

**MINUTES of Regular SERS Board Meeting - Wednesday, June 10, 2015**

**CALLED TO ORDER: 9:37 a.m. by Chairman Glenn E. Becker**

**ATTENDEES:**

**Members and designees**

Glenn E. Becker – Chairman  
Stephen S. Aichele  
Christopher Craig  
David R. Fillman  
Dan B. Frankel  
Robert W. Godshall  
Charles T. McIlhinney, Jr.  
Michael V. Puppio, Jr.  
T. Terrance Reese  
M. Joseph Rocks  
Charles Duncan - Designee for Senator Vincent J. Hughes  
Bernie Gallagher - Designee for Representative Dan B. Frankel  
Dan Ocko - Designee for Representative Dan B. Frankel  
Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.  
Ned Smith - Designee for Representative Robert W. Godshall

**Consultants**

Mike Elio, StepStone Group LLC  
Kathlika Fontes, StepStone Group LLC  
Anthony Johnson, RVK, Inc.  
Rob Kochis, The Townsend Group  
Michael McCabe, StepStone Group LLC  
Robert Palmeri, RVK, Inc.  
Kevin Rivchun, The Townsend Group  
Jim Rohlinger, Empower Retirement  
Jim Voytko, RVK, Inc.

**Executive Staff**

Thomas Brier  
David E. Durbin  
Anthony Faiola  
Christopher Houston

**Staff**

Rose Agnew  
Michael Beblo  
Karen Damiano-Stahler  
Dino Degennaro  
Patricia Dence

Linda Engle  
Brandon Halm  
Pamela Hile  
Maureen Hill  
Susan Hostetter  
William Hutcheson  
Meredith Jones  
Barbara Kiral  
Cheryl Krchnar  
Lauren Lenfest  
Karen Lynn  
Jeffrey McCormick  
Brian McDonough  
Mark McGrath  
Sara McSurdy  
Jeffrey Meyer  
M. Catherine Nolan  
Jay Pagni  
William Riegel  
Steven Rosenberry  
David Sedlak  
Sharon Smith  
Joseph Torta  
William Truong

**Visitors**

Amy Brown, Goldman Sachs  
Jim Kane, Unite Here  
Sandy Leopold, PA Department of Treasury

**Presenters**

Frank Paone, Lord Abbett & Co. LLC  
Warren D. Pierson, Baird Advisors  
Frank Puryear, Weaver C. Barksdale & Associates, Inc.  
Ann Roberts, Weaver C. Barksdale & Associates, Inc.  
Mary Ellen Stanek, Baird Advisors  
Kewjin Yuoh, Lord Abbett & Co. LLC

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## **Minutes of Board Meeting Held Wednesday, June 10, 2015**

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### ***BOARD MEMBERS APPOINTED TO COMMITTEES***

Chairman Becker announced the following board members have agreed to serve on committees. Senator McIlhinney was named to the Personnel Committee and Messrs. Fillman and Reese were named to the Deferred Compensation Program Committee. He thanked all of the members for volunteering to serve.

### ***CAPITAL MARKET REPORT***

Messrs. Johnson and Voytko presented the report provided to the board (6/10/2015 board handouts).

### ***SERS QUARTERLY PERFORMANCE REPORT (1ST QUARTER 2015)***

Messrs. Johnson and Voytko presented the report provided to the board (6/10/2015 Board Package, Investment Report, Tab 9).

### ***SERS GLOBAL PUBLIC EQUITY - U.S. LARGE CAP EQUITY PORTFOLIO DISCUSSION***

Messrs. Brier, Johnson and Voytko presented the report provided to the board (6/10/2015 Board Package, Investment Report, Tab 3).

### ***REAL ESTATE SEMI-ANNUAL PERFORMANCE REPORT (YEAR-END 2014)***

Messrs. Meyer, Kochis and Rivchun presented the report provided to the board (6/10/2015 Board Package, Investment Report, Tab 10).

### ***ALTERNATIVE INVESTMENTS SEMI-ANNUAL PERFORMANCE REPORT (YEAR-END 2014)***

Mses. Lenfest and Fontes and Mr. McCabe presented the report provided to the board (6/10/2015 Board Package, Investment Report, Tab 11).

### ***ALTERNATIVE INVESTMENTS - HORIZON IMPACT FUND, LP***

Ms. Lenfest noted that the subject interview was removed from the agenda (6/10/2015 board handouts).

***ALTERNATIVE INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS***

***ADV Opportunities Fund I; Clearlake Capital Partners IV;  
H.I.G. Brazil and Latin America Fund LP;  
Lightspeed India Partners, LLC; Sterling Group Partners IV***

Mses. Lenfest and Fontes and Mr. McCabe presented the report provided to the board (6/10/2015 Board Package, Investment Report, Tabs 4, 5, 6, 7 and 8) identifying ADV Opportunities Fund I; Clearlake Capital Partners IV; H.I.G. Brazil and Latin America Fund LP; Lightspeed India Partners, LLC; and Sterling Group Partners IV as potential investment opportunities for SERS.

It was the consensus of the board to interview representatives of these managers at the July 22, 2015 board meeting.

***EXECUTIVE SESSION #1***

At 11:45 a.m., the board recessed and entered executive session to receive legal advice on executive session agenda items, as attached (ATTACHMENT A). The public meeting resumed at 12:20 p.m.

***DEFERRED COMPENSATION PROGRAM INTERVIEWS***

***Baird Advisors  
Lord Abbett & Co. LLC  
Weaver C. Barksdale & Associates, Inc.***

Ms. Engle and Messrs. McGrath, Palmeri and Rohlinger presented the report provided to the board. It was noted that Great West had a name change to Empower Retirement.

***Baird Advisors***

Ms. Stanek and Mr. Pierson presented the report provided to the board (6/10/2015 Board Package, Administrative Report, Tab 12).

***Lord Abbett & Co. LLC***

Messrs. Paone and Yuoh presented the report provided to the board (6/10/2015 Board Package, Administrative Report, Tab 13).

**Weaver C. Barksdale & Associates, Inc.**

Ms. Roberts and Mr. Puryear presented the report provided to the board (6/10/2015 Board Package, Administrative Report, Tab 14).

**Motion:** 2015-24

By motion that was moved, seconded, and unanimously approved by board members, it was

RESOLVED: That the board approves the following managers Weaver C. Barksdale & Associates, Inc. and Baird Advisors, to actively manage assets transferred from the assets currently managed by the Stable Value Fund's manager, Weaver C. Barksdale & Associates, Inc. (WCB), subject to successful completion of contract negotiations. 90% of the total assets in the current WCB account will be split evenly between Weaver C. Barksdale & Associates, Inc. and Baird Advisors. The remaining assets (10%) in the current WCB account will be transferred to the current deferred compensation program's Money Market Fund, which is managed by the Pennsylvania Treasurer. All three accounts will be combined to comprise the Conservative Income Fund.

**BOARD RESOLUTION FOR RETIRING DIRECTOR OF THE BUREAU OF BENEFIT ADMINISTRATION - MS. SUSAN C. HOSTETTER**

Mr. Durbin recognized Ms. Hostetter as the retiring Director of the Bureau of Benefit Administration and thanked her for the many years of service to SERS.

**Motion:** 2015-25

At the motion of the Chairman, the board unanimously agreed to recognize Susan C. Hostetter with a board resolution, read by David Durbin, a copy of which shall be filed with the minutes of the meeting (ATTACHMENT B).

**MINUTES OF BOARD MEETING - APRIL 29, 2015**

Chairman Becker noted that the minutes of the April 29, 2015 board meeting were provided to the board (6/10/2015 Board Package, Administrative Report, Tab 2).

**Motion:** 2015-26

By motion that was moved, seconded, and unanimously approved by board members, it was

RESOLVED: That the board approves the minutes of the April 29, 2015 board meeting.

**CHANGES IN FIDUCIARY NET POSITION FOR PERIOD ENDING - MARCH 31, 2015**

Chairman Becker noted that the Statement of Changes in Fiduciary Net Position for the period ending March 31, 2015 was provided to the board (6/10/2015 Board Package, Administrative Report, Tab 3).

**Motion:** 2015-27

By motion that was moved, seconded, and unanimously approved by board members, it was

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Fiduciary Net Position for the period ending March 31, 2015.

***EXECUTIVE SESSION AND MEETING RECESS #2***

At 1:35 p.m., the board recessed and entered executive session to receive legal advice on executive session agenda items, as attached (ATTACHMENT A). The public meeting resumed at 2:00 p.m.

***SERS FINANCIAL STATEMENTS (YEAR-END 2014)***  
***DCP FINANCIAL STATEMENTS (YEAR-END 2014)***  
***SERS FINANCIAL HIGHLIGHTS 2014***

Mr. Faiola reported on the December 31, 2014 Audited Financial Statements for the State Employees' Retirement System and the Deferred Compensation Program (DCP) provided to the board (6/10/2015 Board Package, Administrative Report, Tabs 15, 16 and 17).

***CONTRACT AMENDMENT - RVK, INC.***

Mr. Faiola presented the report that was provided to the board (6/10/2015 Board Package, Administrative Report, Tab 11).

**Motion:** 2015-28

By motion that was moved, seconded, and unanimously approved by board members, it was

RESOLVED: That the board approves an amendment to the Agreement for General Investment Consultant between SERS and RVK, Inc. dated October 10, 2011, to provide additional consulting services relating to the amendment of the investment policy for the Commonwealth's Deferred Compensation Program, subject to successful completion of contract negotiations.

***AMENDMENTS OF REGULATIONS PERTAINING TO PURCHASE OF PREVIOUS STATE SERVICE AND OPTION CHANGES***

Mr. Houston presented the report that was provided to the board (6/10/2015 Board Package, Legal Report, Tab 2).

**Motion:** 2015-29

By motion that was moved, seconded, and unanimously approved by board members, it was

RESOLVED: That the board adopts the attached Resolution (ATTACHMENT C) to authorize action to effect the amendment of Title 4, Chapter 245, Section 245.4 and to add Title 4, Chapter 247, Section 247.51 of the Pennsylvania Code.

***BOARD ADJUDICATIONS***

Mr. Durbin provided the board with the following information on the results of the notational ballots regarding Board Adjudications.

***Account of Susan J. Griesemer  
Docket No. 2013-19  
Claim of Susan J. Griesemer***

The State Employees' Retirement Board DENIED Claimant's request to elect multiple service membership with SERS for previous school service. Claimant's request was made after the statutory time period.

***Account of Bruce A. Edwards  
Claims of PA State Troopers Association and Bruce A. Edwards  
Docket No. 2012-12***

***Account of Joseph E. Sarkis  
Claims of PA State Troopers Association and Joseph E. Sarkis  
Docket No. 2012-13***

***Account of Joseph R. Kovel  
Claims of PA State Troopers Association and Joseph R. Kovel  
Docket No. 2012-24***

The State Employees' Retirement Board GRANTED Claimants' request that SERS accept and include as retirement-covered compensation the additional monies paid as union officer stipends pursuant to Article 30 of the December 24, 2008 Interest Arbitration Award. As soon as administratively possible, SERS shall take all necessary steps to collect and credit the appropriate retirement contributions necessary to effectuate the Board's Order and adjust SERS' records and/or the Claimants' benefits in accordance with the holding of this adjudication.

Board members Becker and Aichele dissented and would adopt the Opinion and Recommendation of the Hearing Officer. Board member Puppio abstained.

***BOARD DISMISSALS***

Mr. Durbin presented the report regarding uncontested matters that Orders were issued dismissing the following administrative appeals, as provided to the board (6/10/2015 Board Package, Administrative Report, Tab 7).

***Account of Anna Katrin Upton  
Docket No. 2014-12  
Claim of Anna Katrin Upton***

***Account of Yuan Zhong  
Docket No. 2015-02  
Claim of Yuan Zhong***

***ADMINISTRATIVE UPDATE - CONFLICT OF INTEREST POLICY***

Mr. Durbin presented the report that was provided to the board (6/10/2015 Board Package, Administrative Report, Tab 8).

**Motion:** 2015-30

By motion that was moved, seconded, and unanimously approved by board members, it was

RESOLVED: That the board approves the State Employees' Retirement System Conflict of Interest Policy, EO-2015-03 (ATTACHMENT D).

***LEGISLATIVE UPDATE***

Mr. Durbin presented the report that was provided to the board (6/10/2015 Board Package, Administrative Report, Tab 9).

***2014 ACTUARIAL VALUATION REPORT***

Mr. Durbin presented the final 2014 Actuarial Valuation Report to the board (6/10/2015 board handouts).

***NEXT BOARD MEETING - JULY 22, 2015***

Chairman Becker noted that the next regular meeting of the SERS board is scheduled for July 22, 2015.

***MOTION TO ADJOURN***

**Motion:** 2015-31

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 2:30 p.m.

Respectfully submitted,



David E. Durbin  
Executive Director

# ATTACHMENT A

## EXECUTIVE SESSION AGENDA Meeting: June 10, 2015

### Executive Session #1

1. **Deferred Compensation Program Conservative Income Fund**
2. **Fund Update**
3. **Preliminary Fund Performance and Risk Statistics**

### Executive Session #2

4. **Notational Ballots**

**Account of Thomas R. Czarnecki**  
**Docket No. 2007-08**  
**Claim of Thomas R. Czarnecki**

**Account of Wayne Jones**  
**Docket No. 2013-15**  
**Claim of Wayne Jones**

5. **Litigation Updates**
6. **Regulations Update**

Commonwealth of Pennsylvania  
State Employees' Retirement System

ATTACHMENT B



RESOLUTION

**WHEREAS**, Susan C. Hostetter is retiring after 41 years with the Commonwealth of Pennsylvania, having dedicated all but a few months of that service to the Pennsylvania State Employees' Retirement System; and

**WHEREAS**, Sue has been entrusted with additional and increasingly significant responsibilities and authority over the years, rising up through the ranks of the agency from a Clerk 2, to manage a bureau of more than 40 staffers as Director of the Bureau of Benefits Administration, and

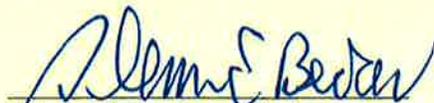
**WHEREAS**, Sue has overseen several large business-critical projects including the development and implementation of the agency's proprietary imaging and automated workflow system for member communication – the DAWPM system – which significantly enhanced member information and data security, and streamlined benefit processing times; and

**WHEREAS**, Sue is an acknowledged innovator and a respected resource of agency history and the technical underpinnings of benefit calculating and processing; now therefore be it

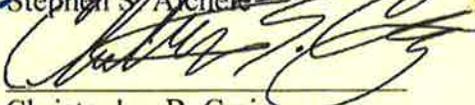
**RESOLVED**, That the Pennsylvania State Employees' Retirement System commends Susan C. Hostetter for her dedication to this agency and the more than 230,000 members we serve, and wishes her good health and happiness in retirement; and be it further

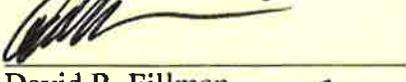
**RESOLVED**, That the original resolution be transmitted to Susan C. Hostetter and a copy included in the minutes.

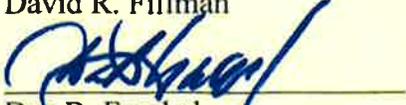
June 10, 2015  
Harrisburg, Pennsylvania

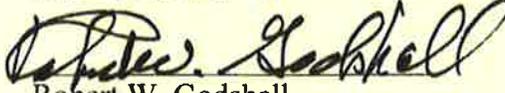
  
Glenn E. Becker, Chairman

  
Stephen S. Aichele

  
Christopher B. Craig

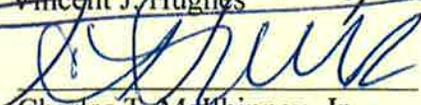
  
David R. Fillman

  
Dan B. Frankel

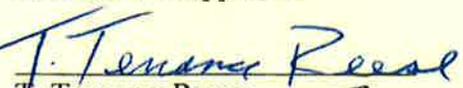
  
Robert W. Godshall

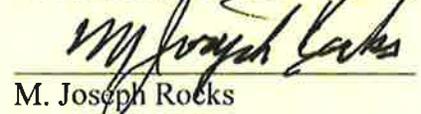


  
Vincent J. Hughes

  
Charles T. McElhinney, Jr.

  
Michael V. Puppio, Jr.

  
T. Terrance Reese

  
M. Joseph Rocks

**State Employees' Retirement System  
June 10, 2015 Meeting of the State Employees' Retirement Board**

***RESOLUTION***

**WHEREAS**, Title 4, Chapter 245, Section 245.4 of the Pennsylvania Code pertains to members of the State Employees' Retirement System who purchase service credit for previous State service; and

**WHEREAS**, the heading of Section 245.4 does not accurately describe that regulation, the text is ambiguous and silent as to the time for payment; and

**WHEREAS**, the Board desires to clarify Section 245.4 to provide that members purchasing previous State service credit must purchase all such service and may pay over a six year period; and

**WHEREAS**, Title 4, Chapter 247, Section 247.5 of the Pennsylvania Code and the State Employees' Retirement Code permit members to reelect benefit options under certain circumstance but neither provides a time limitation for reelecting; and

**WHEREAS**, the Board desires to add Section 247.51 to state that a reelection right is valid for seven years or until the occurrence of another reelection triggering event, whichever occurs first; and

**WHEREFORE**, it is hereby RESOLVED, that the State Employees' Retirement Board hereby authorizes the Executive Director to take all action deemed necessary or desirable to effect the amendment of Title 4, Chapter 245, Section 245.4 and to add Title 4, Chapter 247, Section 247.51 of the Pennsylvania Code.

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- I. Policy Name:** State Employees' Retirement System Conflict of Interest Policy
- II. Policy Number:** EO-2015-03
- III. Effective Date:** June 10, 2015
- IV. Applies To:** All SERS Employees
- V. Sponsoring Office:** Executive Office/Legal Office
- VI. Contact Person:** Christopher C. Houston  
Acting Chief Counsel  
237-0230  
[chouston@pa.gov](mailto:chouston@pa.gov)

**VII. Purpose:**

In order to assure members of the State Employees' Retirement System ("SERS") that the Secretary/Executive Director, Chief Investment Officer, and SERS employees are conducting themselves in a manner consistent with high ethical standards, the Secretary/Executive Director, Chief Investment Officer, and SERS employees shall not engage in conduct that is described as a conflict under either 65 Pa. C.S.A. §1102 or 4 Pa. Code §7.151 (copies of the statutory provisions referenced herein are set forth in Appendix A hereto). This policy establishes a protocol for when the Secretary/Executive Director, Chief Investment Officer, and SERS employees have determined that he/she must recuse themselves from certain matters to which he/she might have a conflict of interest. An individual designated under this policy would be required to perform all of the official duties and responsibilities of the recused official/employee with respect to the matter that is the source of the conflict. Those duties and responsibilities must be carried out without sharing any information with the conflicted person and without his/her involvement.

**VIII. Policy and Guidelines:**

In the event of a conflict of interest, the conflicted person must not be personally involved in any aspect of the matter, including, but not limited to, as applicable, negotiation processes, decision-making processes, and monitoring/auditing processes (See Appendix B hereto for examples of conflicts of interests).

In those cases in which a conflict of interest arises in matters involving multiple persons and/or entities competing for the same limited benefit (e.g., contracts), the conflicted person must recuse himself from taking any action with respect to the matter, as soon as the conflict becomes known to the conflicted person and thereafter must not be personally involved in any aspect of the negotiation process or decision-making processes respecting any of the persons or entities who are competing for the same benefit.

In the event of a conflict of interest, the conflicted person must have no access to confidential and non-public information concerning the entities' or persons' participation in SERS' processes.

The individual to whom responsibility has been designated to perform the powers and duties of the conflicted person in a matter will have full authority to act in place of the conflicted person and to perform in his/her place all official duties and responsibilities that are affected by the conflict of interest. The designee shall carry out those powers and duties without sharing any information with the conflicted person and without the conflicted person's involvement.

In the event that a conflict of interest should arise with respect to the Secretary/Executive Director, the person in the position identified as next in authority in Section A. shall assume the official duties and responsibilities of the Secretary/Executive Director for the matter that is the source of the conflict.

In the event that a conflict of interest should arise with respect to the Chief Investment Officer, the person in the position identified as next in authority in Section B. shall assume the official duties and responsibilities of the Chief Investment Officer for the matter that is the source of the conflict.

**A. Order of Designation – Secretary/Executive Director**

When the Secretary/Executive Director is unable to perform certain official duties and responsibilities due to a conflict of interest, the following order of designation shall apply (hereinafter referred to as “Secretary’s Designee”):

Chief Financial Officer

Executive Policy Manager

Director, Office of Member Services

**B. Order of Designation – Chief Investment Officer**

When the Chief Investment Officer is unable to perform certain official duties and responsibilities due to a conflict of interest, the following order of designation shall apply (hereafter referred to as “CIO’s Designee”):

Deputy Chief Investment Officer

Managing Director

Director

## **C. Notification Procedures for Conflict of Interest Situations**

### **1. Conflicts of the Secretary/Executive Director**

a. The Secretary/Executive Director will provide written notice of a conflict of interest to the SERS Board Chairman (“Chairman”), the Chief Counsel, and the Secretary’s Designee that is identified pursuant to this policy.

b. The Secretary/Executive Director will consult the Chief Counsel respecting the type of specific notification that must be made of the conflict based on the nature of the conflict.

c. The Secretary’s Designee will notify all principal subordinates that the Secretary/Executive Director has a conflict of interest respecting a particular matter or matters and that all inquiries, comments and actions relating to the conflicted matter or matters will be handled by the Secretary’s Designee as the final authority within SERS.

d. The Secretary’s Designee performing duties under this conflict of interest policy will not report to the Secretary/Executive Director on matters related to the conflict(s), but instead will report directly on such matters to the Chairman.

### **2. Conflicts of the Chief Investment Officer**

a. The Chief Investment Officer (CIO) will provide written notice of a conflict of interest to the Secretary/Executive Director, the Chief Counsel and the CIO’s Designee that is identified pursuant to this policy.

b. The CIO will consult with the Chief Counsel respecting the type of specific notification that must be made of the conflict based on the nature of the conflict.

c. The CIO’s Designee will notify all principal subordinates that the CIO has a conflict of interest respecting a particular matter or matters and that all inquiries, comments and actions relating to the conflicted matter or matters will be handled by the CIO’s Designee, as the final authority within SERS.

d. The CIO’s Designee performing duties under this conflict of interest policy will not report to the CIO on matters related to the conflict(s), but instead will report directly on such matters to the Secretary/Executive Director.

### **3. *Other Conflict of Interest Delegations***

a. In other cases where an employee identifies a conflict of interest or potential conflict of interest, the employee must ***immediately*** notify the employee's superior who will advise the division head for the program area and the Secretary/Executive Director.

b. The Secretary/Executive Director will consult with the Chief Counsel to assure that all necessary and appropriate measures are taken to assess the validity of the conflict of interest concerns and, if validated, to assure the necessary and appropriate action is taken to remedy or avoid the conflict of interest or potential for conflict of interest.

c. The Secretary/Executive Director will identify a substitute to perform the conflicted employee's functions.

d. The Secretary/Executive Director will make the appropriate notifications when an actual or potential conflict of interest is identified for employees. This will include informing principal subordinates or program staff that all inquiries and comments involving the conflicted matter or matters should be directed to the substitute without sharing information with the conflicted person and without his/her involvement.

## **IX. Related Information:**

### **A) Consequences:**

- Failure to follow this policy may lead to disciplinary action up to and including termination.

### **B) Related Policies:**

- N/A

## **X. Document Properties:**

- 1) **Document Owner:** Legal Office
- 2) **Document Author:** Christopher C. Houston
- 3) **Summary of Changes:** Effective June 10, 2015

## **APPENDIX A**

### 65 Pa. C.S.A. § 1102. Definitions

“Conflict” or “conflict of interest.” Use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated. The term does not include an action having a de minimis economic impact or which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the public official or public employee, a member of his immediate family or a business with which he or a member of his immediate family is associated.

### 4 PA. Code § 7.151. Adverse pecuniary interest.

An employee, appointee or official in the Executive Branch of the Commonwealth may not do the following:

- (1) Engage directly or indirectly in business transactions or private arrangement for profit which accrues from or is based upon his official position or authority.
- (2) Participate in the negotiation of or decision to award contracts, the settlement of claims or charges in contracts, the making of loans, the granting of subsidies, the fixing of rates, or the issuance of permits, certificates, guarantees or other things of value to, with or for an entity in which he has a financial or personal interest.
- (3) Hold any pecuniary interest in, or own shares or securities issued by, an entity regulated by 4 Pa.C.S. Part II (relating to the Pennsylvania Race Horse Development and Gaming Act) (herein, a “regulated gaming entity”). This provision does not apply to interests held:
  - (i) In mutual funds when the value of the interest owned does not exceed one percent of the total fair market value of the regulated gaming entity.
  - (ii) Through defined benefit pension plans.
  - (iii) Through a deferred compensation plan organized and operated under section 457 of the Internal Revenue Code of 1986 (26 U.S.C.A. § 457).

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- (iv) In blind trusts over which the holder may not exercise any managerial control or receive income during the time period the holder is subject to these provisions.
  - (v) Through a tuition account plan organized and operated under section 529 of the Internal Revenue Code (26 U.S.C.A. § 529).
  - (vi) Through a plan described in section 401(k) of the Internal Revenue Code (26 U.S.C.A. § 401(k)).
  - (vii) In an employer profit-sharing plan qualified under the Internal Revenue Code.
  - (viii) In a regulated gaming entity prior to July 6, 2004, by individuals other than the following:
    - (A) Employees of the Pennsylvania State Police or the Department of Revenue whose duties include any aspect of the gaming industry.
    - (B) Members of the State Horse Racing Commission or the State Harness Racing Commission and their respective staff.
    - (C) Public officials appointed by the Governor and Commonwealth employees under the Governor's jurisdiction.
    - (D) Members of the board of the Public School Employees Retirement System and its employees.
    - (E) Members of the board of the State Employees Retirement System and its employees.
    - (F) Members of the board of the Independent Regulatory Review Commission and its employees.

## **APPENDIX B**

Possible conflicts of interest include situations where the Secretary/Executive Director, Chief Investment Officer, or SERS employee:

- a. has a personal bias or prejudice concerning a party that would affect his or her judgment in the matter;
- b. knows that he or she, or any member of his or her immediate family or a business with which he or she or a member of his or her immediate family is associated, has a financial interest (e.g. possesses a direct or indirect financial, property, leasehold, ownership or other beneficial interest) in the subject matter at issue or is a party involved in the matter or an affiliate of such party (an affiliate of a party being a person or entity controlling, controlled by or under common control with such party);
- c. knows that he or she, or any member of his or her immediate family, has more than a de minimis interest that could be substantially affected by the subject matter; or
- d. knows that any member of his or her immediate family receives any meals, lodging, tickets, use of sports facilities, transportation or other things of value from a party involved in the matter or an affiliate of such party or any officer, director, partner, member, trustee or employee of such party or affiliate.