engage in any business or professional activity if a reasonable person would expect that such employment or activity would induce or require the disclosure of confidential information acquired as a result of the employee's position at ERS.
- § 572.051(a)(3): An employee may not accept other employment or compensation that could reasonably be expected to impair the employee's independence of judgment in the performance of the employee's ERS duties.
- § 572.051(a)(4): An employee may not make personal investments that could reasonably be expected to create a substantial conflict between the employee's private interest and the public interest.
- § 572.051(a)(5): An employee may not intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised official powers or performed official duties in favor of another.

2. Acceptance of Gifts

The acceptance of gifts is restricted by the Penal Code and by ERS policy. The Penal Code uses the term "benefit" interchangeably with the term "gift." Both terms refer to anything reasonably regarded as financial gain or financial advantage, including a benefit provided to another person in whose welfare an employee has a direct and substantial interest.

Employees must not accept any benefit in the course of their employment with ERS (other than the compensation routinely and lawfully provided to employees). An employee who receives any gift from a person or organization that has an interest or that might in the future have an interest in matters within the jurisdiction of ERS must deliver that item to the office of the Deputy Executive Director. The Deputy Executive Director will determine the manner of disposition of all gifts. The Deputy Executive Director may assign a designee to review and decide on the disposition of gifts.

In limited situations, non-cash items of promotional or commemorative value may be accepted. The Texas Ethics Commission has determined that snacks and refreshments, greeting cards, plaques, certificates of achievement or recognition, and trophies that are solely for presentation are not prohibited gifts (Opinion No.61). However, the Deputy Executive Director will decide if an item given to an agency employee falls into this category.

The Penal Code establishes restrictions on the receipt of gifts by public employees, and an employee's failure to adhere to the restrictions could result in criminal penalties. § 36.02 of

the Penal Code prohibits bribery. An employee commits the offense of bribery if the employee solicits, accepts, or agrees to accept a benefit in exchange for the employee's decision, opinion, recommendation, vote, or other exercise of authority or in exchange for the violation of a duty imposed by law. Bribery is a second-degree felony.

Separate restrictions in § 36.08 prohibit the acceptance of gifts in certain specified circumstances. For example, an ERS employee who "exercises discretion in connection with contracts, purchases, payments, claims, or other pecuniary transactions" may not solicit, accept, or agree to accept any benefit from a person the public servant knows is interested in or likely to become interested in such a transaction. A violation of § 36.08 is a Class A misdemeanor punishable by a fine not to exceed \$4,000 and up to one year in jail.

According to the Texas Ethics Commission, examples of prohibited gifts include:

- A \$50 clock;
- A \$60 meal;
- A \$160 rifle;
- A hunting trip; and
- When not a guest:
 - A hotel room; and
 - Football tickets.

§ 36.10 of the Penal Code sets forth the following exceptions to § 36.08's restrictions on gifts:

- Non-cash items worth less than \$50;
- Food, lodging, and transportation accepted in connection with a conference or similar event where the employee renders services that are not merely perfunctory;
- Food, lodging, transportation, and entertainment in any amount if accepted as a guest and reported where required;
- A benefit from a friend, relative, or business associate with whom an employee has a relationship independent of the employee's state employment if given on account of that relationship rather than the employee's state employment; and
- Payment for which the employee gives legitimate consideration in a capacity other than as a public servant (payment must be equal to the actual value of the goods or services provided).

Importantly, the exceptions set forth in § 36.10 do not apply to the bribery prohibition set forth in § 36.02.

3. Ethical Decisions

Employees are encouraged to rely on their immediate chain of command in resolving any question or concern related to employee ethics, conflicts of interest, or standards of conduct. In addition, the General Counsel is the agency's ethics advisor and is available to assist both employees and supervisors in the resolution of ethical concerns. Employees also may contact Human Resources.

4. Honoraria

§ 36.07 of the Texas Penal Code states, "A public servant commits an offense if the public servant solicits, accepts, or agrees to accept an honorarium in consideration for services that the public servant would not have been requested to provide but for the public servant's official position or duties."

§ 36.07 does not prohibit an employee from accepting food, lodging, and transportation received in connection with a conference or similar event in which the employee is providing

services that are not merely perfunctory. For example, an employee who makes a presentation at a conference or participates in a seminar may accept food, lodging, and transportation from the sponsor of the event. Employees should contact the Office of the General Counsel for further information regarding such benefits and the reporting requirements that may apply if an employee accepts such benefits.

5. Other Codes of Ethics

An agency employee who works in a professional capacity for which there is a code of ethics also must abide by the ethics requirements for that professional field. For example, attorneys must abide by the State Bar Rules, and certified public accountants must abide by the Rules of Professional Conduct established by the Board of Public Accountancy.

Similarly, additional ethics requirements pertain to the investment-related work carried on at ERS. Employees who are involved in the administration and operation of the ERS investments program must abide by the Code of Ethics found in the ERS Investment Policy. Employees who serve on the Texa\$aver Product Review Committee (PRC) or in a related capacity must abide by the Code of Ethics found in the PRC Charter as applicable.

2. Limited Personal Use of ERS Property

ERS property consists of office furniture, equipment, and information technology, including but not limited to telephone lines, facsimile and photocopy machines, and personal computers, which are installed and maintained for ERS business. Use of ERS property for personal business by an employee, intern, or any other person is prohibited. A violation or abuse of this policy may result in disciplinary action, up to and including termination.

ERS employees are permitted limited use of certain property for non-official purposes if that use does not interfere with official business and if it involves minimal expense to ERS. The privilege extended to employees does not include modifying equipment, loading software (including toolbars, applications, or executable files), or making configuration changes to equipment or software. The privilege to use ERS property for non-official purposes may be revoked or limited at any time by the Executive Director or designee.

1. No Expectation of Privacy

ERS employees do not have a right of privacy, nor should they have an expectation of privacy, while using ERS office furniture, equipment, or information technology, including Internet access, e-mail, and voice mail, all of which are ERS property. By using ERS property, employees provide their consent to ERS to monitor, record, and store communications, with or without cause.

Communications sent to or received by an ERS employee and any other person using ERS information technology, or any other method of communication, is public information and may be subject to disclosure under the Texas Public Information Act. The Deputy Executive Director or designee may, at any time, with or without the user's knowledge, intercept, access, retrieve, read, and disclose to others any message or computer file created, sent, or received by a user of ERS information technology.

All ERS employees and other persons with authorized access to ERS computer systems are required to read and sign the form entitled "Computer Access Security Policy Employee Acknowledgment and Consent to Access to and Disclosure of Electronic Mail."

2. Inappropriate Personal or Non-Official Use of ERS Property

Misuse or inappropriate use of ERS property for personal or non-official purposes includes but is not limited to:

- Using equipment to maintain or support a personal private business;
- Making excessive photocopies for personal purposes;
- Overuse of facsimile machines or transmitting a facsimile to any telephone number that will incur a long-distance or other similar charge;
- Removing any ERS property, equipment, or supply item from ERS premises for personal use or without authorization;
- Allowing use of any ERS property by non-ERS personnel;
- Any other personal use of any ERS property that could cause congestion, delay, or disruption of service to any ERS system or equipment including but not limited to video, sound, or other large file attachments in connection with the ERS computer system; creation, copying, transmission, or retransmission of inappropriate subject matter or chain letters or other unauthorized mass mailings, regardless of subject matter; or Engaging in any political activity while on ERS time or utilizing ERS resources for political activity.

3. Misuse of Official Position or Issued Items

ERS employees are prohibited from using their official positions or state-issued items such as badges for financial gain, obtaining privileges, or avoiding consequences of illegal acts.

ERS employees shall not knowingly make misleading statements, either oral or written, or provide false information in the course of official ERS business.

4. Telephone Usage

Occasional personal use of the telephone is permissible; however, personal calls should be as brief as possible and should not interfere with work or disturb other employees. Personal long-distance calls and facsimiles billed to ERS are prohibited, including personal phone calls received via ERS long-distance networks. Abuse of telephone privileges can lead to disciplinary action, up to and including termination.

5. Use of E-Mail

Employees may access the ERS e-mail system for non-official business, provided the communication:

- does not disrupt or interfere with official ERS business;
- is kept to a minimal duration and frequency; and
- does not include activities that are illegal, inappropriate, or offensive to fellow employees or the public. Such activities include but are not limited to hate speech, which includes any communication or other expression that ridicules others on the basis of race, creed, religion, color, sex, disability, national origin, or sexual orientation.

Use discretion when sending system-wide messages and limit such messages to operational issues of ERS. Examples of the appropriate use of system-wide messages include administrative leave, maintenance issues, inclement weather, emergency issues, and other operational issues.

6. Use of Internet

Employees may access Internet sites on official business as required to properly perform ERS-related duties and on non-official business if the work of ERS is not disrupted. Access of any Internet site that contains objectionable or otherwise offensive information is prohibited.

7. Use of Voice Mail

The voice mail system is designed as a back-up system to be used only when a person is unable to answer the phone. Voice mail is not to be used as the primary answering tool when a person is available to answer the call, nor is it to be used to screen calls. Employees should check and respond to voice mail messages promptly.

M. Other Employment

Before accepting non-state employment or engaging in private business that might be in conflict with ERS employment, an employee must seek approval from the employee's supervisor and division director.

1. Multiple Employment with the State

In certain situations, it is legally permissible for an employee to have multiple jobs with the state. But an employee must inform both the initial and secondary employers of the employee's intent to accept multiple positions with the state. An employee who is legally employed in two positions within state government is subject to certain provisions. It is the employee's responsibility to be knowledgeable about and abide by such provisions.

2. Off-Duty Employment

An employee may be terminated from ERS if the employee accepts outside (non-state) employment or becomes engaged in private business where the activity or work hours interfere with the efficiency of the employee's performance of, or are considered to be in conflict with, the employee's position at ERS.

3. Outside Contracting

ERS may not enter into a contract for consulting or professional services or employment with a former employee of the agency for twelve months following the employee's termination. Employment contracts include personal service contracts regardless of whether the performance of the contract involves the traditional relationship of employer and employee.

N. Public Communication

1. Release of Confidential Information

Records of members/annuitants, participants, and beneficiaries under the administration and custody of ERS are treated as confidential information and not subject to public disclosure. ERS is not required to accept or comply with a request for these records or information about these records or to seek an opinion from the Attorney General regarding their release because these records are exempt from the public access provisions of the Public Information Act. Records may be released to a member, annuitant, participant, retiree, beneficiary, or alternate payee or to an authorized attorney, family member, or representative acting on behalf of a member/annuitant, participant, retiree, or beneficiary. ERS may release the records to an administrator, carrier, agent, or attorney acting on behalf of ERS, to another

governmental entity having a legitimate need for the information to perform the purposes of ERS, or in response to a valid subpoena.

Any employee who has access to confidential information is required to maintain strict confidentiality and privacy. An employee must not disclose or accept other employment or engage in charity, nonprofit, or professional activity that would require or induce the employee to disclose confidential information, information that is exempted from public disclosure under the Texas Public Information Act, or other information that was acquired by reason of the employee's official position.

Failure to maintain confidentiality could result in disciplinary action, up to and including termination. Confidential information includes but is not limited to:

- Information concerning matters relating to marriage, family relationships, child rearing, and education;
- Certain information regarding past and current service in the Texas military forces as defined in Chapter 437 of the Texas Government Code;
- Intimate or embarrassing facts the publication of which would be highly objectionable and not the legitimate concern of the public; and
- All medical information concerning members, annuitants, participants, and beneficiaries.

2. Data Requests from Political Offices and Associations

All employees who receive a data request from a political office or association (e.g. Office of the Governor, Legislative Budget Board, Legislative Council, a legislative office, or a lobby group) must immediately forward the request to datarequest@ers.texas.gov. This email is monitored by a data triage team who will log, assign, and track the request in the Data Dashboard. This is to ensure that ERS provides timely, consistent, accurate data and messaging to external stakeholders, as well as to avoid duplication of effort within the agency.

In general, if an external request comes from a political office or lobby group and it requires the generation of new data, repackaging of existing data, or development of special messaging, it must be tracked and reviewed by the data triage team before leaving the building. If an external request can be answered with published data in a phone call or quick email, it does not have to be formally tracked, but all emailed responses to political offices or associations should be copied to datarequest@ers.texas.gov. The data triage team does not track legal or media requests or requests submitted under the Public Information Act.

If you are unsure whether a data request should be tracked, please consult with the data triage team at datarequest@ers.texas.gov.

3. Media Inquiries and Public Presentations

The Executive Director or a designated representative is the only person authorized to make official policy announcements and statements to the news media regarding ERS. An employee in an official capacity who is requested to make a public presentation, including television or radio appearance, must coordinate the speaking engagement and subject matter with their respective division director and the Deputy Executive Director prior to accepting such an invitation. The Executive Director or designee must also grant prior approval if the engagement involves the use of funds for out-of-state travel.

4. Political Activity

Employees shall not engage in any political activity while on ERS time or utilize ERS resources for political activity.

5. Political Influence

Employees working at ERS have the full right to freedom of association and political participation guaranteed by the state and federal constitutions, subject to some limitations outlined in § 556.004 of the Texas Government Code. ERS employees are required to abide by pertinent state and federal laws restricting political influence. Violations may result in dismissal, fines, or other penalties. These limitations do not prevent any official or employee from furnishing non-confidential information to any member of the legislature or a legislative committee, any other state official or employee, or any citizen.

Each new employee shall be provided a copy of § 556.004 of the Texas Government Code ("Prohibited Acts of Agencies and Individuals") at the time of orientation and shall be required to sign an acknowledgement form indicating that the employee has read and understands the restrictions.

6. Social Media Policy

Social media such as Facebook and X allow users to connect with people by participating in an online community. ERS-established social media sites are administered by the Benefits Communications Division according to the Social Media Guidelines and External Facebook Policy. Any communication on an ERS social media site is public information, may be subject to disclosure under the Public Information Act, and must be retained according to the Texas State Records Retention Schedule.

All employees must receive written approval from a member of the Benefits Communications (BCOM) social media team before posting or commenting on any social media site purporting to represent ERS, one of its programs, or one of its projects. Employees must receive written approval from a member of the BCOM social media team before initiating any type of social media site purporting to represent ERS.

Employees must adhere to the Social Media Guidelines and External Facebook Policy and the ERS Personnel Policy and Procedure Manual, including the Standards of Conduct policy regarding use of agency equipment to access the Internet during work hours, the prohibition on public communication of confidential information, and the expectation that employees communicate in a professional and respectful manner in all of their interactions with customers and co-workers when posting to social media sites.

Employees must adhere to the ERS Standards of Conduct policy which states that employees may, on a limited basis, use agency equipment to access the Internet during work hours if it does not interfere with the completion of work assignments or ERS business and if it involves minimal expense to ERS. Employees can also use personal communication devices such as cell phones or smart phones during work hours for non-ERS business, but such use must not interfere with the completion of work assignments or disrupt the work environment.

Violation of this policy or the Social Media Guidelines and External Facebook Policy may lead to disciplinary action, up to and including termination. An employee may be subject to disciplinary action if the employee represents himself or herself as an authorized commenter of ERS or communicates what is interpreted to be official ERS business on their personal social media site.

IV. Excerpts from the ERS Investment Policy Statement

CODE OF ETHICS (Chapter VII of ERS Investment Policy Statement)

Code of Ethics and Personal Investment Activities

Texas Government Code § 815.213 requires that this Policy include a code of ethics that contains standards of ethical conduct and disclosure requirements applicable to Trustees and ERS employees in the administration of the investment program. The broad purpose of this section is to fulfill that obligation by maintaining integrity in the oversight and management of ERS investments and by preventing the misuse of material, non-public information. High ethical standards are essential to the success of ERS and the fulfillment of its fiduciary duty to Beneficiaries.

Therefore, all “Covered Persons” shall be governed in their personal investment activities by this Policy, as well as applicable state and federal laws. Covered Persons include all members of the Board, all members of the IAC, the Executive Director, the Deputy Executive Director, and all ERS investment-related staff who the Executive Director determines to have material access to confidential ERS investment trading information. ERS investment-related staff include members of the following departments: Executive Office, Investments, Information Systems, Finance, OGC, Internal Audit, Investment Compliance, and Records and Information Management.

Covered Persons are subject to the ERS Insider Trading and Confidentiality Policy. Each such Covered Person shall sign a yearly affirmation of compliance.

ERS “Restricted Persons” include the Executive Director, Deputy Executive Director, Investments staff, and investment-related staff for whom additional restrictions are appropriate.

Restricted Persons are broken down into two component lists designated as either “Restricted Persons I” or “Restricted Persons II.”

- The Executive Director and Investments staff are classified as “Restricted Persons I.”
- With regard to investment-related staff, ERS Investment Compliance (i) identifies investment-related staff with either direct or indirect access to confidential ERS investment trading information and (ii) provides the criteria, assigns numerical values, and tallies the final weights used for measuring investment-related staffs overall proximity to confidential ERS investment trading information. Investment-related staff determined to have direct access and a greater proximity to confidential ERS investment trading information will generally be designated Restricted Persons I, while investment-related staff determined to have only indirect access and a lesser proximity to confidential ERS investment trading information will generally be designated Restricted Persons II. The Executive Director ultimately determines the classification for each member of investment-related staff according to the Restricted Person’s access and overall proximity to confidential ERS investment trading information.

ERS Investment Compliance shall maintain a quarterly updated list of all Covered Persons, Restricted Persons I, and Restricted Persons II.

Restricted Persons I are subject to the Personal Transactions section below in its entirety. Each Restricted Person I and Restricted Person II shall submit a quarterly affirmation of compliance with all applicable portions of this Code of Ethics, including the Insider Trading and Confidentiality Policy (Addendum V).

The provisions of the Personal Transactions Policy do not apply to Trustees, IAC members, or Restricted Persons II since they do not participate in the selection of publicly traded securities on behalf of ERS. However, the Insider Trading and Confidentiality Policy does apply to Trustees, IAC members, and Restricted Persons II. To the extent that Trustees and IAC members participate in the evaluation, review, and approval of private market investments, they must certify that they shall not, either for themselves or on behalf of any other person or entity, make investments in private investment funds in which ERS has invested or for which they otherwise received confidential information.

Pursuant to Texas Government Code § 815.210, except for an interest in the Trust as a Beneficiary, a Trustee or employee of the Board may not have a direct or indirect interest in the gains or profits of any investment made by the Board and may not receive any pay or emolument for services other than the person's designated compensation and authorized expenses.

A. Standards of Conduct

As it relates to the investment activities of the Trust, Covered Persons frequently interact with other ERS employees, Beneficiaries, colleagues within the investment profession, other participants in financial markets, and members of the public. In these interactions, Covered Persons shall take care to act with the highest levels of integrity and respect. When engaging in activities related to ERS, Covered Persons should exercise independent professional judgment and shall adhere to the following principles:

- Understand and abide by all applicable laws, rules, and regulations, including ERS policies.
- Act in a manner that is consistent with the mission of ERS and the policies that are established to support that mission.
- Act in good faith, with loyalty, and in the best interests of Beneficiaries.
- Act with judgment, prudence, and reasonable care.
- Avoid conflicts of interest, refrain from self-dealing, and refuse any gift that could reasonably be expected to impair one's loyalty.
- Act with diligence, competence, and skill.
- Review regularly the efficiency and effectiveness of the investment program in meeting its goals, including the performance of service providers such as consultants and actuaries.
- Use reasonable care and judgment to achieve and maintain independence and objectivity in activities related to ERS.
- Deal fairly, objectively, and impartially with all Beneficiaries.
- Maintain confidentiality of ERS information as required.
- Communicate with stakeholders in a timely, accurate, and transparent manner.

To support these principles and guide their implementation, standards of conduct tailored specifically to the ERS investment program and applicable to Staff shall be incorporated by the Risk Committee into the Investment Implementation Plan.

B. Personal Transactions

The requirements included in this section apply only to the Executive Director, Investments staff, and investment-related staff to the extent and for so long as they are designated "Restricted Persons I" by the Executive Director.

Restricted Persons I are required to disclose all applicable personal brokerage accounts and make all related trade confirmations and account statements available to ERS Investment Compliance via direct broker feed, when available, or otherwise by hard copy via U.S. mail. This disclosure requirement includes all applicable fully managed accounts (i.e., where the broker has the sole discretion to transact and the Restricted Person I or family member has no trading authority). Fully managed accounts are monitored but are not subject to pre-clearance requirements.

All Restricted Persons I shall obtain the approval of the CIO or a designee appointed by the CIO prior to making personal trades in applicable securities. Similarly, the CIO and the Executive Director shall obtain pre-trade approval from Investment Compliance. Pre-trade approvals grant the Restricted Person I permission to buy, sell, or trade options of the requested security from the time of receipt through the end of following business day.

The pre-clearance requirement described above applies to trades of the following:

- Publicly traded equity and debt securities; and
- Derivative instruments of such securities, including without limitation, swaps, futures, and options.

The pre-clearance requirement set forth above does not apply to personal investments in:

- Certificates of Deposit (CDs);
- Open-end mutual funds;
- Closed-end funds;
- Trusts;
- Unit trusts;
- Closed-end trusts;
- Exchange-traded funds (ETFs);
- Exchange-traded notes (ETNs);
- Currencies;
- Physical commodities;
- U.S. Government obligations and debt;
- Municipal securities;
- Direct investments in digital assets or cryptocurrencies;
- Derivatives linked to the performance of any of the foregoing; and
- Less than \$500.00 of any applicable security transacted over a rolling 30-day period.

Furthermore, the pre-clearance requirement described above does not apply to any acquisition or disposition of any security that is not deliberate or willful on the part of the Restricted Person I, including without limitation:

- the purchase or sale of any security that is effected in an account over which a Restricted Person I has no direct or indirect influence or control;
- the acquisition of any security pursuant to a dividend reinvestment program;
- the acquisition of any security through a stock dividend, stock split, reverse stock split, merger, consolidation, spin-off, or other similar corporate reorganization or distribution that is generally applicable to all holders of the relevant class of securities;
- bona fide employee stock transactions by a family member related to their employment;
- the assignment or transfer of shares or other securities between accounts; and
- trades within fully managed accounts.

Pursuant to the Insider Trading and Confidentiality Policy, ERS maintains a list of restricted securities (the "Restricted List"). The Restricted List includes securities of companies about which staff has received material non-public information. Covered Persons are prohibited from trading in their personal accounts securities of any issuer on the Restricted List for so long as the issuer remains on the list. It should be noted that the Restricted List is separate and distinct from ERS' statutory prohibitions on transactions in scrutinized companies (see Scrutinized Investment Program Procedures, Addendum II).

"Personal Trades" means:

- a) a transaction for a Restricted Person I's own account, including a retirement or self-directed account (e.g., an IRA), in which the Restricted Person I has direct or indirect influence or control over the timing of the trade of the security or derivative on a security, and
- b) a transaction for an account in which a Restricted Person I has indirect beneficial ownership (any interest in which a person indirectly has or shares a pecuniary interest) or direct or indirect influence or control or discretion over the timing of the trade of the security or a derivative on a security. Indirect beneficial ownership applies to accounts held by immediate family members. "Immediate family member" means a Restricted Person I's spouse, minor children, adults residing with such Restricted Person I, and any trust or estate in which such Restricted Person I or any other member of his/her immediate family is a trustee or has a substantial beneficial ownership interest unless such Restricted Person I or other member of his/her immediate family has fully delegated all authority over such accounts and, therefore, does not control or participate in the investment decisions of such trust or estate.

To allow for automation of the compliance monitoring process, Restricted Persons I may be required to maintain covered accounts at securities firms that have electronic connectivity with the software system used by ERS.

Front running is prohibited, and these preclearance requirements for personal trades are intended to prevent front running. For purposes of this section of this Policy, "front running" occurs when a Restricted Person I buys or sells a security or a derivative on a security for personal financial gain or the financial gain of a third party other than ERS with advance knowledge of a similar ERS decision or recommendation to buy or sell a security or a derivative on a security.

Obtaining preclearance for a personal trade does not prevent the transaction from constituting front running under this Policy if the Restricted Person I knows or should have known that a recommendation or decision for ERS to trade a security or a derivative on the security is pending or has been made but an order to trade has not yet been communicated to the ERS trading desk. All Restricted Persons I assume the risk of a conflict or violation of this Policy by initiating any personal transaction that may be covered under this Policy despite any lack of intent by the individual to violate this Policy. A determination that this Policy was violated may be based on circumstantial evidence of such intent.

A Restricted Person I shall not delay, hinder, modify, or cancel any internal ERS recommendation, decision, or trading order with the intent to facilitate a personal trade. Restricted Persons I also shall not personally participate in private market investment transactions that benefit from action taken by ERS, including the purchase or receipt of primary shares in a pending initial public offering (IPO). Exceptions to this rule include the receipt of IPO shares from a stock dividend on shares already owned, demutualization of a company in which the individual is already an interested party, and as a result of a family member's employment by an IPO issuer.

All Restricted Persons I shall report on a quarterly basis regarding all personal investment activities. Similarly, Investment Compliance shall report to the Internal Auditor, Chief Investment Officer, and Deputy Chief Investment Officer on a quarterly basis regarding all personal investment activities. An internal investigation shall be promptly conducted into any questionable trade for technical violations of this Policy. If a technical violation is deemed material, Investment Compliance shall document the violation in the quarterly investment compliance status report.

Potential violations of the pre-clearance requirements within this Policy shall be reviewed on a post-trade basis. As part of this review, any transaction that was placed in a manner that was technically not in compliance with the above criteria for "broad-based" securities indices shall be flagged, and Investment Compliance shall determine whether or not said technical violation constitutes a material violation of this Policy, in consideration of any evidence of front running, insider trading, or intent to violate policy.

If it is determined that a Restricted Person I has materially violated this Policy, that individual may be required to reverse the transaction at their expense and disgorge all profits. The individual may also be subject to the full range of disciplinary actions under the ERS Personnel Policy and Procedure Manual, may be excluded from participation in the Incentive Compensation Plan as outlined in the relevant plan document(s), and may be reported to applicable regulatory or law enforcement agencies when appropriate.

C. Gifts, Benefits, and Favors

In accordance with Chapter 36 of the Texas Penal Code, Covered Persons shall not solicit, accept, or agree to accept any gift, personal benefit, or personal favor in connection with their employment at ERS. The terms “gift,” “personal benefit,” and “personal favor” include, without limitation, anything reasonably regarded as pecuniary gain or pecuniary advantage, including gifts or other economic benefits to any other person in whose welfare the Covered Person has a direct and substantial interest.

This prohibition does not apply to the following, which may be accepted:

- i. gifts of books, pamphlets, articles, and other such materials that contain information directly related to and used in performing the official ERS duties of the individual (provided that such items are less than \$50.00 in value);
- ii. gifts of nominal value (non-cash items of less than \$50.00 in value), modest items of food and refreshments on infrequent occasions so long as the donor is present, unsolicited advertising or promotional material, and other items of nominal intrinsic value;
- iii. a fee prescribed by law to be received by an individual or any other personal benefit to which the individual is lawfully entitled or which is given as legitimate consideration in a capacity other than the individual’s position with ERS; or
- iv. a gift or other personal benefit conferred on account of kinship or a personal, professional, or business relationship independent of the official status of the individual’s position with ERS.

Gifts, personal benefits, and personal favors provided to investment staff are managed by the Chief Investment Officer’s office. Gifts, personal benefits, and personal favors provided to non-investment staff are managed by the Executive Office.

Covered Persons shall not accept non-exempt gifts of \$50 in value or greater received by mail. Non-exempt gifts of \$50 in value or greater received by mail that cannot reasonably be returned will be donated or otherwise dispensed by the managing office.

Covered Persons are required to disclose all gifts, personal benefits, and personal favors to the managing office. Covered Persons are further required to reaffirm all gifts, personal benefits, and personal favors on a quarterly basis with Investment Compliance.

Notwithstanding the foregoing, absolutely no gifts, personal benefits, or personal favors may be accepted from Placement Agents, as defined in Addendum IV.

D. Attendance at Business Meetings/Functions

Covered Persons are prohibited from accepting invitations to functions, the costs of which will be borne by brokers, dealers, corporations, or the Trust’s master trust custodian, consultants, or external advisors (donors) except as provided herein.

- Covered Persons may accept invitations, including meals, transportation, and lodging to seminars and conferences when such event has a presentation or discussion of topics pertinent to the investment of the Trust’s assets or relates to the official ERS duties of the individual and is not

otherwise prohibited by law. This exception applies only where the services rendered by Covered Persons are more than merely perfunctory, such as when Staff speak at or actively plan the seminar or conference, and only with specific approval in advance from the CIO.

- Covered Persons may accept invitations, including meals and ground transportation, to receptions and business meals when the donor or a representative of the donor is present and such event has a presentation or discussion of topics pertinent to the investment of the Trust's assets or relates to the official ERS duties of the individual and is not otherwise prohibited by law.
- The prohibition does not apply to the acceptance of meals, transportation, and lodging in connection with private market advisory committee meetings, seminars, and conferences, where the services rendered by Staff are more than merely perfunctory.
- Attendance by Covered Persons at events sponsored by donors that may incidentally involve entertainment or recreation may in some cases be in the best interest of ERS. However, Staff shall obtain specific approval in advance for their attendance at such events from the CIO. The CIO shall obtain such approval from the Deputy Executive Director. This approval will not be given for elaborate or expensive events.
- All persons to whom this Policy applies shall use reasonable care and judgment not to place themselves in a situation that might cause, or be perceived to cause, a loss of independence or objectivity.

E. Conflict of Interest

All Covered Persons who become aware of a personal conflict of interest that affects their duty owed to ERS have an obligation not only to disclose that conflict but also to cure it. Listed below are examples of conflicts of interest that shall be avoided:

- i. Covered Persons may not under any circumstances accept offers, by reason of their service, relationship, or employment with ERS, to trade in any security or other investment on terms more favorable than those available to the general investing public or, in the case of private market investments, a similarly situated investor.
- ii. Covered Persons may not participate in outside employment or business activities where the activity interferes with the efficiency of the individual's performance of, or could be considered to be in conflict with, the individual's service, relationship, or employment with ERS, unless such outside employment or business activities have previously been disclosed and approved. The Executive Director will provide such approval in the case of ERS investment-related staff, the Deputy Executive Director, and IAC members, and the Board will provide such approval in the case of the Executive Director or a Trustee.
- iii. ERS may not enter into a contract with a former ERS Executive Director for four years after such former ERS Executive Director leaves ERS, or with a person or entity that employs such former ERS Executive Director, unless the Board approves the contract and otherwise complies with Texas Government Code § 669.003.
- iv. A person may cure a conflict of interest by promptly addressing it in the following manner. If the person may prudently withdraw from action on a specific issue in which a conflict exists, the conflict may be cured in that manner provided that:
 - the person may be and is effectively separated from influencing the action taken;
 - the action may properly be taken by others; and

- the nature of the conflict is not such that the person shall withdraw regularly and consistently from decisions that are normally the person's responsibility with respect to ERS. Trustees and IAC members shall disclose any conflict regarding matters that are before the Board or IAC and not vote on the matter.

F. Market Manipulation

Covered Persons may not engage in market manipulation, including practices that intend to mislead market participants by distorting prices or artificially inflating trading volume.

G. Use of Placement Agents

See Addendum IV for Placement Agent and Political Contributions Policies and Procedures.

H. Insider Trading and Confidentiality

See Addendum V for the Insider Trading and Confidentiality Policy.

I. Ethics Training

All Covered Persons shall receive periodic ethics training at least annually.

J. Compliance and Enforcement

- i. The Board will enforce this Policy through the Executive Director, who is responsible for its implementation with respect to all staff, the Deputy Executive Director, and IAC members.
- ii. The full range of disciplinary options under the ERS Personnel Policy and Procedure Manual may be used with respect to employees of ERS who violate this Policy, up to and including termination.
- iii. The Board is responsible for the enforcement of this Policy with respect to violations by individual Trustees or the Executive Director through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.
- iv. Any Covered Person with knowledge of a violation of this Policy shall report such violation to OGC and Investment Compliance. No retaliatory action will be taken for any such report made in good faith.
- v. A violation of this Policy may be reported to applicable regulatory or law enforcement agencies when appropriate.
- vi. Anyone scrutinizing a transaction or issue for compliance with this Policy and applicable laws will be undertaking such review after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, an individual should carefully consider how the Executive Director, OGC, Investment Compliance, Internal Auditor, state and federal enforcement authorities, and others might view the transaction or issue in hindsight.

PLACEMENT AGENT AND POLITICAL CONTRIBUTIONS POLICIES AND PROCEDURES

(Addendum IV to ERS Investment Policy Statement)

Purpose and Scope

ERS recognizes that Placement Agents work to establish dialogue and facilitate communication between private investment funds and investors. However, ERS requires transparency and accountability of the roles Placement Agents play in sourcing investment opportunities to be offered to ERS. To this end, ERS' Placement Agent and Political Contributions Policies and Procedures (these "Policies and Procedures") require (a) the broad, timely, and updated disclosure of all Placement Agent relationships (b) certain practices by Funds with respect to Placement Fees.

Furthermore, these Policies and Procedures also apply to attempts to influence ERS investment decisions through contact with members of the Board of Trustees or IAC or contact with, or Contributions made for the benefit of, Texas Elected Officials.

The goals of these Policies and Procedures are to help ensure that ERS investment decisions are made exclusively on the merits of the investment opportunity by individuals who owe a fiduciary duty to ERS and to ensure that all investment decisions and recommendations are free from improper influence or the appearance thereof. Any capitalized terms used but not defined herein have the meanings ascribed to such terms in the ERS Investment Policy.

Required Disclosures

Consultants: These Policies and Procedures apply to all third party consultants assisting in the diligence on any Fund in which ERS invests or is considering investing. The contractual agreement between ERS and each consultant shall contain representations and warranties acceptable to ERS regarding such consultant's relationships with any placement agent, and the contractual agreement shall further contain requirements acceptable to ERS regarding disclosures regarding placement agent relationships and other ethical issues that shall be made by the consultant to ERS in connection with its work for ERS on any Fund prior to making a recommendation on that Fund.

Funds: These Policies and Procedures also apply to all Funds in which ERS invests. Any Fund in which ERS is considering investing shall submit to ERS a disclosure statement stating whether the Fund has engaged a Placement Agent and whether it is obligated to pay any Placement Fees with respect to ERS' investment in such Fund. The disclosure statement shall further state whether the Fund and/or its Placement Agent is or has been subject to any present or past civil or criminal litigation, administrative proceeding, or, to the Fund's knowledge, inquiry or investigation related to the payment of or the incurrence of an obligation to pay any Placement Fees.

Any Fund in which ERS is considering investing shall also submit to ERS a disclosure statement regarding (a) any payment of or the incurrence of an obligation to pay any Contribution by the Fund and/or its Placement Agent to any Texas Elected Official within the two year period prior to ERS' investment in the Fund or (b) the engagement in any Bundling with respect to any Texas Elected Official within the two year period prior to ERS' investment in the Fund. Such disclosure statement shall also contain information regarding any communications regarding ERS' potential investment in the Fund that the Fund and/or its Placement Agent had with any Texas Elected Official or any member of the Board of Trustees or IAC during the two year period prior to ERS' investment in the Fund. The disclosure statement shall further state whether the Fund or its Placement Agent is or has been subject to any present or past civil or criminal litigation, administrative proceeding, or, to the Fund's knowledge, inquiry or investigation related to the payment of or the incurrence of an obligation to pay any Contribution to, or any Bundling with respect to, any Texas Elected Official or any public pension official in any other state.

Staff will provide each Fund in which ERS may invest a copy of these Policies and Procedures at or near the commencement of due diligence. A Fund shall make the disclosures described above to ERS contemporaneously with ERS' investment in such Fund. All such disclosure statements shall include any actions taken indirectly which, if taken directly, would be required to be disclosed under these Policies and Procedures. ERS hereby notifies

Funds and Placement Agents that ERS is subject to the Texas Public Information Act, and they should be aware that information provided to ERS under these Policies and Procedures may not be confidential.

Placement Agent Registration, Compliance with Laws, and Relationships

Placement Agents used by Funds shall register with the SEC or the Financial Industry Regulatory Authority if required by applicable law. A Placement Agent that is not registered as required may not receive a Placement Fee in connection with an investment in a Fund by ERS.

Funds and Placement Agents shall certify that they are in compliance with all applicable laws and regulations, including, but not limited to, the Investment Advisers Act of 1940 and any rules or regulations promulgated thereunder,¹ as such may be amended from time to time.

A Fund shall further disclose whether any person or entity included in the definition of Placement Agent herein is a current or former member of the Board of Trustees or IAC; employee of ERS; officer, director, principal, partner, manager, member, shareholder, employee, consultant, or affiliate of an ERS consultant; or member of the immediate family of any such natural person.

Placement Fee and Contribution Practices by Funds

Unless such amounts are completely offset by reductions to management fees or other fees payable by ERS to a Fund, neither ERS nor any ERS investment in a Fund may be burdened with or liable for any Placement Fee or any expenses or other amounts paid, payable, reimbursed, or reimbursable to a Placement Agent (including with respect to indemnification of a Placement Agent for any reason).

No ERS investment may be made in a Fund if it is determined by ERS that:

- any contacts with any Texas Elected Official or member of the Board of Trustees or IAC,
- any Contributions to any Texas Elected Official, either directly or through Bundling, or
- any payments to or relationships with an ERS consultant assisting ERS with the investment in such Fund

have created an unacceptable risk to, or the appearance of impropriety with respect to, the integrity or reputation of ERS or its investment program or have been made in violation of these Policies and Procedures or applicable laws or regulations.

Violations

All Funds in which ERS invests shall agree in writing upon ERS' admittance to such Fund that, should any of the disclosures made by the Fund be found to be materially false or misleading or should any aspect of these Policies and Procedures be materially violated by the Fund or its Placement Agent (any such occurrence, as determined by ERS, being a "Violation"), ERS shall have the option to exercise any or all of the following remedies, which shall be cumulative rather than exclusive and which shall be in addition to any other remedies available pursuant to applicable law:

- ERS shall have the right to withdraw without penalty from the Fund;
- ERS shall have the right to cease making any further capital contributions to the Fund (including for management fees, expenses, investments, and recalls of previously distributed amounts) without penalty; and/or
- ERS shall have the right to require the Fund to repay to ERS the aggregate amount of management fees paid by ERS to the Fund for the two-year period preceding either the Violation or the discovery by ERS of the Violation, whichever is greater, along with any carried interest or incentive payable to the Fund for investments made during the two-year period.

If at any time after initial disclosures are made pursuant hereto, any consultant, Fund, or other party subject to these Policies and Procedures discovers that there has been a Violation, such party shall immediately deliver

¹ Such rules or regulations to include, but not be limited to, 17 C.F.R. 275.206(4)-5, 17 C.F.R. 275.204-2, and 17 C.F.R. 275.206(4)-3, as such may be amended from time to time.

written notice of such Violation to ERS. For purposes of this paragraph, "Violation" shall refer to a materially false or misleading disclosure or a material violation of these Policies and procedures by any consultant, Fund, Placement Agent, or other party subject to these Policies and Procedures.

Policy Interpretation

It is intended that these Policies and Procedures be construed and administered so that they comply with all applicable federal and state laws and regulations, as such may be amended from time to time. The Executive Director is authorized to approve from time to time variances from the disclosures and procedures set forth above in furtherance of such compliance or as he/she deems to be in the best interest of ERS, consistent with both ERS' fiduciary responsibilities and the purpose and scope of these Policies and Procedures.

All parties responsible for complying with and making disclosures pursuant to these Policies and Procedures should consider the spirit as well as the literal text hereof. In cases where uncertainty exists as to whether a particular disclosure should be made to ERS, these Policies and Procedures should be interpreted to require disclosure.

Definitions

"Bundling" means to coordinate Contributions from one or more persons, entities, or political action committees or to solicit any person, entity, or political action committee to make any Contribution.

"Contribution" means any payment, gift, subscription, loan, advance, or deposit of money or anything of value made for the purpose of influencing any election for any federal, state, or local office; paying a debt incurred in connection with any such election; or paying the transition or inaugural expenses of a successful candidate for office. The size of a Contribution shall not be taken into account when determining whether a disclosure of a Contribution shall be made, and the entitlement of the contributor to vote for a Texas Elected Official likewise shall not be taken into account. Any Contribution that has been returned by a Texas Elected Official shall be included in disclosure statements as well.

"Fund" means a private equity fund, a private real estate fund, private infrastructure fund, private credit fund, separate account, hedge fund, co-investment vehicle, or any other type of private investment vehicle and, with respect to the disclosures to be made pursuant hereto, also refers to any such Fund's general partner, sponsor, manager, and affiliates, and the respective officers, directors, members, principals, partners (other than unaffiliated limited partners who are investors only), employees who solicit ERS for business, and managers of each, as well as any political action committee controlled by any of the foregoing. Any time periods set forth herein applicable to any person or entity described in this definition of "Fund" shall fully apply to such person or entity, even if such person or entity was not associated with the private investment vehicle for the entire time period.

"Placement Agent" means any placement agent, finder, or other party that is not affiliated with a Fund that receives a Placement Fee or that is a party to an agreement or arrangement, written or oral, to receive a Placement Fee. The term Placement Agent also includes affiliates of the Placement Agent and the officers, directors, principals, partners, managers, members, and shareholders of both the Placement Agent and such affiliates. The term Placement Agent also includes any employees of any such entities who solicit ERS for investment in a Fund. Any party that shares in any amount of a Placement Fee or that has an agreement or arrangement, written or oral, to share in any amount of a Placement Fee is also included in the term Placement Agent. Any person or group of people who become employees of a Fund or an affiliate of a Fund for a temporary period during such Fund's fund-raising period and who would be a Placement Agent under these Policies and Procedures if not so hired are included in the term Placement Agent as well.

"Placement Fees" means placement fees, finder's fees, brokerage fees, retainer fees, success fees, commissions, incentive compensation, or any other compensation or consideration, or any obligation or liability, contingent or otherwise, for any such compensation or consideration.

"Texas Elected Official" means:

- a) any elected official of the State of Texas, including, but not limited to, the Governor, the Lieutenant Governor, the Comptroller of Public Accounts, the Attorney General, any member of the Texas Supreme Court, or any member of the Texas Legislature (or any candidate for any such office),

- b) any election committee, campaign fund or political action committee for any person described in subsection (a) that funds or is eligible to fund such person's candidacy for any political office (federal, state, or local), or any political party, to the extent any contributions thereto are earmarked for such person's candidacy for any political office (federal, state, or local),
- c) any spouse, parent, child, or sibling of any person described in subsection (a), or
- d) any person employed under any Texas state political office named in subsection (a).

INSIDER TRADING AND CONFIDENTIALITY POLICY (Addendum V to ERS Investment Policy Statement)

Applicability

All Covered Persons and other persons designated as having access to any ERS Information or any other Material, Non-Public Information (MNPI) are subject to this Insider Trading and Confidentiality Policy.

Definitions

“Covered Persons” means all members of the ERS Board of Trustees, IAC members, the Executive Director, the Deputy Executive Director, ERS investment-related staff, and any other non-investment staff who have access to ERS Information.

“ERS Information” means any MNPI regarding specific ERS investment transactions or proposals and related activity; potential ERS contracts with outside consultants, advisors, contractors, or vendors; or any other MNPI arising out of a person’s work for ERS.

“Material,” with respect to information, means any information that a reasonable investor would consider important in making a decision to buy, hold, or sell securities. For purposes of this policy, any information that could be expected to affect the price of a security, whether positively or negatively, should be considered Material.

“Non-Public,” with respect to information, means information that is not widely available to the public. In the event of a question about whether information is considered Non-Public, such question should immediately be brought to the attention of OGC and Investment Compliance. OGC, in consultation with Investment Compliance, upon review of applicable facts and laws and after consultation with outside counsel and other persons as appropriate, shall make the determination of whether the information is Non-Public for purposes of this policy.

“Restricted List” means a list of securities for which ERS may possess MNPI. The Restricted List will be maintained by staff and updated promptly when Covered Persons are in receipt of MNPI. Staff will review the list periodically and may include any other securities if ERS determines there is a risk of an appearance of impropriety or a conflict of interest. The CIO retains discretion in determining when to add issuers to and remove issuers from the list.

Insider Trading and Confidentiality Policy

Covered Persons shall treat as confidential any information that is Non-Public and whose premature disclosure could affect ERS, an actual or potential business opportunity or relationship of ERS, or a company the securities of which ERS owns or is considering buying. Covered Persons should assume that all MNPI gained as a result of association with ERS is confidential. Covered Persons shall safeguard this MNPI whether generated internally or acquired from outside sources and shall use it only for ERS-related matters.

In order to control access to this Non-Public information, business-related communications between ERS investment-related staff and other employees in different divisions of ERS should be kept to a minimum. ERS employees should generally be highly sensitive to the potential for disclosure of any MNPI when discussing ERS matters with persons outside of their own divisions.

Each Covered Person having access to any ERS Information or any other MNPI:

- 1) shall consider the information to be proprietary to ERS and confidential in nature and shall safeguard that information as such person would any other property of ERS, and
- 2) shall be aware that:
 - a) any purchase or sale
 - i) by ERS of securities as a result of such person’s actions while aware of MNPI relating to those securities, or

- ii) by such person of securities while aware of MNPI relating to those securities, and
- b) any disclosure of that information to others (“tippees”) who may then trade in those securities is prohibited by the federal securities laws as “insider trading” and punished severely by both civil (money) and criminal penalties, including at least the following:
 - i) for Covered Persons (or their tippees) who trade or cause ERS to trade on MNPI, a civil penalty of up to three times the profit gained or loss avoided, a criminal fine of up to \$1,000,000 (no matter how small the profit), and a jail term of up to ten years; and
 - ii) for ERS and its supervisory personnel, if applicable, if any such person fails to take appropriate steps to prevent insider trading, a civil penalty of up to \$1,000,000 or, if greater, three times the profit gained or loss avoided as a result of the Covered Person’s violation; and a criminal penalty of up to \$2,500,000.

A Covered Person who tips information to a tippee who then trades is subject to the same penalties as the tippee, even if the Covered Person did not trade and did not profit from the tippee’s trading.

No Covered Person having access to ERS Information or any other MNPI related to particular securities may, directly or through family members or other persons or entities:

- a) use that information in making decisions related to buying or selling securities, or engaging in other actions, on behalf of ERS,
- b) buy or sell those securities or engage in any other action to take personal advantage of that information, or
- c) pass that information on to others outside ERS, including family and friends, in each case until the information is no longer Non-Public or is no longer Material.

When a Covered Person believes that he or she has received MNPI related to a security, the Covered Person should immediately contact their supervisor, Investment Compliance, or the Director of Investment Operations to determine if the security should be placed on the Restricted List.

The use of MNPI is also restricted by Texas Penal Code § 39.06 in the following ways:

- 1) A person commits an offense if such person, in reliance on MNPI to which the person has access by virtue of the person’s state office or state employment:
 - a) acquires or aids another to acquire a pecuniary interest in any property, transaction, or enterprise that may be affected by the information;
 - b) speculates or aids another to speculate on the basis of the information; or
 - c) as a public servant, coerces another into suppressing or failing to report that information to a law enforcement agency.
- 2) A person commits an offense if, with intent to obtain a benefit or with intent to harm or defraud another, the person discloses or uses, for a nongovernmental purpose, MNPI that the person has access to by means of such person’s state office or state employment.
- 3) An offense described in Texas Penal Code § 39.06 is a felony of the third degree, provided that a public servant coercing another into suppressing or failing to report information to a law enforcement agency is a Class C misdemeanor.

Compliance and Enforcement

OGC and Investment Compliance are responsible for enforcement of this policy, including oversight of training for Covered Persons and periodic review of this policy to determine its effectiveness and the adequacy of its implementation. In the event that either OGC or Investment Compliance has any conflict or appearance thereof in enforcing or administering any aspect of this policy, the Internal Auditor shall perform any act that they are required to perform.

At the time of hiring or other association with ERS and on a yearly basis thereafter, each Covered Person shall be provided with a copy of this policy, and each such Covered Person shall sign a certification regarding receipt and review of the policy and responsibility for compliance. In addition, Investment Compliance shall conduct or arrange for training sessions to discuss compliance with this policy no less than once per year.

ERS' Internal Audit division shall also maintain the following records:

- updated and historical archival copies of this policy as amended and supplemented from time to time;
- signed acknowledgements of receipt of this policy by all Covered Persons;
- records of any violations of this policy by Covered Persons and the corrective action taken in response;
- complaint files containing complaints from employees or others having dealings with Covered Persons related to this policy and
- any other records in connection with the maintenance or enforcement of this policy as may be deemed necessary by Investment Compliance.

Investment Compliance shall be responsible for ensuring that ERS and Covered Persons are informed of the requirement to comply with this policy.

Any Covered Person or other ERS employee who has information that tends to indicate a violation of this policy shall promptly bring this information to the direct attention of OGC and Investment Compliance, who may decide to enlist the aid of outside counsel or other appropriate person to further evaluate the circumstances and decide on any further action.

If, upon investigation, OGC or Investment Compliance determines that a Covered Person has violated any provision of this policy, the full range of disciplinary options under ERS' Personnel Policy and Procedure Manual may be used against such Covered Person, up to and including termination. OGC may also refer the violation to the relevant state or federal enforcement authorities for civil or criminal prosecution.

Anyone scrutinizing a transaction for compliance with this policy and the securities laws will be undertaking such review after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, a Covered Person should carefully consider how OGC or Investment Compliance (or Internal Audit, when applicable) and state and federal enforcement authorities and others might view the transaction in hindsight.

V. ERS Rule 63.19 Standards of Conduct for Financial Advisors and Service Providers

34 Texas Administrative Code § 63.19.

In accordance with Tex. Gov't Code §2263.004, any financial advisor or service provider who receives, directly or indirectly, more than \$10,000.00 in compensation from the system during a year and provides financial services to the system, the board, or a member of the board regarding the management or investment of the system's funds shall comply with all applicable standards of conduct established by federal and state laws and regulations, relevant trade and professional associations, and the system's Investment Policy. The system may terminate any business relationship, including the termination of a contract, for failure to comply with an applicable standard of conduct as required by this section.

VI. ERS Procurement and Contracting Ethics

All ERS employees involved in procurement or contracting must act in an ethical, impartial, transparent, and professional manner in accordance with state law and the ERS Ethics Policy. Any erosion of public trust or appearance of impropriety is detrimental to the integrity of the purchasing and contracting processes.

A. Standards of Conduct

All ERS employees are required to comply with the ERS Personnel Policy and Procedure Manual (Manual). ERS expects employees involved in procurement and contracting to maintain the highest level of ethics as public servants and to follow the standards of conduct outlined in Chapter 572 of the Texas Government Code, as well as the restrictions set forth in Chapters 36 and 39 of the Texas Penal Code.

ERS employees shall perform their official duties in a lawful, professional, and ethical manner befitting the state of Texas and ERS. Additionally, ERS expects employees to avoid behavior that has the perception of a conflict of interest when performing work on behalf of ERS. When participating in a procurement or contract matter, employees must use sound judgment in making ethical decisions and should seek guidance from the ERS General Counsel, who is the agency's ethics advisor, or management if they have any doubt as to the right course of action.

As required by Government Code Chapter 572 and explained in the "Standards of Conduct" section above, an ERS employee may not:

- Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's duties or that the employee knows or should know is being offered with the intent to influence the employee's official conduct;
- Accept other employment or compensation that could reasonably be expected to impair the employee's independence of judgement in the performance of the employee's ERS duties;
- Accept other employment or engage in any business or professional activity if a reasonable person would expect that such employment or activity would induce or require the disclosure of confidential information acquired as a result of the employee's position at ERS;
- Intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the employee's official powers or performed official duties in favor of another; or
- Make personal investments that could reasonably be expected to create a substantial conflict between the employee's private interest and the public interest.

B. Confidentiality

All ERS employees and independent contractors must sign a confidentiality and no-communication certification (Nondisclosure Agreement). The Nondisclosure Agreement requires ERS employees and independent contractors to agree that they will not disclose or otherwise divulge any confidential information gathered during any solicitation process.

C. Conflicts of Interest

There are multiple situations in which ERS employees are required to disclose conflicts of interest or verify that no potential or actual conflict of interest exists in connection with the procurement or contract management process, including the following:

- Under Texas Government Code § 2262.004, before a contract for the purchase of goods or services that has a value of at least \$1 million may be awarded to a business entity, specified ERS purchasing personnel working on the contract must disclose certain relationships with stakeholders

of the business entity. Disclosure is made on the Disclosure Statement for Purchasing Personnel, also referred to as the State Auditor's Office's Nepotism Disclosure Form.

- For formal solicitations, ERS requires subject matter experts evaluating the responses ("Evaluation Team Members") to sign a form verifying that their participation in the evaluation process will not result in an actual or perceived conflict of interest and that they will participate in the process in an unbiased manner, to the best of their ability, and in line with the best interests of ERS and ERS participants ("No Conflict Form").
- For contracts described by § 2261.251(b) of the Texas Government Code, ERS employees and officials involved in ERS procurement or contract management must certify that their participation will not result in either an actual or perceived conflict of interest as required by § 2261.252. For such contracts, § 2261.252 prohibits ERS from contracting with a private vendor if certain specified agency employees or officials have a financial interest, as defined by § 2261.252, in the private vendor.

ERS also requires a potential contractor to warrant and represent, in its response to an ERS solicitation, that it does not have, nor shall it permit, any conflict of interest that would impair its ability to perform the services required under the relevant contract. In addition, ERS contracts generally contain extensive conflict-of-interest provisions, including a provision stating that the contractor warrants and represents that, to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to any actual or perceived conflict of interest.

The Office of the General Counsel or the Director of Procurement evaluates each disclosed potential conflict of interest to determine whether it is necessary to take action to address the potential conflict and if so, the best means of adequately addressing it.

VII. Texas Ethics Commission

The Texas Ethics Commission (TEC) administers the standards of conduct set forth in Chapter 572 of the Texas Government Code. TEC also issues advisory opinions regarding the laws it administers, including Chapter 572. TEC advisory opinions may address Chapter 36 (concerning bribery and corrupt influence) and Chapter 39 (concerning abuse of office) of the Penal Code as well.

State employees may request advisory opinions from TEC regarding their own specific factual situations, which may be actual or hypothetical situations. It is a defense to criminal prosecution or the imposition of a civil penalty that a person reasonably relied on a TEC advisory opinion relating to “the provision of the law the person is alleged to have violated” or “a fact situation that is substantially similar to the fact situation in which the person is involved.” TEC is required to protect the names of persons who request advisory opinions unless confidentiality is waived.

The TEC brochures “Revolving Door” and “Can I Take It?” are included with these materials. The brochures explain important restrictions that apply to state employees.

Revolving Door

A GUIDE TO THE REVOLVING DOOR PROVISIONS

THIS GUIDE IS FOR former board members, officers, and employees of certain agencies in the executive branch of state government. Chapter 572 of the Government Code contains three revolving door provisions. Each provision applies to different groups of former members, officers, and employees.

The revolving door provisions do not apply to former officers or employees of the legislative or judicial branches of state government.

Caveat: *Other law “that restricts the representation of a person before a particular state agency by a former state officer or employee of that agency” prevails over the second and third provisions in section 572.054. For example, a former employee of the Public Utility Commission is not subject to the second or third revolving door provisions because the Public Utilities Regulatory Act contains a specific revolving door provision that applies to former employees of the Public Utility Commission.*

The First Revolving Door Rule

Two-year Prohibition Applicable to Former State Officers and Employees

The first revolving door rule applies to all former state officers and employees of a state agency.

With respect to a contract for which a state agency first advertises or otherwise solicits bids, proposals, offers, or qualifications between September 1, 2015, and August 31, 2017, if a state officer or employee has participated on behalf of the agency in a procurement or contract negotiation involving any person, then he or she may not accept employment from that person for two years after the date he or she leaves the agency.

With respect to a contract for which a state agency first advertises or otherwise solicits bids, proposals, offers, or qualifications on or qualifications on or after September 1, 2017, if a state officer or employee of a state agency participated on behalf of the agency in a procurement or contract negotiation involving any person, then he or she may not accept employment from that person for two years after the date the contract is signed or the procurement is terminated or withdrawn.

The Second Revolving Door Rule

Two-year Prohibition Applicable to Former Board Members and Executive Directors

The second revolving door rule applies to all former board members and former executive heads of regulatory agencies. For two years after a board member or executive head leaves a regulatory agency, he or she *may not* appear before or communicate with officers or employees of the agency with the intent to influence the board on behalf of any person in connection with any matter on which the person seeks official action.

The law is not an absolute prohibition on communications to an agency by a former board member or former executive head of the agency. *The restriction applies only to communications and appearances intended to influence agency action.* If, for example, a current board member calls a former board member to get information about past board activities, the former board member is free to provide information -- as long as the former board member does not try to influence the actions of the current board. This restriction applies regardless of who initiated the contact and even if a former board member or executive head is communicating on their "own behalf" with the intent to influence agency action, subject to any constitutional due process right to be heard by the agency.

The Third Revolving Door Rule

Continual Prohibition Applicable to Former Board Members and Upper-level Employees

The third revolving door rule deals with work on specific “matters” and applies to all former officers and certain former employees of regulatory agencies.

Former Officers. The provision applies to a former “officer” of a regulatory agency. Board members of state agencies are officers. An individual elected or appointed as the head of an agency that does not have a board is an officer.

For example, the Agriculture Commissioner and the Insurance Commissioner are state officers.

Former Employees Paid at or Above Certain Level. The provision applies to a former employee of a regulatory agency whose ending pay was at or above the amount prescribed for salary group A17, of the state position classification salary schedule. (The 2020-2021 General Appropriations Act prescribed the minimum annual salary for that salary group (A17) as \$36,976 for fiscal years 2020 and 2021.) A former employee who received that amount or more at the time of leaving state employment is subject to the third revolving door rule, regardless of whether the former employee held a classified position or a position exempt from the classification schedule.

An officer or employee subject to the third revolving door prohibition *may never* represent a person or receive compensation for services rendered on behalf of any person regarding a "particular matter" in which he or she "participated" while serving with the agency, either through personal involvement or because the matter was within his or her official responsibility. In this context, "participated" means to have taken action as an officer or employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.

The most common question raised about the third revolving door rule is whether proposed future employment would involve work on a "particular matter" that a person participated in as a state officer or employee. A "particular matter" is defined narrowly to mean something quite specific, such as an investigation, application, contract, rulemaking, or other administrative proceeding.

This means a person subject to the third revolving door prohibition may work on matters similar to matters he or she worked on as a state employee, but not on exactly the same matters. For example, a former employee of a regulatory agency who worked on Permit Application X at the agency could not leave the agency and work on Permit Application X on behalf of the applicant. The former employee could, however, work on Permit Application Z, even if Permit Application Z involved issues similar to the issues raised in connection with Permit Application X.

**Representation of
Nonprofit Organizations or
Governmental Bodies**

All of the revolving door laws apply to activity on behalf of a "person." Under the revolving door laws, a "person" is an individual or business entity. It does not include a nonprofit organization or governmental body.

Penalties

A violation of the second or third revolving door provisions is a Class A misdemeanor.

The Texas Ethics Commission may assess a civil penalty for a violation of any of the three revolving door laws.

Texas Ethics Commission

P.O. Box 12070

Austin, Texas 78711

(512) 463-5800

TDD: (512) 735-2989

<http://www.ethics.state.tx.us>



If you have questions, please contact the Ethics Commission at (512) 463-5800.

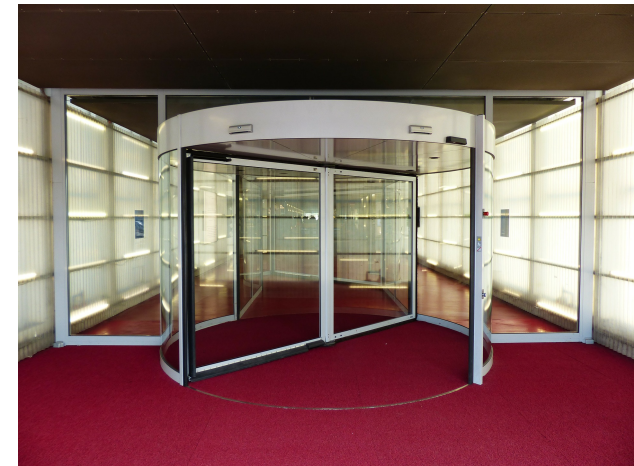
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Revised October 3, 2019

REVOLVING DOOR



LEAVING A STATE AGENCY?

*A Texas Ethics Commission Guide to the
Revolving Door Provisions in Chapter 572
of the Texas Government Code*

✓ **FEES FOR SERVICES:** You may accept a payment to which you are lawfully entitled in a capacity other than your official status. In this case you may accept the offer without restriction. Remember, you may not take an honorarium for a service that you would not have been asked to provide but for your official status.

✓ **POLITICAL CONTRIBUTIONS:** You may accept a political contribution as a candidate or officeholder.

✓ **GOVERNMENT PROPERTY:** You may accept an item issued by a governmental entity that allows the use of property or facilities owned, leased, or operated by the entity.

✓ **FOOD, ENTERTAINMENT, TRANSPORTATION, & LODGING:** Benefits in the form of food, lodging, transportation, or entertainment are permissible if accepted as a "guest" and reported in accordance with any applicable reporting requirement. To accept something as a guest, the donor must be present. As to reporting requirements, certain elected officeholders, state agency board members, and state agency heads are required to file annual personal financial statements on which they must report certain gifts worth more than \$470. For most state *employees*, there is no applicable reporting requirement. Board members and agency heads may be required to report certain gifts on their annual personal financial statement.

DONATIONS TO CHARITY

If you receive an unsolicited benefit that you are prohibited from accepting, you may donate the benefit to a recognized tax exempt charitable organization formed for educational, religious, or scientific purposes.

Texas Ethics Commission

P. O. Box 12070
Austin, Texas 78711-2070

(512) 463-5800
Fax (512) 463-5777

Visit us at <http://www.ethics.state.tx.us> on the Internet.

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Can I Take It?



A Guide for Officers and Employees in the Executive Branch of State Government.

Note: Employees of the Governor or Lieutenant Governor should refer to the "Can I Take It?" brochure specifically applicable to those offices.

Revised March 16, 2021

Can I Take It?

RULE NO. 1

YOU MAY NEVER TAKE ANYTHING AS CONSIDERATION FOR AN OFFICIAL ACT

The bribery law prohibits payments or gifts made in exchange for an official act. An official act includes a vote, a recommendation, and any other exercise of official discretion.

RULE NO. 2

YOU MAY NOT ACCEPT AN HONORARIUM FOR SERVICES YOU WOULD NOT HAVE BEEN ASKED TO PROVIDE BUT FOR YOUR OFFICIAL STATUS

This means, for example, that you may not accept a gift or payment for giving a speech if your official position was a reason for your being asked to give the speech. You may, however, accept meals, transportation, and lodging in connection with a speech as long as your speech is more than merely perfunctory. Also, you may accept a gift that is not a "benefit" such as a plaque or something of minimal value like a coffee cup, key chain, or "gimme" cap.

THE OTHER RULES: If acceptance of a gift or payment is permissible under Rule Nos. 1 and 2, the next step is to determine whether or not the person making the offer is a registered lobbyist.

A. IF THE PERSON MAKING THE OFFER IS A REGISTERED LOBBYIST:

1. You may not accept:

- ✗ Loans, cash, or negotiable instruments other than political contributions.
- ✗ Travel or lodging for a pleasure trip. (Incidental transportation such as a short ride in a car or taxi is permissible.)

2. You may accept:

- ✓ Food and beverages if the lobbyist is with you. There is no annual limit on the value of food and beverages you may accept from a lobbyist.
- ✓ Entertainment worth up to \$500 in a calendar year. (Entertainment includes, for example, sports events and concerts.) The lobbyist providing the entertainment must be present for the event.
- ✓ Gifts, other than awards and mementos, that together do not exceed \$500 in value during a calendar year.
- ✓ Awards and mementos worth not more than \$500. This is not an annual cap, but a cap on the value of each individual award or memento.
- ✓ Travel and lodging in connection with a fact-finding trip or to a seminar or conference at which you are providing services, such as speaking, and the services are more than perfunctory. Any lobbyist who is providing travel or lodging must be present at the event.
- ✓ Tickets or other expenditures for attendance at a political fundraiser or charitable event if the lobbyist is present at the event.

Note: You can find out if someone is a registered lobbyist by calling the disclosure filings section of the Texas Ethics Commission at 512-463-5800 or by going to www.ethics.state.tx.us/search/lobby.html.

PLEASE NOTE

Your name will appear on a lobbyist's activities report:

- if expenditures for your food, lodging, transportation, or entertainment in a day exceed \$132.60,* which is 60 percent of the amount of the legislative per diem;
- if expenditures for a gift, award, or memento exceed \$90; or
- each time an expenditure is made for you to attend political fundraisers or charity events, regardless of the amount spent.

* effective January 6, 2019

B. IF THE PERSON MAKING THE OFFER IS NOT A REGISTERED LOBBYIST:

A state officer or employee may not take any benefit from a person subject to the regulation, inspection, or investigation by that person or that person's agency. (A "benefit" is anything reasonably regarded as pecuniary gain or advantage.) There are, however, many exceptions to this general rule. **You may accept a gift, payment, or contribution as long as the gift, payment, or contribution fits into *any one* of the following categories.**

- ✓ ITEMS WORTH LESS THAN \$50: You may accept an item with a value of less than \$50. This exception does not apply to cash, checks, or negotiable instruments.
- ✓ INDEPENDENT RELATIONSHIP: There is an exception from the general prohibition on the acceptance of benefits for a gift based on
 - kinship
 - a personal relationship independent of your official status
 - a professional relationship independent of your official status
 - a business relationship independent of your official status.

(over)