

**COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM**

SERS# 11-020.6

**AMENDED & RESTATED AGREEMENT
FOR GENERAL INVESTMENT CONSULTANT**

This Amended & Restated Agreement for General Investment Consultant, by and between the **COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM ("SERS")** and **R.V. KUHNS & ASSOCIATES, INC.** (now known as **RVK, INC.**), a company formed and existing under the laws of the State of Oregon, with its principal office and place of business at 1211 SW 5th Avenue, Suite 900, Portland, OR 97204-1911 ("**CONSULTANT**"), is effective as of this 18th day of August, 2016.

SERS and CONSULTANT previously entered into an Agreement for General Investment Consultant, SERS #11-020, dated October 10, 2011, and subsequently amended the Agreement for General Investment Consultant on multiple occasions between December 1, 2012, and July 22, 2015 (as amended to date, the "Original Agreement").

SERS and CONSULTANT wish to extend the term of the Original Agreement for 24 months under existing terms and conditions, services, and fee structures, and in connection therewith (as well as to make certain other revisions of a non-substantive nature), wish to further amend the Original Agreement.

SERS and CONSULTANT now desire to amend and restate the Original Agreement as hereinafter provided (as so amended and restated and as amended from time to time hereafter, this "Agreement") and, in consideration of the premises and the agreements herein contained and intending to be legally bound hereby, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Original Agreement is hereby amended and restated in its entirety to read as follows:

WITNESSETH:

WHEREAS, pursuant to Title 71, Sections 5101, *et seq.* of the Pennsylvania Consolidated Statutes (the "Retirement Code"), and specifically Section 5931(a) thereof, SERS' Board has exclusive control and management of the Pennsylvania State Employees' Retirement Fund (herein the "Fund"), with full power to invest the same, subject to terms and conditions imposed by law; and

WHEREAS, pursuant to Section 5902(b) of the Retirement Code, SERS' Board has authority to contract for such professional services as it deems advisable in order to fulfill its duties; and

WHEREAS, CONSULTANT possesses and will employ, in a fiduciary capacity, professional knowledge, experience, and expertise in public pension plan investment consulting, and investment matters generally, to preserve and enhance the financial integrity of the Fund;

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be bound hereby, the parties hereto agree as follows:

1. Engagement. SERS hereby engages CONSULTANT and CONSULTANT hereby accepts SERS' engagement to serve as the general investment consultant for and on behalf of SERS with respect to Fund investment objectives and policies, asset allocation, evaluation and selection of investment managers, monitoring and evaluating portfolio investment performance, and other related advice and consultation, as well as the SERS administered deferred compensation program (the "DCP") investment objectives and policies, asset allocation, evaluation and selection of investment managers, monitoring and evaluating portfolio investment performance, and other related advice and consultation, all consistent with the terms of this Agreement and such other policies and directives as may be communicated in writing to CONSULTANT from time to time. CONSULTANT shall at no time have (a) custody, possession or control of any of SERS' investment assets or any cash, securities or other assets of SERS, the DCP and/or the Fund, or (b) any ownership, intellectual property or other rights to the reports, projects, studies, or other documents and information, (including underlying data relating thereto), relating to SERS, the DCP and/or the Fund.

2. Consulting Team. CONSULTANT shall assign and provide a full and dedicated consulting team to perform the services for SERS as contemplated under this Agreement. The consulting team shall consist of the key persons identified in Section 11 of this Agreement and any other seasoned personnel reasonably necessary to and capable of compiling due diligence, producing the documentation required herein and producing timely responses to ad hoc needs.

3. SERS Policies and Guidelines. CONSULTANT shall abide by the Retirement Code, SERS' Statement of Investment Policy, and SERS' statements of investment objectives and guidelines for the various investment asset classes (such policy, objectives, and guidelines hereinafter collectively referred

to as the "Policies and Guidelines"). The most recent Policies and Guidelines are attached hereto as Exhibit A, and are incorporated herein by reference. SERS may retitle, amend, supplement, or otherwise update the Policies and Guidelines from time to time in its sole discretion, and advance written notice thereof shall be furnished to CONSULTANT.

4. CONSULTANT's Services. CONSULTANT shall provide investment consulting and performance measurement services as outlined and as set forth in Exhibit B attached hereto, as modified and amended from time to time, in connection with the Fund and all asset classes thereof. CONSULTANT shall also provide investment consulting and performance measurement services as outlined and as set forth in Exhibit B-1, as modified and amended from time to time, in connection with the DCP and all investment options thereof.

5. Standard of Performance. CONSULTANT shall discharge its duties hereunder solely in the interest of SERS, the DCP and/or the Fund with the care, skill, judgment and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such investment matters would use in the conduct of an enterprise of a like character and with like aims.

6. Compensation.



7. CONSULTANT's Insurance. CONSULTANT represents and warrants that the insurance coverage submitted to SERS prior to execution of this Agreement is in full force and effect and is unmodified and that such representation and warranty will survive execution of this Agreement. CONSULTANT shall maintain such insurance coverage, at a minimum, in effect throughout the term of this Agreement. CONSULTANT shall submit evidence of continued coverage as mutually agreed upon by SERS and CONSULTANT.

CONSULTANT shall be expected to comply with such procedures and requirements relating to insurance and bond coverage for the protection of SERS, the DCP, and the Fund as SERS may convey to CONSULTANT in writing. SERS may require changes to insurance coverage and bonding as it deems appropriate for the protection of SERS, the DCP, and the Fund by giving written notice of such changes to CONSULTANT at least thirty (30) days in advance of the effective date of such changes.

CONSULTANT has the option of acquiring such insurance as SERS requires or terminating the contract pursuant to Section 20(b)(2) of this Agreement.

8. Representations of CONSULTANT.

(a) *General Representations.* CONSULTANT represents, warrants, confirms and agrees that:

(i) it is a "fiduciary" with respect to SERS, the DCP and/or the Fund as that term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and is not subject to any of the disqualifications described in Section 411 of ERISA, irrespective of the scope of ERISA application to SERS and the Fund;

(ii) it is duly registered and in good standing as an investment adviser under the Investment Advisers Act of 1940, as amended. CONSULTANT shall maintain such registration in good standing at all times during the term hereof, and shall timely furnish to SERS throughout the term hereof a complete and legible copy of Part 2A and 2B of CONSULTANT's current Form ADV filed with the Securities and Exchange Commission pursuant to Section 203(c) of the Investment Advisers Act of 1940, as amended;

(iii) it has substantial experience and expertise in performance of the services contemplated by this Agreement; and

(iv) CONSULTANT's conduct and actions for and on behalf of SERS hereunder shall be in compliance at all times with federal and state securities laws and regulations and all other applicable laws and regulations, including but not limited to those relating to the licensing of its personnel. CONSULTANT shall comply with the United States Securities and Exchange Commission ("SEC") Rule 206(4)-5 (the "Rule") including, but not limited to, recordkeeping of Contributions as required by the Rule. CONSULTANT shall annually provide SERS' Chief Counsel with a report of all (without accounting for any exceptions or exemptions under the Rule) Contributions made by the CONSULTANT or any Covered Associate of CONSULTANT to any SERS board member or to any Official of a Government Entity of the Commonwealth of Pennsylvania (as such capitalized terms are defined in the Rule).

(b) *Evidence of Authority.* CONSULTANT shall furnish SERS as requested, but in any event no less than annually, with certified resolutions or other appropriate documentation evidencing the authority of its partners, officers, Affiliates and employees to act on behalf of CONSULTANT.

(c) *Reaffirmation.* CONSULTANT hereby reaffirms the reliability and accuracy of the representations made to SERS in the solicitation of this Agreement.

(d) *No Finder's, Solicitor's or Similar Fee.* Neither CONSULTANT nor any Affiliate, nor any of their respective partners, directors, officers, or employees have employed or retained any company or person, other than a bona fide employee working solely for CONSULTANT, to solicit or secure this Agreement, and none of the aforementioned parties have paid or agreed to pay, and shall not pay, any company or person, other than a bona fide employee working solely for CONSULTANT, any fee, commission, percentage, brokerage fee, gift, or any other compensation contingent upon or resulting from the award or making of this Agreement, except where: (i) CONSULTANT has disclosed, in writing to SERS, that it has engaged such a company or person other than a bona fide employee to secure this Agreement, and (ii) the cost of such engagement is not charged to SERS under the terms of compensation under this Agreement or any subsequent agreement. For breach or violation of this representation, SERS shall have the right to void this Agreement without liability, entitling SERS to recover all monies paid hereunder, and CONSULTANT shall not make claim for, or be entitled to recover, any sum or sums due under this Agreement or for any services which it may have provided under this Agreement. This remedy, if effected, shall not constitute the sole remedy afforded to SERS for such breach or violation, nor shall it constitute a waiver of SERS' rights to claim damages or to take any other action provided for by law or pursuant to this Agreement.

(e) *CONSULTANT's Website.* CONSULTANT agrees that any provisions pertaining or related to indemnification, governing law or jurisdiction, confidentiality or a payment of money (whether as a fine, liquidated damage, levy, access fee or other similar imposition) contained in any current or future website or similar electronic forum/data transfer maintained or made available by or on behalf of CONSULTANT shall not apply to or have any force or effect on SERS and that this Agreement shall instead control the rights, obligations and duties of the parties hereto.

(f) *Reliance.* CONSULTANT acknowledges that SERS has relied and will continue to rely upon CONSULTANT's representations, warranties, confirmations and agreements.

(g) *W-9*. CONSULTANT shall promptly provide SERS with a current W-9 tax form. CONSULTANT is responsible for updating this form with SERS as it becomes necessary to do so.

(h) *Form ADV*. SERS hereby acknowledges receipt of Parts 1, 2A and 2B of CONSULTANT's Form ADV, including a written disclosure statement not less than 48 hours prior to the execution of this Agreement by the parties.

(i) *Notice of Change*. CONSULTANT shall promptly notify SERS in the event any of the foregoing acknowledgments, representations, warranties or agreements herein shall no longer be true.

9. CONSULTANT as Independent Contractor. CONSULTANT shall perform its services hereunder as an independent contractor and shall provide worker's compensation insurance where the same is required. CONSULTANT accepts full responsibility for the payment of, and shall pay when due, taxes of any nature or jurisdiction upon CONSULTANT's property and income, premiums for worker's compensation insurance, Social Security taxes, all income tax deductions and any other taxes or payroll deductions required by law for its employees, servants or agents who perform services specified by this Agreement.

10. Changes in CONSULTANT's Status. In the event of any actual or proposed change in CONSULTANT's status, including, without limitation: (a) change in key persons or their respective roles, as defined in Section 11, who directly consult with SERS and SERS staff; (b) material modification of business structure; (c) material change in SEC or other government or private registration, accreditation or licensing; (d) alleged violations of the Investment Advisers Act of 1940; (e) material deterioration in financial condition including but not limited to the filing of a petition in bankruptcy; (f) CONSULTANT's awareness that its representations and warranties herein cease to be true; (g) change in CONSULTANT's ability to provide the services and perform its obligations under this Agreement; and (h) litigation alleging CONSULTANT's negligence, breach of fiduciary duty, or fraud, CONSULTANT shall immediately notify SERS in writing.

11. Key Person. It is specifically understood and agreed that SERS engages CONSULTANT in reliance upon Jim M. Voytko, president and COO, performing CONSULTANT services for SERS as contemplated under this Agreement. Jim M. Voytko shall serve as one of the primary consultants to SERS and, in general, shall serve as one of the principal contacts for responding to SERS' questions and maintaining an effective relationship between CONSULTANT and SERS. Anthony K. Johnson, Senior Consultant, will serve as secondary consultant contact, and shall function in a similar capacity as Jim M.

Voytko. Substitution of or replacement for the above persons may occur only with the prior written consent of SERS. It is specifically understood and agreed that SERS engages CONSULTANT in reliance upon Rob S. Palmeri, Principal, performing CONSULTANT services for the DCP as contemplated under this Agreement. Rob S. Palmeri shall serve as one of the primary consultants to the DCP and, in general, shall serve as one of the principal contacts for responding to SERS' questions and maintaining an effective relationship between CONSULTANT and SERS. Mikaylee C. O'Conner, Consultant, will serve as secondary consultant contact, and shall function in a similar capacity as Rob S. Palmeri. Substitution of or replacement for the above persons may occur only with the prior written consent of SERS.

12. Indemnification of SERS. CONSULTANT shall indemnify and forever hold harmless the Commonwealth of Pennsylvania, the Fund, the DCP, SERS and SERS' Board members, officers, agents and employees, from and against any and all losses, claims (including claims arising from injury or death of CONSULTANT's employees brought by such employees, their legal representatives or anyone otherwise entitled to receive damages by reason thereof, which indemnification would, in the absence of this provision, be prohibited by applicable worker's compensation statutes), demands, actions, or liability of any nature, including attorneys' fees, expenses and court costs, based upon, arising out of or in connection with the negligent, reckless, willfully improper or illegal performance of services or failure to perform services under this Agreement, actions outside the scope of authority, any imprudent act or omission, any other breach of this Agreement, or any violation of applicable law (including but not limited to the Investment Adviser Act of 1940 or the Employee Retirement Income Security Act of 1974) by CONSULTANT, its members, directors, officers, agents and employees. At SERS' option, and in its sole discretion, CONSULTANT shall defend at its expense actions brought against the Commonwealth of Pennsylvania, the Fund, the DCP, SERS and SERS' Board members, officers, agents and employees, arising out of or in connection with the negligent, reckless, willfully improper or illegal performance of services or failure to perform services under this Agreement, actions outside the scope of authority, any imprudent act or omission, any other breach of this Agreement, or any violation of applicable law (including but not limited to the Investment Adviser Act of 1940 or the Employee Retirement Income Security Act of 1974) by CONSULTANT, its members, directors, officers, agents and employees, and the costs of such defense shall be borne by CONSULTANT and shall not constitute an expense of, and shall not be paid out of, Fund or DCP assets.

SERS acknowledges that CONSULTANT does not guarantee any rate of return on, or market value of, any investment of the Fund or the DCP pursuant to this Agreement.

13. Confidentiality of Reports. All reports, projects, studies, and other documents and information (including underlying data relating thereto) relating to SERS, the DCP and/or the Fund which CONSULTANT may prepare and deliver hereunder, shall be confidential and shall become the property of SERS and shall not be published, circulated, or used in any manner by CONSULTANT without SERS' prior written approval, except as required by law. All written information relating to SERS that SERS provides to CONSULTANT or that is learned by CONSULTANT in connection with providing services to SERS, shall be confidential and shall not be disclosed, published, circulated, or used in any manner by CONSULTANT without SERS' prior written approval, except as required by law. CONSULTANT shall require its members, directors, officers, agents and employees to comply with the provisions of this Section 13 to the same extent as CONSULTANT. Notwithstanding the foregoing, CONSULTANT may use SERS' name and logo in materials presented to clients and potential clients as part of a list of CONSULTANT's clients and may list an employee of SERS as a reference for CONSULTANT's services. To the extent permitted under Pennsylvania's Right to Know Law, 65 P.S. §§ 66.1-66.9 and the exceptions provided by law, all information regarding CONSULTANT's analyses, opinions and conclusions with respect to SERS, including without limitation all qualitative and quantitative assessments of the individual or collective performance of investment funds or their portfolio companies, shall be treated as confidential by SERS and shall not be disclosed to any person or entity other than SERS' officers, employees and agents, except for information that (i) is publicly available other than as a result of disclosure by SERS' officers, employees or agents, (ii) becomes known to SERS from a source that, to SERS' knowledge, is not bound by a duty of confidentiality to CONSULTANT, or (iii) SERS is legally required to disclose.

14. Conflict of Interest.

(a) *Definitions.* (i) "Conflict of Interest" means any set of facts or circumstances that create an actual conflict with CONSULTANT's duty (consistent with fiduciary standards of care) to provide investment advice that is aligned solely with the best interests of SERS, its members, the DCP participants, and their beneficiaries. A Conflict of Interest exists when CONSULTANT knows or has reason to know that it (including its employees, officers, or directors, or any relatives thereof, or any person or entity with a significant personal or business relationship to CONSULTANT) has a financial or other interest that is likely to bias, compromise, or otherwise impair, the impartiality, fairness, independence or objectivity of the CONSULTANT's evaluation of or advice with respect to a transaction or assignment on behalf of SERS; and (ii) "Disclosable Interest" means any interest or circumstance that may give rise to an actual, potential or perceived Conflict of Interest.

(b) *Representations.* CONSULTANT represents and warrants that (i) it has no interest and shall not acquire any interest, direct or indirect, that would constitute a Conflict of Interest or Disclosable Interest, (ii) in the performance of this Agreement, it shall exercise due care in hiring and shall not knowingly employ any person having any such conflicting interest, and (iii) after due investigation it has no knowledge of any Conflict of Interest or Disclosable Interest on the part of any Affiliate or any of its Affiliates' partners, employees, officers, or directors.

(c) *General Duty.* CONSULTANT shall establish appropriate safeguards to discourage and prohibit its Affiliates, as well as CONSULTANT's and its Affiliates' respective partners, directors, officers, employees and agents, from utilizing their positions for a purpose that constitutes a Conflict of Interest or a Disclosable Interest. CONSULTANT shall operate with complete independence and objectivity without any Conflicts of Interest or Disclosable Interests with respect to the services provided under this Agreement.

(d) *Warranty.* Except as otherwise disclosed and approved by SERS prior to the effective date of this Agreement, CONSULTANT warrants that as of the effective date of this Agreement and to the best of its knowledge and belief, there are no Conflicts of Interest or Disclosable Interests.

(e) *Duty to Disclose.* (i) CONSULTANT agrees that if during the term of this Agreement, it becomes aware or is made aware of a Conflict of Interest or a Disclosable Interest, CONSULTANT shall immediately and fully disclose such Conflict of Interest or Disclosable Interest in writing to SERS pursuant to the notice provisions of Section 19 of this Agreement. The disclosure shall include a description of the action(s) taken or proposed to be taken by CONSULTANT to avoid or mitigate the effect of such Conflict of Interest or Disclosable Interest. SERS reserves the right to make a final determination regarding the appropriateness of such action(s) and the existence of a Conflict of Interest, and CONSULTANT agrees to abide by such determinations; and (ii) CONSULTANT agrees that within sixty (60) days after the end of each annual period during the term of this Agreement it shall submit to SERS a written report in which CONSULTANT certifies without qualification that after due investigation it has determined that, except for disclosures made pursuant to clause (i) herein, (1) it has no interest, direct or indirect, that would constitute a Conflict of Interest or Disclosable Interest, (2) it has exercised due care in hiring and has not knowingly employed any person having any such conflicting interest, and (3) after due investigation it has no knowledge of any Conflict of Interest or Disclosable Interest on the part of any Affiliate or any of its or its Affiliates' partners, employees, officers, or directors. The written report shall also include a brief description of all disclosures made

by CONSULTANT to SERS during such annual period pursuant to clause (i) herein. CONSULTANT's failure to timely submit such report to SERS or any false statement in such report shall be considered a material breach of this Agreement and shall be subject to the provisions in clause (f) of this Section 14.

(f) *Remedies.* In the event that SERS determines that CONSULTANT was aware or should have been aware of a Conflict of Interest or a Disclosable Interest prior to, as of, or following the entering into of this Agreement and failed to properly disclose such Conflict of Interest or Disclosable Interest to SERS at the appropriate time, such nondisclosure shall be considered a material breach of this Agreement. In the event of CONSULTANT's breach of this Section 14, SERS shall have the right to void this Agreement without liability, entitling SERS to recover all monies paid hereunder following the occurrence of such Conflict of Interest or Disclosable Interest (the date of such occurrence to be determined in SERS' sole discretion) and CONSULTANT shall not make claim for, or be entitled to recover, any sum or sums due under this Agreement or for any services which it may have provided since such occurrence. This remedy, if effected, shall not constitute the sole remedy afforded to SERS for such breach, nor shall it constitute a waiver of SERS' rights to claim damages or to take any other action provided for by law and/or pursuant to this Agreement.

15. Assignment or Other Transfer. CONSULTANT may not delegate any of its obligations hereunder, nor assign or otherwise transfer, in whole or in part, this Agreement, including any interest herein or any claim arising hereunder (whether voluntary or by operation of law, and whether by sale, merger, division, consolidation, encumbrance or sale of stock, or otherwise) to any subsidiary or affiliate of CONSULTANT, or any partnership, trust or other entity controlling, controlled by, or under common control with CONSULTANT, or to any other party or parties, without the prior written consent of SERS, which consent SERS may grant or withhold in its sole discretion. Any assignment or attempted assignment in contravention of this Section 15 shall be null and void *ab initio*.

16. Subcontracts. No agreement shall be made by CONSULTANT with any other person, firm or company for the furnishing or production of any of CONSULTANT's services described herein without the prior written consent of SERS.

17. Commonwealth Contract Provisions. In performing services hereunder, CONSULTANT shall comply with the Commonwealth contract provisions attached hereto and incorporated herein as Exhibit D, and the Contractor will not be deemed to have any "suppliers" or "subcontractors" as referenced therein.

18. Maintenance, Preservation and Review of Records. CONSULTANT shall maintain such records, books and accounts pertaining to services and payments hereunder in accordance with generally accepted accounting principles consistently applied. All such records, books and accounts shall be maintained and preserved during the term of this Agreement and any extension thereof and for four (4) years thereafter. During such period, SERS or any other department or representative of the Commonwealth of Pennsylvania, from time to time upon reasonable notice, shall have the right to inspect, duplicate and audit such records, books and accounts for all purposes authorized and permitted by law. CONSULTANT may preserve such records, books and accounts in original form or on microfilm, magnetic tape, CD-ROM or any other generally recognized and accepted process.

19. Notices. Any notice, demand, direction, instruction and other communications required or permitted hereunder shall be confirmed in writing and shall be sufficiently given for all purposes when sent (a) by certified or registered U. S. mail, postage prepaid, (b) by a nationally recognized courier service that maintains written verification of actual delivery, (c) by facsimile or e-mail (in the case of notices to SERS, to such e-mail addresses as authorized by SERS staff), with a copy thereof sent by first class U.S. mail, postage prepaid (provided that if the date of dispatch is not a working day or, in the case of notices to SERS, such dispatch is received by SERS after its standard hours of operation, the facsimile or e-mail, as the case may be, shall be deemed to have been received at the opening of business of the addressee on the next working day) or, (d) by delivering the same in person to any party at the following addresses or such other addresses as may be designated from time to time by the parties:

SERS: Executive Director
COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Facsimile: (717) 783-7300

Copies to: Chief Investment Officer
Facsimile: (717) 772-3741
and
Chief Counsel
Facsimile: (717) 787-5751
(Addresses same as for Executive Director above)

CONSULTANT: James Voytko, President, COO
RVK, Inc.
1211 SW 5th Avenue, Suite 900
Portland, OR 97204-1911
(P) (503) 802-6144
(E) James.Voytko@rvkuhns.com

CONSULTANT may make reports and other communications available in electronic form, such as e-mail or by posting on a web site (with notification of the posting by e-mail) and SERS hereby consents to receive deliveries of reports and other communications from CONSULTANT (including annual and other updates of CONSULTANT's consumer privacy policies and procedures) exclusively in electronic form without separate mailing of paper copies, in each case in accordance with the provisions of this Section.

20. Expiration and Termination.

(a) *Expiration.* This Agreement shall expire on October 9, 2018, unless terminated earlier as provided herein.

(b) *Termination.* (1) CONSULTANT may terminate this Agreement by furnishing written notice to SERS not less than three hundred and sixty-five (365) days prior to the effective date of such desired termination, and SERS reserves the right to terminate this Agreement at any time, for any reason, by furnishing written notice to CONSULTANT, whereupon and in either of such events, CONSULTANT's fees for services under this Agreement shall be prorated and paid, provided that notwithstanding any other provision of this Agreement, SERS may withhold such payment of fees until CONSULTANT has fully complied, in SERS' sole discretion, with subsections (d) and (e) below; and (2) If CONSULTANT is unable to comply with a change requested by SERS pursuant to Section 7 of this Agreement, CONSULTANT may terminate this Agreement upon six (6) months' written notice, during which time CONSULTANT will be required to maintain the insurance levels it had prior to SERS' change request.

(c) *Survival of Liability.* The termination or expiration of this Agreement shall not relieve CONSULTANT of any liability that may be incurred in connection with its services performed hereunder or the failure to perform such services by CONSULTANT, which liability shall survive termination or expiration.

(d) *Final Report.* CONSULTANT shall furnish to SERS, within thirty (30) days after the effective date of such termination or expiration of this Agreement, a final report on the status of the DCP's and/or the Fund's assets in such form and format as requested by SERS staff.

(e) *Forwarding of Documents.* CONSULTANT shall forward to SERS or SERS' designated recipient, within thirty (30) days after the effective date of termination or expiration of this Agreement, all reports, projects, studies, or other documents and information (including underlying data relating

thereto) that relate to SERS, the DCP and/or the Fund.

(f) Access to Information. SERS acknowledges that CONSULTANT requires information with respect to investments recommended pursuant to the terms of this Agreement in order to maintain its track record current throughout the life of such investments. SERS agrees to provide information reasonably requested by CONSULTANT in order to maintain such track record in accordance with applicable law and industry standards, subject to Section 13 of this Agreement.

21. Applicable Law. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania (without regard to any conflict of law provisions) and the decisions of Pennsylvania courts. CONSULTANT hereby (a) consents to the jurisdiction of any courts of the Commonwealth of Pennsylvania and any federal courts in Pennsylvania, hereby waiving any claim or defense that such forum is not convenient or proper, and (b) agrees that any claim asserted against SERS shall only be brought before and subject to the exclusive jurisdiction of the Board of Claims pursuant to Section 1721 *et seq.* of Title 62 of Pa. Statutes. CONSULTANT agrees that the Board of Claims and any such court provided in this Section above shall have *in personam* jurisdiction over it, and CONSULTANT consents to service of process in any manner authorized by Pennsylvania law.

22. Reservation of Immunities. SERS hereby reserves all immunities, defenses, rights or actions arising out of its status as an instrumentality of a sovereign state or entity, or under the Eleventh Amendment to the United States Constitution, and no waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by its entry into this Agreement, by any express or implied provision of this Agreement or by any actions or omissions to act of SERS or any representative or agent of SERS, whether taken pursuant hereto or prior to or after SERS' entry into this Agreement.

23. Binding Effect. This Agreement inures to the benefit of and binds all parties hereto and their respective successors and assigns.

24. Amendment. No amendment or modification of this Agreement, other than as set forth in Section 3 hereof, shall have any force or effect unless it is in writing and signed by the parties hereto.

25. Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original, but the several counterparts shall together constitute but one and the same instrument.

26. Severability. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held contrary to any express provision of law, or contrary to the policy of express law though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the remainder of this Agreement or the rights of the parties hereto.

27. Headings. The headings and captions in this Agreement are for convenience and reference purposes only and shall not be construed or deemed to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions hereof.

28. Entire Agreement. Except as hereinabove expressly provided, this Agreement and any attachments thereto, supersedes all prior contracts and undertakings, written or oral, between the same parties concerning the same subject matter.

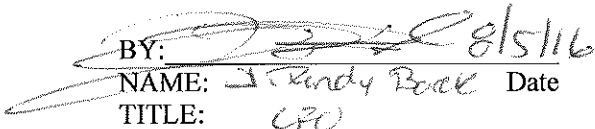
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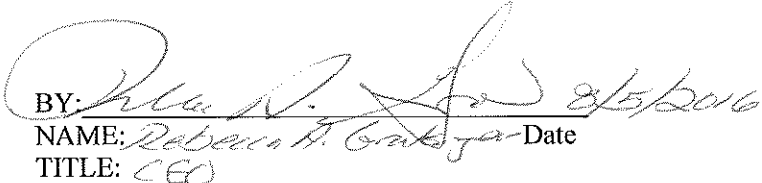
IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this Amended and Restated Agreement for General Investment Consultant to be executed as of the date first written above.

ATTEST:

RVK, INC.

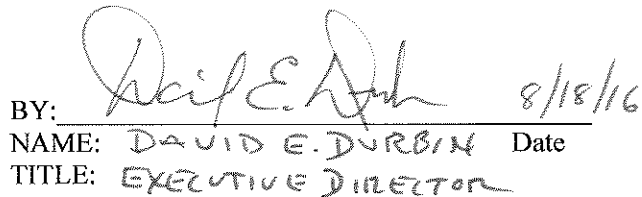
Federal Tax Identification Number: [REDACTED]

BY:  8/5/16
NAME: Randy Boek Date
TITLE: CFO

BY:  8/5/2016
NAME: Rebecca A. Grady Date
TITLE: CEO

**COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM**

Federal Tax Identification Number: [REDACTED]

BY:  8/18/16
NAME: DAVID E. DURBIN Date
TITLE: EXECUTIVE DIRECTOR



pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM

**Commonwealth of Pennsylvania
State Employees' Retirement Board
Statement of Investment Policy**

**Adopted September 19, 1979
Amended January 27, 2016**

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**Commonwealth of Pennsylvania
State Employees' Retirement Board
Statement of Investment Policy**

1. Introduction

The State Employees' Retirement Fund ("Fund") was established in 1923 by an act of the Pennsylvania legislature. The purpose of the Fund is the accumulation of funds exclusively for the benefit of the members and beneficiaries of members of the State Employees' Retirement System ("SERS" or the "System") for the payment of withdrawal, retirement, disability, and death benefits as provided in Pennsylvania Consolidated Statutes Title 71, Part XXV ("Retirement for State Employees and Officers"). The Fund is under the exclusive control and management of an eleven member Board of Trustees ("Board"). Six members are appointed by the Governor and confirmed by the State Senate to four-year terms. Two members of the Senate are appointed by the President Pro Tempore of the Senate, and two members of the House by the Speaker of the House, and serve on the Board for the duration of the terms for which they were elected. The State Treasurer serves as a member of the Board, ex-officio.

The Statement of Investment Policy (the "Policy") was originally adopted by the Board on September 19, 1979 and was last revised by Board action on January 27, 2016.

2. Statement of Purpose of Investment Policy

This document specifically outlines the investment philosophy and practices of SERS and has been developed to serve as the governing policy for the management of the System's assets. The purpose of this Policy is to formalize the Board's investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process. The assets of SERS will be managed with the primary objectives of the payment of benefit obligations to participants in the plans as well as to maximize return with acceptable risk considerations and sufficient liquidity so that employer contributions can be minimized. Therefore, it is crucial that the Board adopt a long-term plan by which the assets of the System will be managed and enhanced through prudent investments. This Policy is intended to ensure that the level of assets is adequate to cover the accumulated liabilities of the System. This is an official investment policy document of SERS. Deviation from this document is not permitted without explicit written permission, in advance, from the Board.

In developing this Policy, the Board understands and accepts its fiduciary obligations to the members of the System. These obligations are legal in nature, and are outlined in Title 71, Pennsylvania Consolidated Statutes, Section 5931, a copy of which is attached hereto as Appendix I.

3. Prudent Investor Standard

The Board's investment authority is governed by the "prudent investor" standard as set forth in Title 71, Pennsylvania Consolidated Statutes, Section 5931(a):

Control and management of fund. The members of the board shall be the trustees of the fund. Regardless of any other provision of law governing the investments of funds under the control of an administrative board of the State government, the trustees shall have exclusive control and management of the said fund and full power to invest the same in accordance with the provisions of this section, subject, however, to the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital. The trustees shall

have the power to hold, purchase, sell, lend, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as of the proceeds of said investments, including any directed commissions which have accrued to the benefit of the fund as a consequence of the investments, and of any moneys belonging to said fund, subject in every case to meeting the standard of prudence set forth in this subsection.

No provision of this Policy shall be construed in contravention of the Board's statutory investment authority found in Title 71, Pennsylvania Consolidated Statutes, Section 5931.

4. Fiduciary Status, Duties, and Responsibilities of Board, Staff, Investment Advisors, Other Agents, and State Treasurer

SERS is one of the larger public pension funds in the United States. Due to its size and investment structure, its operational requirements are complex. In order to administer the System and carry out its investment obligations, the Board relies heavily on both staff and external contractors. Because of the number of parties involved, their roles as fiduciaries must be clearly identified. Such identification increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

A. Board of Trustees

Title 71, Pennsylvania Consolidated Statutes, Section 5931(e) provides, in part, as follows:

The members of the board, employees of the board, and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto.

In exercising this fiduciary responsibility, the members of the Board, employees of the Fund, and agents of the Fund are governed by the "prudent investor" standard and the exclusive benefit standard. The exclusive benefit standard requires these parties to act solely within the interests of the plan's participants and beneficiaries, and for the exclusive purpose of providing benefits to participants and beneficiaries.

The Board may, when possible and consistent with its fiduciary duties imposed by law, including its obligation to invest and manage the Fund for the exclusive benefit of the members of the System, consider whether an investment in any project or business enhances and promotes the general welfare of the Commonwealth and its citizens. Where investment characteristics are equivalent, the Board's policy will favor investments that will have a positive impact on the economy of Pennsylvania.

The members of the Board are responsible as trustees for the proper management of the assets of the Fund. The Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the System's operations. Specifically with regard to investments, the Board seeks the recommendations of the staff and consultants prior to taking action. In carrying out these duties, the Board will be responsible for:

1. Reviewing and approving a biennial Strategic Investment Plan that sets forth the direction of the Fund and work plan initiatives for the coming two years. This Strategic Investment Plan shall incorporate long-term allocation ranges to the asset classes.

2. Approving the engagement and termination of investment advisors. Staff and consultants will identify potential candidates. Potential advisors will be evaluated based on their ability to achieve the objectives outlined in the Strategic Investment Plan and their demonstrated experience and expertise for the specific mandate. Board suggestions for potential advisors who meet these criteria will be evaluated by staff and consultants. While individual Board Members may meet with prospective advisors, all group meetings involving a quorum of Board Members for a presentation by prospective advisors shall be through formal Board meetings or Board Committee meetings. Staff and consultants are jointly responsible for carrying out the research and initial due diligence to identify qualified candidates. Staff and consultants are also jointly responsible for performing the on-going monitoring of investment advisors and funds. Lastly, all prospective investment opportunities and/or investment advisor terminations which are recommended to the Board must be supported by a memo from Staff and a memo from the relevant investment consultant.
3. Approving the engagement and termination of consultants.
4. Reviewing the investment performance and risk characteristics of the Fund.
5. Reviewing and approving the Comprehensive Annual Financial Report.
6. Reviewing and approving the annual actuarial report, assumptions and funding level and, reviewing and approving an actuarial experience study that is to be conducted no less than every five years.
7. Reviewing and approving the results of an asset liability study on a periodic basis, but not less than every five years.
8. Reviewing and adopting the proxy voting guidelines.
9. Oversight and monitoring of staff including, but not limited to the hiring of the Chief Investment Officer, the Executive Director, and the Director of Internal Audit.

In discharging these responsibilities, the Board has delegated certain functions to the staff and to various contractors who provide professional services to the Board. All persons who act as agents of the Board shall adhere to the highest standards of professional integrity and honesty.

B. State Employees' Retirement Board Staff

The Executive Director is responsible for administrative matters relating to the operations of the System. The Chief Investment Officer is charged with the coordination of all investment activities and matters within the System. The Investment Office reports to the Board on emerging trends and issues of concern to public pension funds generally and to the Fund in particular. The Investment Office is responsible to the Board to review and analyze the current investment climate, and to recommend adjustments with respect to this Policy that are appropriate to take optimum advantage of new conditions and strategies as they arise in the market place. To ensure that the goals and objectives of the Board are being fulfilled, the Investment Office also reviews and analyzes the philosophies, policies, and strategies employed by the investment advisors, evaluating the appropriateness of their decision-making processes and their investment styles in relation to present and projected investment horizons.

The Chief Investment Officer of the System is charged with the following responsibilities:

1. To manage, on a day-to-day basis, the portfolio, its components, and agents;
2. To authorize receipt or payment for the acquisition or disposition of investments;
3. To act as liaison on behalf of the Board with all investment-related contractors;
4. To review and analyze all investment transactions for conformity to certain applicable laws, regulations, each advisor's investment strategy statement, and this Policy;
5. To review investment proposals presented by investment advisors, and where appropriate, summarize and recommend the same for Board consideration;
6. To analyze and summarize for the Board pertinent information from relevant publications, discussions, meetings, and research on current investment related topics;
7. To respond to inquiries from the Board and Pennsylvania Legislature, the membership, the press, other governmental representatives, and the public concerning the investments of the Fund;
8. To institute an Annual Implementation Plan ("AIP") detailing what the Fund will be doing in the next year in order to implement the Strategic Investment Plan. The purpose of the AIP is to report to the Board the status of what was accomplished and what will be accomplished going forward.
9. To prepare the Strategic Investment Plan and perform analysis and recommendations for action to present to the Board for approval and implementation consistent with this Policy and achievement of the Board's investment objectives; and
10. To perform such other duties as may be required to implement this Policy.

C. Internal Audit

The Director of Internal Audit reports functionally to the Audit Committee and administratively to the Executive Director. The internal audit department is independent of the System's operational activity and is responsible for providing objective audit and review services for the entire System, including the Investment Office. Internal audit's services emphasize the promotion of adequate and effective internal controls at a reasonable cost and result in suggested improvements that will lead to economies and efficiencies in the Systems' operations.

With the advent of the Sarbanes-Oxley Act of 2002, the Board recognized the need for, and established an Audit Committee to provide additional oversight relating to the adequacy of internal controls applicable to financial reporting. The Audit Committee will meet quarterly to discuss audit related issues. The Audit Committee, at its discretion, may meet with the Director of Internal Audit in executive session. The Audit Committee may make recommendations for changes in internal controls for consideration by the Board but shall have no policy authority.

D. Investment Advisors

The Board continually seeks to employ investment advisors that possess superior capabilities in the management of assets of public retirement systems. The Fund has carefully documented its investment processes, including those related to hiring advisors to manage the Fund's investments. Those processes are available for review on the Fund's intranet. Each advisor has full discretion to carry out its investment mandate subject to the investment strategy statement contained in the investment management agreement and will be expected to conduct business on behalf of the System in accordance with the mandate for which they were retained. It is the Board's policy to limit the allocation of Fund investments such that no more than 15% of the total market value of Fund assets should be invested in any one investment product offered by an investment advisor, except where management of such investments is of a passive nature (e.g., index funds). Notwithstanding any of the limitations contained in this section, no liquidation of an investment shall be required solely due to changes in market value.

Each advisor's benchmark will reflect that advisor's particular style or tactical role in SERS' investment process. Each benchmark will be clearly specified, measurable, and replicable. Benchmarks do not have to be published or widely recognized; they may be "customized" for a particular investment style or styles. The benchmark shall be determined in advance of funding by mutual agreement between the advisor, staff, and consultant. In the event of a change in management style, agreed upon change in an advisor's strategy, availability of a better benchmark construction methodology, or changes to or additions in indices, an advisor's benchmark may be modified by mutual consent between the advisor, staff, and consultant. Despite the foregoing, it is recognized that benchmarks in the investment industry may fail to capture the investment nuances of an investment advisor, which leads to tracking error relative to the benchmark.

The Board further requires those public markets investment advisors selected and working on its behalf to perform the following activities:

1. To execute investment decisions that are consistent within the scope of the approved investment guidelines expressed in the respective management agreement and other relevant documents.
2. To execute investment transactions on behalf of the Board in a manner that maximizes the investment value of each transaction from the viewpoint of the Fund, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest total cost to the Fund.
3. To report to the Board at least quarterly through the Investment Office, with the exact frequency and format of reporting to be determined by the Investment Office, on the composition and relative performance of the investments in their designated portfolios; the economic and investment outlook for the near and long term; significant changes in the portfolio during the preceding period; and the reasons for any significant differences between the performance of their portfolios and the appropriate market indices or metrics.
4. To make themselves available as needed for meetings with the Board, staff, or agents of the Board regarding investment matters.

5. To comply at all times with all laws, regulations, contractual investment guidelines, and reporting requirements as determined by staff.
6. To perform such additional activities as detailed in each advisor's investment management agreement with SERS.

E. General Investment Consultant

The Board's general investment consultant acts as a fiduciary to the Fund, providing reports to the Board on emerging trends and issues of concern to public pension funds generally and to the Fund in particular. The general investment consultant also analyzes and makes recommendations with respect to the Board's asset allocation and investment structure, policies, the investment advisors' implementation of policy and strategy, the appropriate investment horizon for the Fund given its actuarial characteristics, and provides such other research as may be required from time to time.

In addition to the general investment consultant, the Board may retain other investment consultants as required for specialized needs, such as for particular asset classes or unique investment projects. These specialty consultants will report to the Board on emerging trends and issues that are germane to their respective assignments and that are of concern to public pension funds generally and to the Fund in particular. Within the scope of their assignments, the specialty consultants will also analyze and make recommendations with respect to this Policy, the investment advisors' implementation of policy and strategy, and provide such other research as may be needed from time to time.

The general and specialty consultants should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board and obtain pre-clearance from the board.

F. Direct Hedge Fund Investment Consultant

The direct hedge fund investment consultant acts as a fiduciary to the Fund, and will provide non-discretionary direct hedge fund investment consulting services. The hedge fund investment consultant will assist staff in performing due diligence investigations on prospective direct hedge fund investment opportunities; assist staff with identifying and accessing investment opportunities and investment teams; recommend specific hedge fund investments to SERS and maintain a hedge fund manager database. The direct hedge fund investment consultant will also participate in the development and refinement of hedge fund investment policies, objectives, strategies, benchmarking, risk assumptions, and asset mix appropriate for each sub-asset class; as well as perform qualitative and quantitative portfolio oversight procedures and prepare performance measurement. The direct hedge fund investment consultant will make presentations to the Board supporting investment recommendations as they arise. The performance of the direct hedge fund managers will be reviewed quarterly as part of the general consultant's performance report.

The direct hedge fund investment consultant should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board and obtain pre-clearance from the Board.

G. Private Equity Consultant

The private equity consultant acts as a fiduciary to the Fund, and will provide non-discretionary private equity consulting services. The private equity consultant will assist staff in performing due diligence investigations on prospective private equity and private debt investment opportunities, assist staff with identifying and accessing investment opportunities, recommend specific private equity investments to SERS, and maintain a deal log of private equity investment opportunities. The private equity consultant will also participate in the development and refinement of private equity policies, objectives, strategies, benchmarking, risk assumptions, and asset mix appropriate for each sub-asset class; as well as perform qualitative and quantitative portfolio oversight procedures and prepare performance measurement. The private equity consultant will make presentations to the Board supporting investment recommendations as they arise, and review performance at least semi-annually.

The private equity consultant should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board and obtain pre-clearance from the Board.

H. Real Estate Consultant

The real estate consultant acts as a fiduciary to the Fund, and will provide non-discretionary real estate investment consulting services. The real estate consultant will assist staff in performing due diligence investigations on prospective real estate opportunities, assist staff with identifying and accessing investment opportunities, recommend specific real estate investments to SERS, and maintain a real estate database. The real estate consultant will also participate in the development and refinement of real estate policies, objectives and strategies, benchmarking, risk assumptions, and asset mix appropriate for each sub-asset class; as well as perform qualitative and quantitative portfolio oversight procedures and prepare performance measurement. The real estate consultant will make presentations to the Board supporting investment recommendations as they arise and review performance at least semi-annually.

The real estate consultant should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board and obtain pre-clearance from the Board.

I. Portfolio Evaluation Advisor

The general investment consultant, or another third party approved by the Board as a portfolio evaluation advisor, will provide quarterly investment performance evaluation and analysis to the Board. The portfolio evaluation advisor will provide to the Board comparative performance measurement against appropriate benchmarks, at the total fund, asset class, sub-asset class and advisor levels for all asset classes except real estate and private equity investments.

These benchmarks will be defined and presented in each quarterly performance report. They are hereby incorporated by reference.

J. State Treasurer

The State Treasurer serves as the custodian of the Fund, pursuant to Title 71, Pennsylvania Consolidated Statutes, Section 5931(c). In this capacity, the State Treasurer is responsible for the safe physical custody of investment instruments and the safe custody of any book-entry investment instruments that are held in depositories on behalf of the Commonwealth. As custodian, the State Treasurer is also responsible for preparing and delivering securities for settlement as authorized by the Board, attending to corporate actions, maintaining a book of record for these securities, facilitating an annual examination of these securities and books, and for preparing payment for securities transactions upon presentation of warrants properly signed and authorized. The State Treasurer may enter into a contract with a sub-custodian bank to assist in the execution of these responsibilities.

The State Treasurer is responsible for the temporary investment of cash balances until funds are required to meet disbursements or to acquire investments.

K. Actuarial Consultant

Pursuant to Title 71, Pennsylvania Consolidated Statutes, Section 5902(j), the Board engages an actuary to perform a valuation of the various accounts of SERS on an annual basis within six months of the close of each calendar year. In every fifth year, the Board shall have the actuary conduct an actuarial investigation and evaluation of the system based on data including the mortality, service, and compensation experience provided by the Board annually during the preceding five years concerning the members and beneficiaries.

5. Investment Objectives

The State Employees' Retirement Fund is a mature pension plan. The appropriate investment horizon is intermediate to long-term (five to ten years) with due consideration of the characteristics of the Fund's liabilities and liquidity requirements.

The objectives of the Fund are to provide benefit payments to participants and beneficiaries at the lowest cost to the Commonwealth and to fund the program through a carefully planned and executed investment program.

The Fund seeks to produce the highest return on investment that is consistent with acceptable investment risks and sufficient liquidity that will permit the Fund to meet the System's benefit obligations, and secondarily, control the cost of the Fund to the taxpayers. The investment program is premised on modern portfolio theory. The Board recognizes that many asset classes and investments can have volatile performance and that the Fund may not achieve investment results over shorter time periods. However, over longer time periods, a well-constructed portfolio and mix of asset classes will provide the optimal results.

The Board, with the help of the staff and consultants, is charged with building a portfolio by carefully assessing the risk and return potential of the global capital markets, and making those investments that are institutionally investable and are reasonably expected to contribute to the Fund's long-term objectives and goals.

Consistent with achieving these objectives the Board has established the following goals relative to investment performance:

- Achieve a net total return equivalent to the actuarial interest rate assumption, or preferably, in excess of this rate in order to improve the funded ratio of the Fund through investment earnings and favorably impact future employer and employee contribution rates.
- Achieve a net, total long-term return that meets or exceeds an appropriate, composite Plan benchmark index on a five-to ten-year rolling time horizon. The composite benchmark index will be based on the asset allocation set forth in the Strategic Investment Plan approved by the Board.

A. Rebalancing Policy

The primary strategic objectives of rebalancing the Fund are to mitigate risk and enhance returns while meeting the liquidity needs of SERS. The specific risk mitigation objective is to keep the asset allocation and overall investment structure of the Fund consistent with the Strategic Investment Plan and the policy asset allocation and asset class goals contained within it. Due to changes in market movements, actual asset class balances will inevitably deviate from target allocations. These deviations cause the Fund to diverge from the asset allocation chosen by the Board and the expected risk and return attributes associated with it. This divergence, or tracking error, heightens the risk that the Fund may not achieve returns sought by the Board at the risk levels they deem prudent. The Investment Office will have authority to rebalance asset class exposures as necessary and prudent pursuant to the rebalancing policy which is incorporated by reference into this policy.

6. Investment Guidelines

The allocation of funds to various types of investments is of utmost importance in structuring an efficient portfolio designed to meet the Fund's investment objectives. In order to assure the most beneficial allocation of funds, the Board shall, with the advice of SERS' investment staff, consultants, and investment advisors, adopt a Strategic Investment Plan that will be revised and updated periodically but not less than every two years. This plan will set forth the long-term allocation ranges for the asset classes and identify work initiatives to be pursued over the near term. Furthermore, each investment advisor shall abide by specific investment guidelines that will be consistent with this Policy and the Strategic Investment Plan so as to ensure that the Fund's broad investment objectives will be met. The advisors' specific investment guidelines may be amended from time to time by mutual written consent of the staff and the advisor.

If at any time the economic, fiscal, or investment environment should change significantly during the investment horizon, it shall be the duty of the staff, investment advisors, and consultants to so inform the Board and, if warranted, recommend modifications to the Strategic Investment Plan or adjustment to the allocation of investment assets.

In the application and implementation of this Policy and the Strategic Investment Plan, the Chief Investment Officer in consultation with the Board Chairman, has the authority to make investment decisions on behalf of the board in emergency situations. Emergency situations are defined as those that are unforeseeable and in the absence of action taken; the Fund may be adversely impacted. In the event such action is taken, the Board will be apprised as soon as practical, but no later than the next scheduled board meeting.

7. Prohibited Transactions

Investment advisors are prohibited from entering into any transactions on behalf of the Fund that are not expressly authorized by this Policy or by specific investment advisor guidelines and all applicable laws and regulations. All advisors and consultants shall disclose any and all economic positions that may conflict with SERS' investment objectives and guidelines.

8. Investment Advisor Evaluations

The Board endeavors not to make adverse retention decisions about investment advisors based upon performance absent at least three years of performance data, recognizing that investment strategies are best assessed over full market cycles.

The Board's time horizon to review performance trends shall normally be over full market cycles, although the trend in investment experience over other time periods may be judged important. Any extreme or unusual events or trends will be considered when evaluating intermediate and short-term investment results. The Investment Advisor Monitoring Policy has been developed in order to assist staff in applying consistent criteria to evaluate investment advisors.

Notwithstanding the above, the staff will review advisor performance, portfolio positioning, and transactions at least annually.

9. Corporate Governance Standards

Good corporate governance promotes responsible business practices that serve as an integral component to a corporation's long-term value creation process and are an indispensable element of an effective corporate risk management program.

SERS is committed to improve corporate governance practices of the companies within the SERS portfolio. SERS' involvement includes: the development and periodic updating of the Board approved proxy-voting policy, voting proxies, active participation in groups working to improve and enhance corporate governance practices, and ad hoc responses to important issues that affect the value of the portfolio, such as letters responding to regulatory and legislative proposals.

The proposed updates to the proxy voting policies shall be prepared by the Investment Office and submitted to the Board for approval. In the update of the policies, the Investment Office shall seek to develop best practices. Best practices shall be developed through relationships with groups working to improve and enhance corporate governance practices and input that focuses on improving corporate governance practices from other prominent plan sponsors.

In addition, SERS monitors and, where appropriate, incorporates best corporate governance practice recommendations from organizations into the proxy voting guidelines. As good corporate governance practices are not static, the annual proxy voting modifications are designed to reflect the current trends in the marketplace.

A. Proxy Voting Procedures

Stock proxies are voted in accordance with the following procedures:

1. The custodian bank forwards to SERS' proxy servicer or advisor proxy statements for securities that SERS owns, excluding securities that are on loan, or investments in the form of pooled funds and limited partnerships.
2. SERS' proxy servicer or advisor will vote all proxies in accordance with the Board's proxy voting guidelines, except those where a specific concern has been raised by a Board Member, advisor, consultant, or staff member.
3. The proxy servicer or advisor may also vote any proxy involving other issues essentially the same as those on which the Board's proxy voting guidelines are well defined.
4. With regard to proxies requiring special attention under the Board's proxy voting guidelines, as well as special issues not covered or anticipated by the proxy voting guidelines, proxies and all pertinent reference material shall be sent to the Chief Investment Officer, who will evaluate the issues with respect to the intent of the proxy voting guidelines. On issues not covered by the proxy voting guidelines, controversial, high-profile, and contested change of control issues, the Chief Investment Officer will consult with the Board's chairman to determine how such proxies will be voted. The Chief Investment Officer will then direct the proxy servicer or advisor to vote the proxies accordingly.
5. The Chief Investment Officer shall regularly report to the Board the types of special issues that are being considered or that have been voted by the Chief Investment Officer.
6. The Chief Investment Officer shall cause to be maintained by SERS' proxy servicer, or advisor, a listing of proxy votes cast in a calendar year. This report, along with all individual actions, shall be available for public inspection on SERS' Internet web site.

B. Corporate Actions

The custodian bank has standing instructions to forward notices of all corporate actions received, such as dividends, stock splits, mergers, acquisitions, spin-offs, or class action suits to SERS and/or its investment advisors.

10. Trading and Brokerage Practices

The Board delegates the responsibility for the selection of brokerage firms to its investment advisors, provided the investment advisors select and utilize brokers in accordance with Section IV, D-2 ("best execution") of this Policy. Notwithstanding this practice, the Board reserves the right to enter into brokerage commission recapture programs, and to establish goals for directed commissions provided the advisors' investment processes are not being affected so as to adversely impact the Fund or place the Fund in a disadvantageous position relative to the advisors' other accounts. As such, advisors may be requested to direct a percentage of their brokerage activity on behalf of SERS. The Board will select the

brokerage firms that are designated to receive such directed commissions, and will communicate this information to the advisors.

The Board also seeks to have advisors direct trades through minority owned firms and reserves the right to establish proposed trading targets. However, the responsibility for the selection and use of minority brokerage firms is delegated to the investment advisors.

Finally, all things being equal, the Board seeks to have investment advisors trade through Pennsylvania-based brokers.

Efforts to monitor and control trading costs will be ongoing, and may include the periodic use of formal trading cost analyses.

11. Public Access to Records

Records of investment transactions are maintained by the System at its office located at 30 North Third Street, Harrisburg, PA 17101. Requests for public inspection or copies of documents that are a matter of public record will be honored in a manner consistent with the Pennsylvania Right-to-Know Law (RTKL), 65 P.S. §§ 101 - 3104, and SERS' Right-To-Know Law Policy regarding the dissemination of public information. Inquiries should be directed to SERS' Right-to-Know Law Open-Records Officer. This Right-to-Know Law Policy is incorporated by reference into this Policy.

12. Procedures for Amending this Policy Statement

This Policy may be amended from time to time by a majority vote of the Board.

13. Separate Documents Related to this Policy Statement

The following documents are incorporated by reference into this Policy and as such are considered part of this Policy as though they were presented in entirety within this Policy:

1. SERS' Strategic Investment Plan
(adopted by the Board)
2. Public Markets Investment Advisor Investment Strategy Statements
(negotiated as part of the contracting process after Board appointment)
3. Real Estate Statement of Investment Policy
(adopted by the Board)
4. Private Equity Statement of Investment Policy
(adopted by the Board)
5. Proxy Voting Guidelines
(adopted by the Board)
6. Investment Advisor Monitoring Policy
(reviewed by Board)
7. Right-To-Know Law Policy

(adopted by the Board)

8. Derivatives Investment Policy Statement
(reviewed by Board)
9. Portfolio Rebalancing Policy
(adopted by Board)
10. Advisor, Asset Class, and Fund Benchmarks as reported in the Quarterly Performance Report
(reviewed by Board)
11. SERS' Securities Litigation Policy
(adopted by Board)
12. SERS' Securities Lending Policy
(reviewed by Board)

14. Glossary of Terms

Asset Allocation – investment choice made among broad asset classes such as equities, fixed income securities, real estate, etc.

Asset Liability Study - a study that examines how well alternative investment strategies (differing asset allocations) address the objectives of a fund, specifically the fund’s “liabilities”. The study acts as a guidepost for the strategic asset allocation.

Brokerage Commission – payment for administrative costs of trading securities; the cost for execution.

Brokerage Commission Recapture – reimbursement to the Fund for a portion of the fee paid to a broker for executing a trade.

Comprehensive Annual Financial Report (CAFR) - a set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements outlined by the Governmental Accounting Standards Board.

Corporate Governance – the procedures by which a corporation conducts its affairs.

Corpus –specifically, the investment portfolio of SERS.

Fiduciary – a fiduciary is a legal or ethical relationship of trust between two or more parties where one party has undertaken to act for and on behalf of another party in a particular matter in circumstances which give rise to a relationship of trust and confidence.

Funded Ratio - the ratio of a pension’s assets to its liabilities. A funded ratio greater than 100% indicates the pension has accumulated more assets than its liabilities. A funded ratio less than 100% indicates the pension does not have enough assets to cover its liabilities.

Net Total Return – interest or dividend income plus any realized or unrealized capital gain (or loss) on an investment, net of any capital contributions or distributions from the corpus.

Proxy – an instrument empowering an agent to vote for a shareholder.

Qualitative Oversight – analysis that evaluates important factors that cannot be precisely measured, e.g., experience, caliber of management, investment philosophy and strategy.

Quantitative Oversight – analysis dealing with measurable factors, such as value of securities, the cost of capital, historical and projected patterns of sales, costs, profitability, returns, risk. Used in tandem with qualitative oversight to arrive at sound business and financial judgments.

Risk – the uncertainty of outcome or the likelihood of not meeting an objective.

Sarbanes Oxley Act - Congress passed the Sarbanes Oxley Act in 2002 that mandated new or enhanced standards for all U.S. public company boards, management and public accounting firms to improve financial disclosures in order to protect investors from the possibility of fraudulent accounting activities by corporations.

Tracking Error – the annual standard deviation of an advisor’s performance results from the advisor’s benchmark.

Appendix I

Title 71, Pennsylvania Consolidated Statutes, 5931. Management of fund and accounts.

(a) Control and management of fund.--The members of the board shall be the trustees of the fund. Regardless of any other provision of law governing the investments of funds under the control of an administrative board of the State government, the trustees shall have exclusive control and management of the said fund and full power to invest the same in accordance with the provisions of this section, subject, however, to the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital. The trustees shall have the power to hold, purchase, sell, lend, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as of the proceeds of said investments, including any directed commissions which have accrued to the benefit of the fund as a consequence of the investments, and of any moneys belonging to said fund, subject in every case to meeting the standard of prudence set forth in this subsection.

(b) Crediting of interest.--The board, annually, shall allow the required interest on the mean amount for the preceding year to the credit of each of the accounts. The amount so allowed shall be credited thereto by the board and transferred from the interest reserve account.

(c) Custodian of fund.--The State Treasurer shall be the custodian of the fund.

(d) Payments from fund.--All payments from the fund shall be made by the State Treasurer in accordance with requisitions signed by the secretary of the board, or his designee, and ratified by resolution of the board.

(e) Fiduciary status of board.--The members of the board, employees of the board and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto. The board may, when possible and consistent with its fiduciary duties imposed by this subsection or other law, including its obligation to invest and manage the fund for the exclusive benefit of the members of the system, consider whether an investment in any project or business enhances and promotes the general welfare of this Commonwealth and its citizens, including, but not limited to, investments that increase and enhance the employment of Commonwealth residents, encourage the construction and retention of adequate housing and stimulate further investment and economic activity in this Commonwealth. The board shall, through the Governor, submit to the General Assembly annually, at the same time the board submits its budget covering administrative expenses, a report identifying the nature and amount of all existing investments made pursuant to this subsection.

(f) Name for transacting business.--By the name of "The State Employees' Retirement System" or "The State Employees' Retirement System" all of the business of the system shall be transacted, its fund invested, all requisitions for money drawn and payments made, and all of its cash and securities and other property shall be held, except that, any other law to the contrary notwithstanding, the board may establish a nominee registration procedure for the purpose of registering securities in order to facilitate the purchase, sale or other disposition of securities pursuant to the provisions of this law.

(g) Deposits in banks and trust companies.--For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available by the State Treasurer an amount, not exceeding 10% of the total amount in the fund, on deposit in any bank or banks in this Commonwealth organized under the laws thereof or under the laws of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided any of such banks or trust companies shall furnish adequate security for said deposit, and provided that the sum so deposited in any one bank or trust company shall not exceed 25% of the paid-up capital and surplus of said bank or trust company.

(h) Venture capital, private placement and alternative investments.--The board in its prudent discretion may make any venture capital investment, private placement investment or other alternative investment of any kind, structure or manner which meets the standard of prudence set forth in subsection (a).

(i) Vehicles for authorized investments.--The board in its prudent discretion may make any investments which meet the standard of prudence set forth in subsection (a) by acquiring any type of interest in a business organization existing under the laws of any jurisdiction, provided that, in any such case, the liability of the State Employees' Retirement Fund shall be limited to the amount of its investment.

(j) Legislative declaration concerning certain authorized investments.--The General Assembly finds and declares that authorized investments of the fund made by or on behalf of the board under this section whereby the board becomes a joint owner or stockholder in any company, corporation, association or other lawful business organization are outside the scope of the original intent of and therefore do not violate the prohibition set forth in section 8 of Article VIII of the Constitution of Pennsylvania. (Oct. 7, 1975, P.L.348, No.101, eff. imd.; Mar. 4, 1982, P.L.141, No.45, eff. imd.; June 29, 1984, P.L.450, No.95, eff. imd.; Aug. 5, 1991, P.L.183, No.23, eff. imd.; Apr. 29, 1994, P.L.159, No.29, eff. imd.; Dec. 20, 1995, P.L.689, No.77, eff. imd.; May 17, 2001, P.L.26, No.9, eff. imd.)

2001 Amendment. Act 9 amended subsecs. (h), (i) and (j). See section 24 of Act 9 in the appendix to this title for special provisions relating to authorized investments.

1994 Amendment. See section 14 of Act 29 in the appendix to this title for special provisions relating to authorized investments of the State Employees' Retirement Board as described in subsec. (i).

Cross References. Section 5931 is referred to in section 5102 of this title; section 5611 of Title 53 (Municipalities Generally).



**Commonwealth of Pennsylvania
State Employees' Retirement Board**

Private Equity Statement of Investment Policy

Adopted April 21, 2004

Amended January 27, 2016

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Commonwealth of Pennsylvania
State Employees' Retirement System
Private Equity Statement of Investment Policy

Pursuant to Title 71, Section 5931, the Board of the Pennsylvania State Employees' Retirement System ("SERS") establishes this Private Equity Statement of Investment Policy (the "Policy Statement") that sets forth the long-term objectives and policies for managing SERS' Private Equity program. The Policy Statement ensures that managers, advisors, and other participants selected by the Board adhere to SERS' investment principles and guidelines. Additionally, the use of the Policy Statement assures sufficient flexibility in managing investment risks and returns associated with Private Equity. The Board may provide for exceptions, or amend this Policy Statement, in whole or in part.

1. Introduction

Private Equity is largely comprised of non-traditional investments made in limited partnerships organized to make domestic and international private market investments such as venture capital, leveraged buyouts, distressed debt, and special situations acquired in primary or secondary markets. Venture capital investments generally involve the financing of young, non-public growth companies. These investments are made in: (i) seed stage companies in their conceptual phase, (ii) early stage companies after a product has been developed but before revenues are realized, and (iii) late stage companies with demonstrable revenue and attraction for strategic sale or initial public offering of stock. The term "private equity" is employed to describe private market investments in the equity and subordinated debt of established companies.

The members of the Board, SERS' employees, and SERS' agents shall stand in a fiduciary relationship to the members of the System within the constraints of the "prudent investor" standard.

2. Investment Objectives

Private Equity investments are expected to provide return premiums over publicly traded securities, improve the Fund's diversification, and enhance the Fund's asset base over long periods of time. SERS' long-term performance objective for Private Equity is to achieve a risk-adjusted return, net of fees, in excess of the 10-year average annualized return of the Russell 3000 Index plus a 300 basis point risk premium.

3. Asset Allocation

Asset allocation is a critical driver of the long-term success of Private Equity. Since it is not possible to rebalance quickly in Private Equity, pacing and manager selection have heightened importance as tools to influence allocation. Long-term asset allocation targets are established in SERS' Strategic Investment Plan.

Fund investments should be planned and executed in a manner that adheres to the asset allocation targets (transitional and long-term) specified for Private Equity in SERS' Strategic Investment Plan. Rather than using discrete percentages, these targets are combined with those targets for global public equity and are

expressed as a desired asset allocation range for all of SERS' equity-like investments entitled "Total Equity." By allowing acceptable allocation ranges, the Fund is not forced to constantly rebalance its assets, thus improving the Fund's operational efficiency. Likewise, commitments to the Private Equity asset class may exceed carrying values since committed capital is typically drawn down over a long time period. During this period, some investments will be realized, resulting in distributions of capital back to SERS.

4. Pacing

SERS' Strategic Investment Plan may recommend annual commitment ranges to be made by the Fund within each strategy as well as a total target commitment for the Fund (the "Pacing Analysis") in order to achieve both the target strategic allocation and the overall allocation to the Private Equity asset class. The Pacing Analysis shall take into account the Fund's overall allocation to and investments in the Private Equity asset class, within each strategy, across industries and geography, and by vintage year, as well as the market environment and other appropriate considerations. The Fund shall strive to avoid concentrations in strategies, industries, geographic areas, funds, managers, or vintage years.

5. Investment Guidelines

In an attempt to control the risks inherent in Private Equity, SERS strives to invest with private equity managers ("Manager(s)" or "Firm(s)") capable of attaining SERS' long-term investment objectives. Selection shall be predicated upon a comprehensive review of each prospective investment Manager's current abilities and investment track record to determine if the investment return objectives are likely to be achieved, as articulated in SERS' Strategic Investment Plan. Collectively, these Fund investments will be broadly diversified in terms of vintage year, industry focus, geographic focus, venture capital stage (e.g., seed, early, growth, or later stage), and private equity focus (e.g., buyouts, distressed, secondaries or other). Exposure to Pennsylvania-based Managers may be a component of SERS' Private Equity program if achieved within the fiduciary constraints of the "prudent investor" standard. SERS may invest in "fund-of-funds," separately managed accounts, or other vehicles, if by doing so SERS achieves access to investment opportunities and/or information that might not otherwise be attainable.

SERS' Private Equity investments shall satisfy the following minimum criteria:

a. Investment Strategy

The investment strategy must target investments that satisfy SERS' definition of Private Equity. There must be a sufficient universe of potential investments to accommodate institutional investing. The investment strategy must be set forth in sufficient detail to permit substantive and meaningful review of the opportunity, verification of investment concept, and comprehensive analysis of risk factors. The investment strategy shall also outline the Firm's corporate governance policies and procedures with respect to management of the Firm and its underlying investments. Finally, there must be sound evidence that the investment will provide reasonable probability of achieving the return and risk objectives of SERS.

b. Investment Process

The Firm shall demonstrate a sound process for sourcing, performing due diligence, selecting, monitoring, and exiting investments. This investment process shall describe the Firm's internal investment and management controls, and should provide for regular monitoring and valuing of existing investments, as well as a strategy and procedure for exiting investments. The Fund shall have carefully documented its investment processes, including those related to hiring advisors to manage the Fund's investments. These processes and due diligence tools are available for review on the SERS' intranet web page and are incorporated by reference into this policy.

c. Management

The Manager must have expertise and experience in sourcing, pricing, selection, structuring and negotiating private equity investments. It is preferable that the Firm's key investment personnel have direct experience investing for institutional investors, a history of working together, a successful track record of implementing the strategy proposed for the particular investment, and are managing portfolios of capital similar in size to the amount currently being sought. Depending on the strategy, operational experience in target industries is desirable.

d. Terms and Conditions

Each partnership agreement shall be negotiated such that SERS receives competitive terms and conditions. SERS' leverage to negotiate terms may be reduced when it commits relatively modest capital or if the Firm's offering is heavily oversubscribed.

6. Risk Management

SERS will seek to minimize risk through investment due diligence and portfolio diversification. Before any investment is recommended to the Board and an investment is made, SERS' Investment Office staff and/or its Private Equity consultant will rigorously review the investment opportunity. A due diligence review by SERS' Investment Office staff and/or Private Equity consultant includes without limitation, meetings with the investment principals, reviews of pertinent offering documents and supporting materials, the Manager's completion of a due diligence questionnaire, and reference checks. Such reviews allow SERS to more effectively evaluate the soundness of the investment opportunity, and its adherence to SERS' investment guidelines as to investment strategy, process, management, and terms and conditions (see section 5 above).

SERS will also seek to minimize risk within its Private Equity portfolio by diversifying its investments. Diversification will be achieved by investing with Managers in funds with differing vintage years, industry focuses, geographic focuses, venture capital stages, and private equity focuses. In addition, individual funds will be diversified by limiting the amount of capital that can be invested in any one company.

7. Manager Monitoring and Evaluation

Each Manager will provide SERS' Investment Office with quarterly unaudited reports (or semi-annual reports if customarily produced by the Manager) and annual audited reports in sufficient detail to allow SERS' Investment Office staff to assess the performance of each Private Equity investment. Each Manager is expected to timely report on all material developments including, but not limited to, personnel changes, contractual problems or amendments, distribution issues, and any other items required for appropriate monitoring by SERS' Private Equity staff. Each Manager, as part of its investment report to SERS, is expected to provide information concerning its Pennsylvania portfolio activity (if any), including employment statistics.

Semiannually, the Private Equity consultant will submit to the Board a Private Equity performance report. Performance measurement will utilize an Internal Rate of Return metric ("IRR"). The IRR is based on inflows and outflows of partnership capital, giving consideration to the residual value of investment holdings, and calculated net of management fees, expenses, and the Manager's share of carried interest. The IRR calculation is an annualized-since-inception measure, updated quarterly, and along with cash-on-cash return multiples, serves as the primary objective measurement of a Manager's performance. The performance of each investment will be compared against Burgiss' relevant Vintage Year Median Returns (or other relevant relative return data made available by SERS' Private Equity consultant).

The Board understands that Private Equity investments are long term in nature, illiquid, and generally involve a duration of 8 to 15 years. Therefore, investment performance must be viewed over a longer time horizon than the assessment period used for publicly traded securities. Although the final performance of a Private Equity investment cannot be known until its termination, it is recognized that the performance of a more mature investment (7–10 years) provides a more accurate indication thereof.

For SERS' Investment Office staff to more actively monitor a Manager's investments for compliance with the terms and conditions of the limited partnership agreement as well as SERS' expectations, SERS often seeks a seat on the fund's advisory board or valuation committee. In such capacity, SERS' Investment Office staff will generally participate in the review and/or approval of: (i) the Manager's valuation policy, (ii) underlying investments remaining in the portfolio, (iii) the Manager's valuation of such underlying investments, and (iv) whether potential conflicts of interest exist. As the size of SERS' commitments shrinks, so does the likelihood that it will be offered opportunities to serve on their advisory boards and valuation committees.

8. Separate Documents Incorporated by Reference into this Policy Statement

- a. Hiring Investment Managers Process**
- b. SERS' Master Due Diligence Questionnaire**
- c. Due Diligence Questionnaire for Private Equity**



pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM

**Commonwealth of Pennsylvania
State Employees' Retirement Board**

Real Estate Statement of Investment Policy

**Adopted April 21, 2004
Amended January 27, 2016**

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Commonwealth of Pennsylvania
State Employees' Retirement Board
Real Estate Statement of Investment Policy

Pursuant to Title 71, Section 5931, the Board of Trustees (“Board”) of the Commonwealth of Pennsylvania State Employees’ Retirement System (the “Fund” or “System”) is establishing this Real Estate Statement of Investment Policy (“Policy”) to set forth the long–term objectives and policies for real estate investments. The Board may amend this Policy Statement in whole or in part or provide for certain exceptions to it.

1. Introduction

The Board has determined that, over the long term, inclusion of real estate should provide benefits to the Fund’s overall portfolio. The Board has established the following role for real estate:

1. Generate competitive long-term returns through capital appreciation and current income.
2. Lower overall Fund volatility through diversification to the Fund’s stock and bond portfolios.
3. Provide a moderate hedge against inflation.

In order to achieve these benefits, this Real Estate Statement of Investment Policy establishes the specific objectives and policies required for the implementation and oversight of the Fund’s real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The members of the Board, employees of the Board, and agents thereof shall stand in a fiduciary relationship to the members of the System within the constraints of the “prudent investor” standard.

2. Investment Objectives

A. Asset Allocation

The Board approves a strategic long–term asset allocation target for real estate as part of the Strategic Investment Plan that is based on analysis of the overall long– term opportunities. SERS’ Investment Office and Board will undertake an analysis to establish the optimal portfolio mix across real estate sectors.

B. Return Objective

The objective of the Real Estate program is to generate annualized net-of-fee returns that exceed its benchmark over a three- to five-year period, with the various components weighted according to long-term allocation targets within the asset class. SERS’ public market real estate (e.g., public REITs) performance will be measured over each consecutive rolling, three-year return period in accordance with SERS’ Investment Manager Monitoring Policy. SERS’ private market real estate

(e.g., private real estate separate accounts, commingled funds, timberland, and agriculture) performance will be measured over each consecutive rolling, five-year return period. The custom benchmark currently consists of three indices: NCREIF Fund Index - Open End Diversified Core Equity, S&P Developed Property Index for REITs, & CPI plus a 3% premium for Timber and Agriculture.

3. Investment Policies

A. Investment Universe

The universe of investable real estate opportunities for the Fund is large and diverse and is constantly changing. The Fund anticipates that it will invest in, but it will not be limited to, the following sectors:

1. Private market equity and debt investments in real estate and real estate related companies.
2. Public market investments in real estate investment trusts (REITs) and real estate operating companies.
3. Private market equity investments in timber and agricultural properties.

B. Portfolio Composition

As part of the Strategic Investment Plan, the Board shall approve an optimal portfolio mix across various real estate sectors, including public and private real estate, timber and farmland (agricultural properties). Investments will be made within each sector that may cause the composition of real estate to vary from the optimal mix approved by the Board or from the composition of an approved benchmark for a particular sector, due to the less liquid nature of most private sector investments, the less frequent valuations, and the generally larger capital commitments to individual investments. These investments will be made for the purpose of causing the sector to achieve superior risk-adjusted returns in order to achieve the program's return objective and the benefits for which the allocation to the asset class was made. Examples of variances from the sector benchmark for private real estate may include property type and location diversification, operating cycle, and leverage. Each sector will be evaluated relative to its benchmark, and the evaluation will include an analysis of the composition of the sector relative to its benchmark.

C. Risk Management

Investments in real estate have risks, including property-level risks, investment manager risk, and real estate and capital market risks. The Fund will attempt to mitigate risk in a prudent manner. The following policies have been established to address and manage the risks involved with investing in real estate.

1. Investment Structures

The Fund recognizes that real estate is an illiquid investment. Vehicles that maximize the Fund's control, including the ability to exit an investment are preferred, but the Fund acknowledges that it may use vehicles with limited control in order to achieve certain

goals, such as diversification, access to specialized investments, or manager expertise. Limiting the exposure to any single investment strategy and/or manager will be used to mitigate the risk associated with reduced investor control. The Fund will use the following investment structures:

Individually Managed Accounts

The Fund may purchase assets on a wholly owned basis through Individually Managed Account structures. The Individually Managed Account structure is the preferred investment vehicle due to their low cost structure and control features that they provide to SERS, except when pooled investment vehicles offer an identifiable advantage for accessing a particular investment opportunity. The Individually Managed Account manager may consider joint venture or co-investment ownership within Individually Managed Account structures.

Individually Managed Accounts are actively managed programs with managers buying and selling investments as market conditions and opportunities dictate. All investments are made within the scope of approved investment guidelines in each manager's respective investment management agreement, as well as this Real Estate Statement of Investment Policy. The size of each individually managed account will be determined with reference to the overall allocation to real estate and the level of purchase and sale activity in any given manager's portfolio.

It is the intent that over the long-term each individually managed account be self-funded; i.e., that new acquisitions be funded out of portfolio cash flows and sales proceeds. However, it is recognized that the timing of cash flows in these portfolios is difficult to forecast given the uncertainties and lead time involved with the purchase and sale of commercial real estate investments. In addition, it is understood that commercial real estate investments are stand-alone business entities that may require periodic investment of new cash, some of which may be unanticipated and time sensitive, in order to enhance the value of any given investment and honor legal, health and safety, or other obligations, to which the owner (a SERS controlled entity) is bound. At no time will the total amount funded to any individually managed account exceed the commitment amount plus total capital returned as monitored and reported by the real estate consultant to the Board.

The Investment Office and Consultant will monitor cash flow projections provided by the managers to ensure that the total real estate portfolio will remain within the allocation ranges provided within the Investment Plan. At no time, however, will an Individually Managed Account manager be required to liquidate investments at inopportune times for the purposes of rebalancing.

Pooled Investment Vehicles

Investment opportunities may be accessed through the ownership of units or shares of a Pooled Investment Vehicle. Any legally organized vehicle is allowed, including, but not limited to, joint ventures, limited partnerships, public and private real estate investment trusts, insurance company separate accounts, and limited liability corporations. Preference will be given to those Pooled Investment Vehicle's that offer greater investment and reporting transparency.

2. Diversification

The Fund will seek to diversify its real estate portfolio by the following:

Risk Strategy

Traditionally, private equity real estate investments have been categorized by the risk and return features of the underlying properties. SERS recognizes two broad categories: Core investments (operating and substantially leased properties) and other types of real estate investments generally categorized as "Non-Core". Core investments are substantially leased (i.e., 60% or greater leased at time of acquisition) institutional quality, well-located assets in the traditional property types: office, apartment, retail, industrial, and hotel. These properties generally offer relatively high current income returns, and as a result, a greater predictability of returns. The income component typically represents a majority of the expected total return of Core investments.

Non-Core real estate includes a variety of risk and return relationships, property types, and investment vehicles. Non-Core investments offer the opportunity to obtain higher risk-adjusted returns arising from the relatively inefficient real estate markets or real estate capital market imbalances. Non-Core investments generally carry higher risk and expected returns than Core investments. Non-Core includes higher property level risk (leasing, renovation, development or repositioning required); a degree of business or operating risk (e.g., hotels, senior housing, or investments in real estate operating companies); or non-traditional formats or properties (e.g., distressed assets or private to public market arbitrage activities).

SERS anticipates that approximately 40% of its real estate program will be targeted to Core investments, and 40% targeted to Non-Core investments.

Manager

No single investment manager shall manage more than 30% of the total real estate allocation determined by the Board. However, there may be instances when the "denominator effect," special situations such as portfolio take-overs and value appreciation of investments, can suddenly cause an "out of balance" situation with regard to any given manager. When this type of situation occurs the Investment Office and real estate consultant will work with the affected manager to bring the portfolio back into balance

within a reasonable timeframe.

Property Type and Property Location

Diversification by property type and location will be monitored and prudently managed, but the Fund recognizes that its diversification relative to benchmark may vary due to current opportunities available in the market and expectations for optimal risk-adjusted returns going forward. Diversification by geography includes international investments.

3. Leverage

The Fund shall seek to constrain overall leverage within the real estate program to a loan-to-value ratio (“LTV”) of 50% at the time the debt is placed. The LTV ratio in the separate account portfolios shall not exceed 60% at the time that debt is placed. It is understood that market value fluctuations may cause the LTV of all or a component of the program to exceed the limits expressed herein; in such an event, SERS shall not be required to sell investments or pay down debt in order to meet LTV limits expressed herein. The preference is to provide the managers the discretion to use leverage within contractual guidelines, when accretive to returns, without significantly increasing risk; however, debt that is recourse to a separate account will not be permitted unless approved by SERS’ Investment Office.

4. Investment Size

At no time shall the net investment amount in a single property within an Individually Managed Account exceed five percent (5%) of the net market value of the total Fund’s real estate portfolio at the time of initial investment. The Fund’s investment in a single closed-end Pooled Investment Vehicle may not exceed five percent (5%) of the net market value of the real estate portfolio at the time of initial investment. The Fund’s investment in a single open-end pooled fund may not exceed 15% of the net market value of the real estate portfolio at the time of initial investment.

5. Valuation

All investments in an Individually Managed Account will be independently valued not less than once every three years by a qualified Member Appraisal Institute (MAI) designated appraiser approved by SERS’ Investment Office. During interim periods, the Investment Manager responsible for the investments will perform the valuations. Investments held in Pooled Investment Vehicles shall be valued using the methodology approved with the selection of the Pooled Investment Vehicle.

6. Vintage Year Diversification

SERS’ Investment Office shall prudently monitor and manage the vintage year exposure of the total real estate portfolio, but the Fund recognizes that vintage year exposures will vary due to current opportunities and the expectations for optimal risk-adjusted returns available

in the market.

7. International Investing

Targeted international investments totaling up to 20% of the total real estate portfolio shall be permitted as approved by the Board. Incidental non-domestic real estate exposure may exist from Pooled Investment Vehicle investments.

D. Investment Manager Selection, Control, and Monitoring

1. Individually Managed Accounts

The following procedures will be used in the selection and monitoring of investments in Individually Managed Accounts.

Manager Selection Process

- Investment managers (both Individually Managed Account and Pooled Investment Vehicle managers) must have significant and direct experience investing and managing money for institutional investors. The manager must have expertise and experience in pricing, selection, structuring, and negotiating real estate investments. It is preferable that key investment personnel have a successful track record of implementing the strategy proposed for this investment, and managing portfolios of capital similar in size to the amount currently sought. Staff and Consultant shall establish specific qualification criteria, desired levels of competency, and respective evaluation factors consistent with the purpose of each search for an Individually Managed Account manager.
- Staff and Consultant shall meet with, review, and evaluate preferred candidates based upon the established criteria.
- Staff and Consultant shall recommend to the Board in writing the manager or managers to be interviewed and selected by the Board.

Control and Monitoring

a. Preliminary Investment Summary

Individually Managed Account managers shall have full discretion over the acquisition, management, and sale of individual investments. Prior to closing an investment, the manager shall provide a Preliminary Investment Summary to Staff. The preliminary package shall include an analysis of the merits, projected return, and exit strategy for the proposed investment, together with sufficient information for SERS' Investment Office to confirm the proposed investment's consistency with this Real Estate Statement of Investment Policy and the

investment manager's guidelines and strategy under its investment management agreement.

b. Reporting

Individually Managed Account managers shall adhere to the most recent version of the Real Estate Information Standards established jointly by the National Council of Real Estate Investment Fiduciaries, the Pension Real Estate Association, and the National Association of Real Estate Investment Managers, as well as, generally accepted accounting principles (GAAP). Managers will submit on an annual basis a third-party audited financial statement of the account managed by the Individually Managed Account manager.

c. Responsible Contracting

Managers of the Fund's wholly-owned assets in Individually Managed Accounts shall support and encourage the engagement of responsible contractors to provide building construction and maintenance services for such assets, subject to adherence to the Fund's fiduciary principles of loyalty, care, skill, prudence, and diligence. In all respects, such managers shall recognize and adhere to the principle that only the involved contractor has control over (1) the means and manner by which the contracted services are provided, and (2) the contractor's labor relation policies.

A responsible contractor is a contractor who, among other things: (1) has the appropriate experience, reputation, employee relations, responsiveness, fees, and dependability to perform required work; and (2) provides workers a fair wage and fair benefits for the required work, based on local market conditions. The utilization of such contractors may add value to the Funds' investments by ensuring that essential building and construction services are provided by adequately trained, experienced, and motivated workers.

The Board recognizes the right, as provided by law, of eligible employees to organize into a union or to not organize into a union, as the employees choose, and encourages contractors providing building construction and management services for the Fund's wholly-owned assets in Individually Managed Accounts to recognize and not impermissibly interfere with the lawful exercise of those rights and, upon a proper request, to bargain in good faith with any such lawfully recognized union.

Managers of the Fund's wholly-owned assets in Individually Managed Accounts and contractors providing building construction and maintenance services for such assets shall comply with applicable federal, state, and local laws, regulations and ordinances, including (but not limited to) those related to insurance, tax withholdings, minimum wage, health and safety, labor, and environmental matters.

With respect to those assets that the Fund does not wholly-own, it is desirable that the entity owning such assets comply with the foregoing policy statement.

d. Budget and Management Plan

Not more than 90 days after the end of the calendar year, Staff and Consultant shall meet with the manager of personnel directly responsible for an Individually Managed Account portfolio and asset management for a review and evaluation of the Manager's Budget and Management Plan, which shall include a summary of the prior year's financial performance, budgeted projections for the ensuing year, and the Manager's current hold/sell recommendation for each property.

2. Pooled Investment Vehicles

The following procedures will be used in the selection and monitoring of investments in Pooled Investment Vehicles.

a. Selection Process

Staff and Consultant will conduct screenings of the universe of available investment offerings that may be identified through Consultant's real estate databases, meetings with fund sponsors and their agents, and established SERS' relationships. The initial screen will focus on the identification of high quality candidates that clearly meet SERS' real estate investment guidelines and strategy, and which conform to the diversification and other risk management policies set forth in SERS' Strategic Investment Plan and Real Estate Statement of Investment Policy.

After identifying potential candidates, Staff and Consultant will conduct due diligence to ascertain which will provide optimal investment opportunities for SERS. The candidates will be assessed across a variety of criteria, including but not limited to:

- investment track record;
- quality, stability, depth and experience of investment professionals;
- clearly defined investment strategy that complements or is otherwise accretive to SERS' current or projected real estate portfolio construction;
- alignment of general partner's interests with limited partners' interests;
- adequacy of operational, accounting, legal compliance and reporting systems and personnel;
- terms and conditions of the fund, including but not limited to fees, promoted interests, key person provisions and removal and/or replacement of the general partner by the limited partners;
- client base and references; and
- unique advantages to the investment that benefit SERS, such as negotiation of preferred fees by Staff and/or Consultant.

If due diligence efforts are favorable, staff and consultant shall recommend to the Board in writing the Pooled Investment Vehicle manager or managers to be interviewed and selected by the Board.

b. Closing Process

Completion of due diligence requires Fund counsel's review of the Pooled Investment Vehicle's formation and associated legal documents.

c. Control and Monitoring

Manager shall provide unaudited quarterly statements and reports and annual audited statements, which comply with generally accepted accounting procedures (GAAP). Annual meetings are typically conducted to discuss important developments regarding investment and management issues.

E. Discretionary Authority

The Board provides complete investment discretion within contractual guidelines to its advisors regarding the acquisition, management, and disposition of real estate holdings.

F. Performance Measurement Report

Consultant shall provide performance measurement reports on a quarterly basis reviewing compliance with the Strategic Investment Plan and this Policy Statement. The report shall also include attributes for both the investment managers and the total portfolio including: income, appreciation, gross and net returns; cash flow; diversification; and comparisons with relevant industry performance indices.



pennsylvania

STATE EMPLOYEES' RETIREMENT SYSTEM

Commonwealth of Pennsylvania
State Employees' Retirement Board
Investment Manager Monitoring Policy

Adopted October 29, 2014

Amended January 27, 2016

SERS employs external investment managers to manage pension fund assets. SERS' Statement of Investment Policy charges the investment office with responsibility for coordinating all investment activities and matters for SERS, including the continual review and analysis of investment managers. It also allows for the use of external investment consultants to provide various investment-related services, including assistance with the analysis of investment managers.

SERS' investment office, in consultation with its external general investment consultant and external real estate investment consultant, developed this Investment Manager Monitoring Policy ("Policy"). The purpose of this Policy is to provide the SERS Board with an enhanced communication tool to keep the Board informed of investment managers that warrant additional monitoring by SERS' investment office and external consultants.

An Investment Manager Evaluation List (Appendix 1) was developed to clearly communicate which investment managers have been identified as experiencing quantitative or qualitative pattern changes worthy of greater review by SERS' investment office and external investment consultants. Although a quantitative analysis is clearly important, it is not a best practice to rely exclusively on such data when evaluating investment managers due to the imperfect nature of many indices used as portfolio benchmarks. In addition, the placement of an investment manager on the Investment Manager Evaluation List does not automatically serve as evidence of a problem with the investment manager. This can only be determined after SERS' investment office and external investment consultants enhance its ongoing monitoring.

A. Investment Manager Monitoring Guidelines and Evaluation List

The Investment Manager Monitoring Guidelines formalize the identification and application of qualitative and quantitative criteria employed by SERS with respect to the monitoring of current investment managers in the following asset classes of the SERS' investment program.

- Global Public Equity
- Public REITs
- Hedge Funds
- Fixed Income
- Cash

The Investment Manager Monitoring Guidelines:

- 1) establish clear expectations between the SERS' Board, investment office, external investment consultants, and investment managers,
- 2) enhance communication among the SERS' Board, investment office, external investment consultants,
- 3) encourage the use of prudently applied criteria to evaluate investment managers,
- 4) foster a long-term approach toward performance evaluation of investment managers,
- 5) focus the resources of SERS' investment office and external investment consultants on those investment managers most likely to require additional attention,
- 6) avoid costly turnover in investment management relationships driven by a period of short-term poor performance, and

- 7) improve the probability that SERS will identify problematic relationships which otherwise might produce unsatisfactory investment returns.

In general, the Investment Manager Monitoring Guidelines apply to investment managers with assets that are valued at least monthly. Investment managers that are in liquidation are excluded from the Investment Manager Monitoring Guidelines.

The SERS Board endeavors not to make adverse retention decisions about investment managers based upon performance absent at least three years of performance data, recognizing that investment strategies are best assessed over full market cycles. All of the criteria identified in the Investment Manager Monitoring Guidelines are intended to provide a normal, minimum standard for retaining investment managers.

However, the SERS Board may terminate any current investment manager for any reason whatsoever in accordance with the provisions of investment management agreements between SERS and the external investment managers. These Investment Manager Monitoring Guidelines do not limit SERS' ability to take such action.

B. Criteria for Active and Passive Management

Addition to the Investment Manager Evaluation List

SERS' investment office, in consultation with its external investment consultant, will place an investment manager on the Investment Manager Evaluation List for any of the following reasons:

Quantitative Factors

1. The active investment manager's rolling, three-year return falls below the rolling, three-year benchmark return for four (4) consecutive quarters. This is a net of fee comparison.
2. The active investment manager's rolling, three-year return ranks below the median of the external investment consultant's peer group for four (4) consecutive quarters (excludes investment managers with no relative peer group). This is a gross of fee comparison.
3. The passive investment manager's rolling three-year return is not in line with the rolling, three-year benchmark return. SERS' investment office and the external investment consultant will determine what variance from the benchmark is deemed acceptable, given the passive strategy. This is a net of fee comparison.
4. The active or passive investment manager's return significantly deviates from its expected return established in its investment strategy statements (investment guidelines) with SERS. This is a net of fee comparison.

Qualitative Factors

1. A significant and potentially adverse event related, but not limited, to any of the following qualitative issues or events, will be considered:

- Violation of investment guidelines
- Deviation from stated investment style and/ or shifts in the firm's philosophy or process
- Turnover of one or more key personnel
- Change in firm ownership or structure
- Significant loss of clients and/or assets under management
- Significant and persistent lack of responsiveness to client requests
- Litigation
- Failure to disclose significant information, including potential conflicts of interest
- Chronic violations of the SERS' Statement of Investment Policy
- Any other issue or situation of which SERS' investment office, external investment consultants, and/or SERS Board members become aware that is deemed material.

Removal from the Investment Manager Evaluation List

An investment manager may be removed from the Investment Manager Evaluation List when SERS' investment office and the external investment consultant agree that the investment manager has satisfactorily met the quantitative or qualitative criteria for removal from the Evaluation List. Generally for active investment managers, two consecutive quarters of rolling, three-year performance above the benchmark and a ranking above the median of the external investment consultant's peer group following placement on the Evaluation List will be required for an investment manager's removal from the Evaluation List for performance reasons. For index fund investment managers, one period of rolling, three-year performance in line with the benchmark following placement on the Evaluation List will be required for an investment manager's removal from the Evaluation List for performance reasons. SERS' investment office and the external investment consultant will typically make a decision to recommend retention or termination twelve (12) months following placing an investment manager on the Evaluation List. At the point of decision, SERS' investment office and the external investment consultant may recommend renewing inclusion on the Evaluation List for an additional period of time subject to supporting due diligence.

C. Application of Criteria

1. The Investment Manager Evaluation List is a confidential internal document and will only be used for internal purposes.
2. SERS' investment office, in consultation with external investment consultants, will provide the SERS Board with a current Investment Manager Evaluation List at the same board meeting when the general investment consultant's quarterly performance is provided to the SERS' Board. The Evaluation List will include all investment managers which have been added or removed and summary of the reasons for the addition or removal.
3. The Investment Manager Evaluation List will be provided to the SERS Board in executive session.

4. When an investment manager is placed on the Investment Manager Evaluation List, SERS' investment office and external investment consultants will enhance its ongoing monitoring of the investment manager to assess whether or not genuine issues of concern actually exist.
5. If genuine issues of concern are identified, SERS' investment office and external investment consultants will assess the cause, magnitude, and likely duration of the issues.
6. If the analysis from SERS' investment office and external investment consultants reveal that the issues are not of concern, the investment manager will be removed from the Investment Manager Evaluation List.
7. If the investment manager resolves the issues of concern to the satisfaction of SERS' investment office and external investment consultants, the investment manager will be removed from the Investment Manager Evaluation List.
8. If SERS' investment office and external investment consultant determine that the issues of concern have persisted without satisfactory resolution or are unlikely to be resolved within 12 months, then a recommendation on whether to retain the investment manager will be provided to the SERS' Board.
9. In emergency situations, the Chief Investment Officer, in consultation with the SERS Board Chairman, may make investment decisions (i.e. halt trading or terminate an investment manager). Emergency situations are defined as those that are unforeseeable and in the absence of action, the Fund may be adversely impacted. In the event such action is taken, the SERS Board will be notified as soon as practical, but no later than the next scheduled board meeting. This is defined in SERS' Statement of Investment Policy.



Appendix 1: Investment Manager Evaluation List (TEMPLATE)

Memorandum

To SERS Board Members
 From SERS Investment Office and RVK
 Subject Investment Manager Evaluation List
 Date <insert date>

The following is the Investment Manager Evaluation List (“Evaluation List”) as of <insert quarter-end date>. The Evaluation List is compiled in conformance with the criteria established in the Investment Manager Monitoring Policy adopted by the Board on October 29, 2014.

The placement of an investment manager on the Evaluation List does not automatically serve as evidence of a problem with the investment manager. The Evaluation List was developed to clearly communicate which investment managers have been identified as experiencing quantitative or qualitative pattern changes worthy of greater review by SERS’ investment office and external investment consultants.

Summary

Manager	Asset Class	Strategy	Assets	Event Date
1. Additions Since Last Report				
2. On Evaluation List				
3. Deletions Since Last Report				

Evaluation List

Manager	Reason	SERS Investment Office & RVK Recommendation

EXHIBIT B

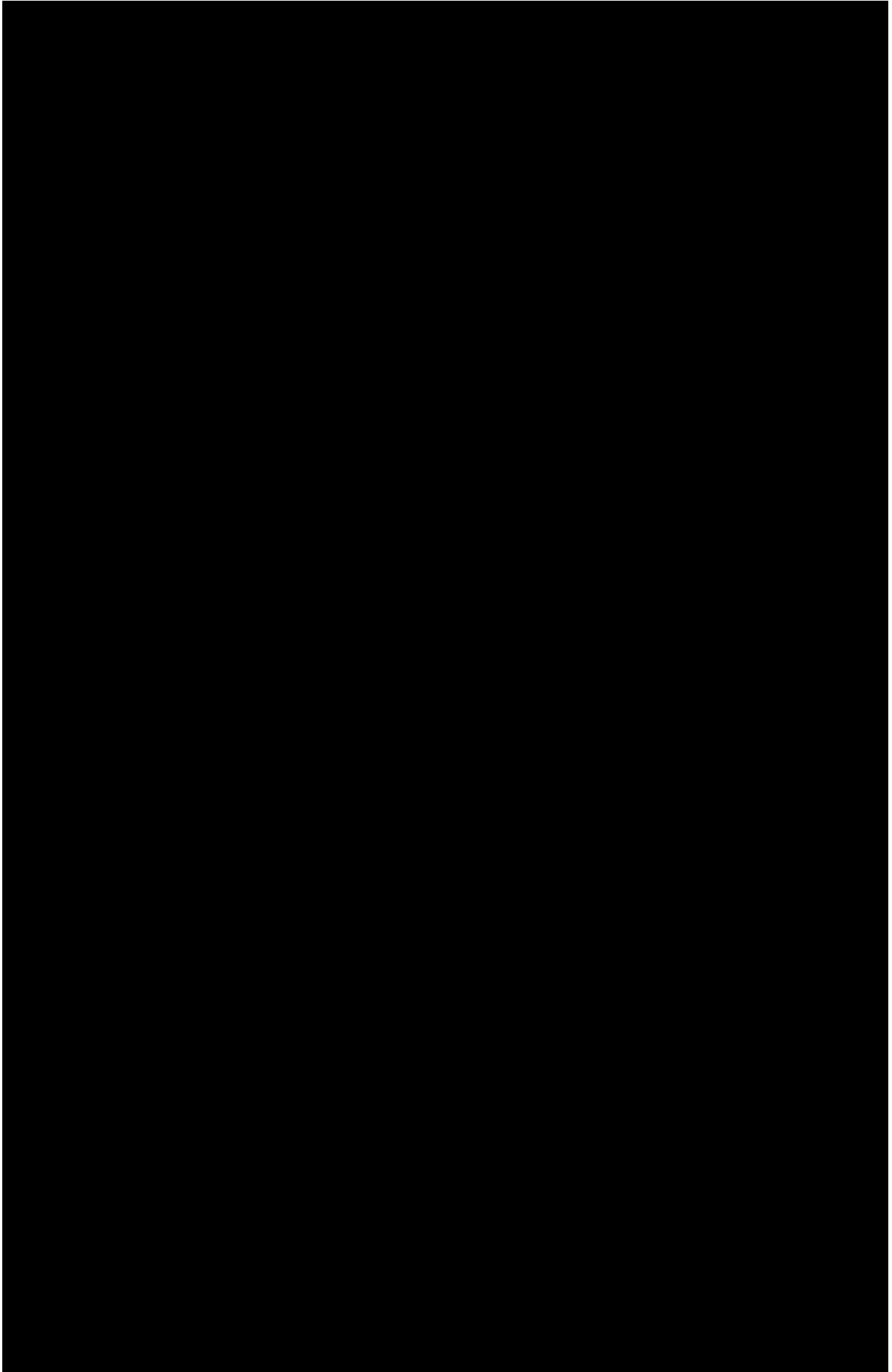


EXHIBIT B-1

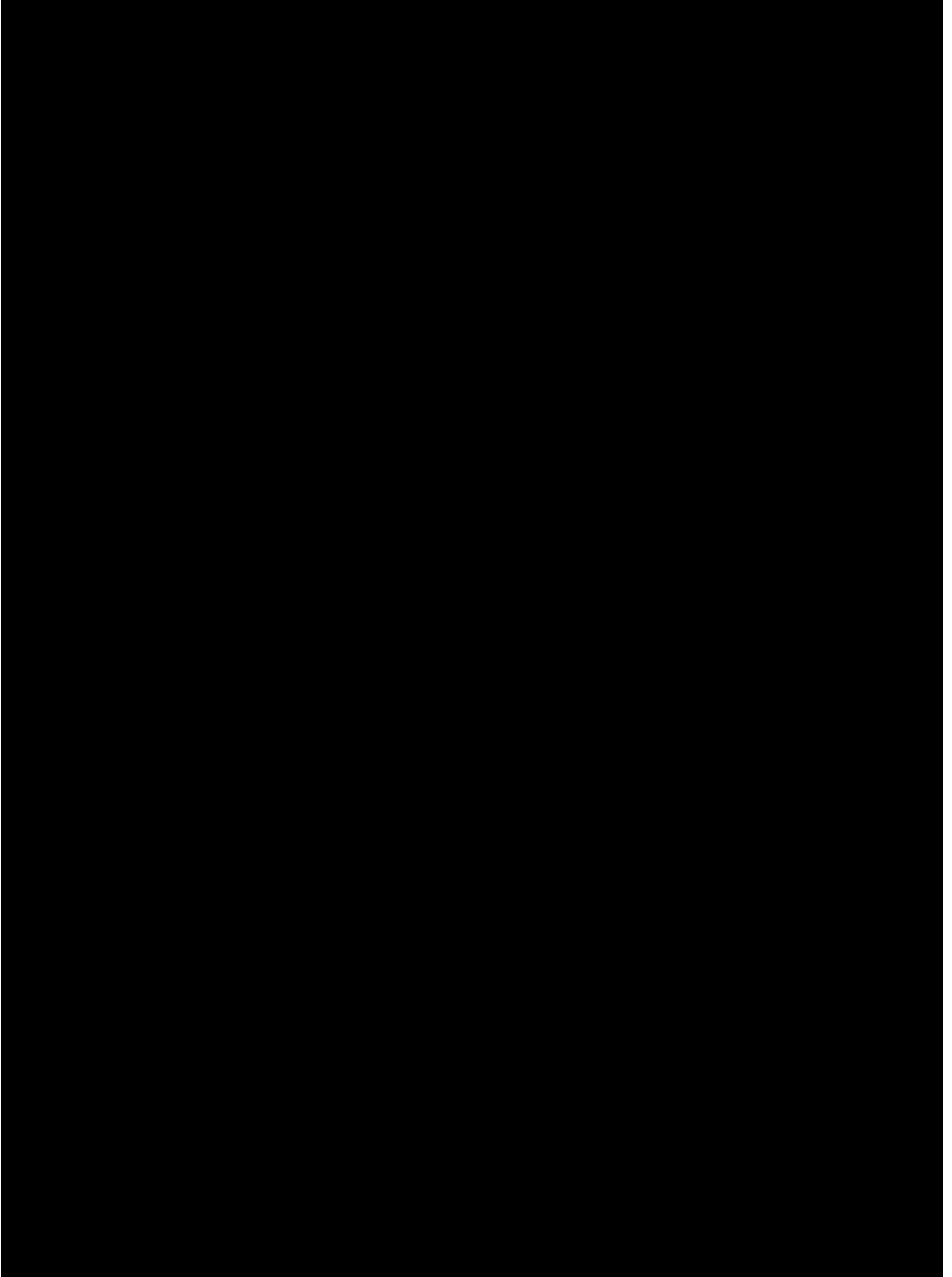


EXHIBIT C

RVK, INC.

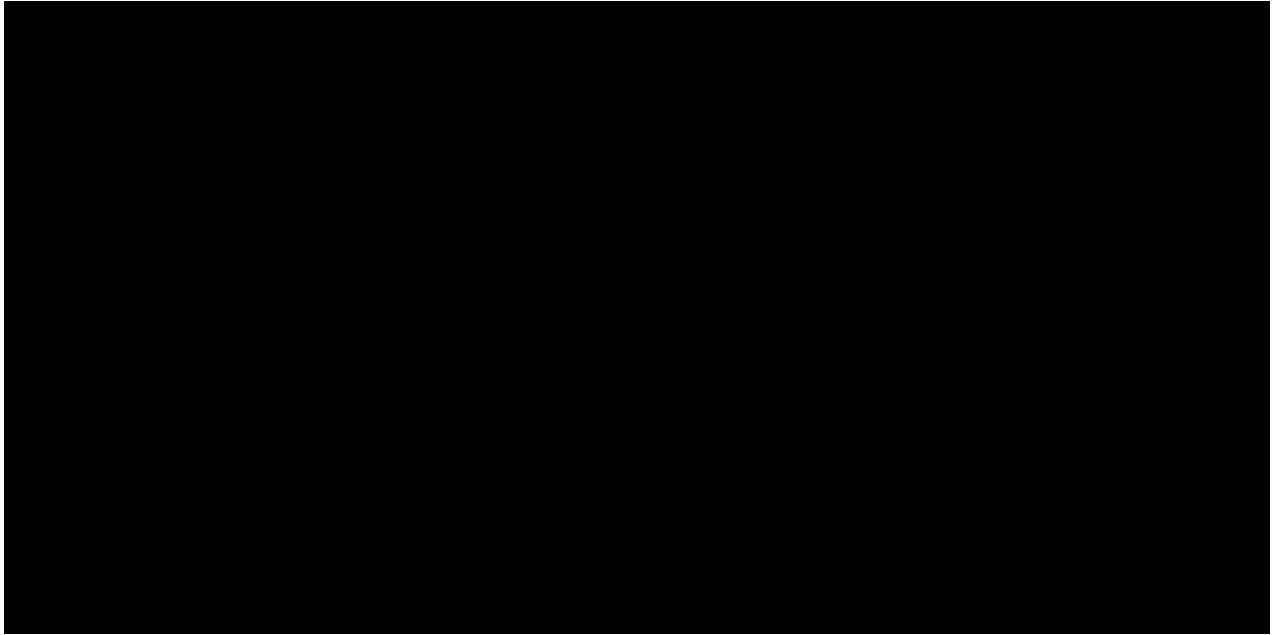


EXHIBIT C-1

RVK, INC.

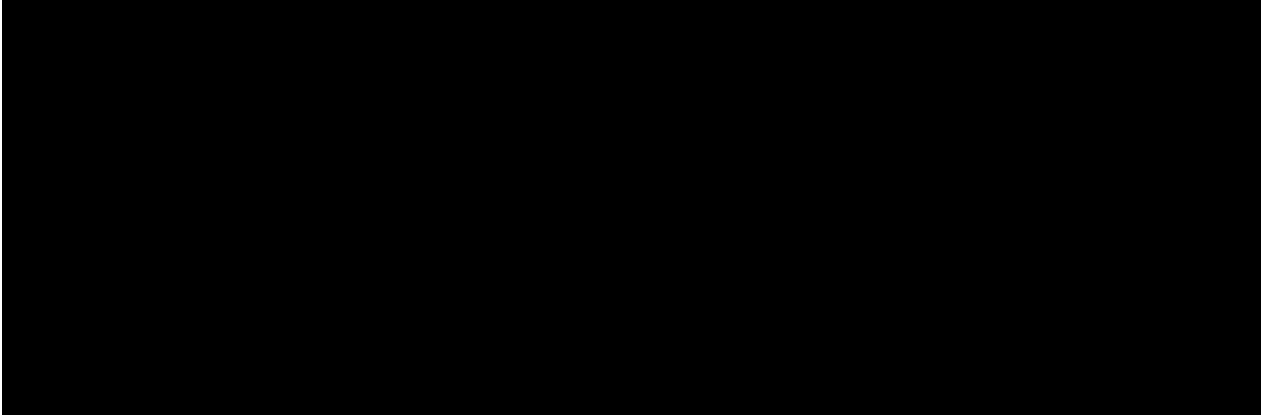


Exhibit D

**COMMONWEALTH OF PENNSYLVANIA
CONTRACT PROVISIONS**

- I. Term of Contract**
- II. Contractor Integrity Provisions**
- III. Non-Discrimination/Sexual Harassment Clause**
- IV. Contractor Responsibility Provisions**
- V. Assignment of Anti-Trust Claims**
- VI. Offset Provision**
- VII. Certification of Taxpayer Identification Number**
- VIII. The Americans With Disabilities Act**
- IX. Disadvantaged Business Information**
- X. Information Concerning Small Businesses In Enterprise Zones**
- XI. Recycled Content Products Provision**
- XII. Hold Harmless Provision**

COMMONWEALTH CONTRACT PROVISIONS

I. TERM OF CONTRACT

The term of the Contract shall commence on the Effective Date (as defined below) and shall end on the Expiration Date identified in the Contract, subject to the other provisions of the Contract.

The Effective Date shall be fixed by the Contracting Officer after the Contract has been fully executed by the Contractor and by the Commonwealth and all approvals required by Commonwealth contracting procedures have been obtained. The Contract shall not be a legally binding contract until after the Effective Date is affixed and the fully executed Contract has been sent to the Contractor.

The Commonwealth reserves the right, upon notice to the Contractor, to extend the term of the Contract for up to three (3) months upon the same terms and conditions. This will be utilized to prevent a lapse in Contract coverage and only for the time necessary, up to three (3) months, to enter into a new contract.

II. CONTRACTOR INTEGRITY PROVISIONS (August 2010)

It is essential that those who seek to contract with the Commonwealth of Pennsylvania ("Commonwealth") observe high standards of honesty and integrity. They must conduct themselves in a manner that fosters public confidence in the integrity of the Commonwealth procurement process.

In furtherance of this policy, Contractor agrees to the following:

1. Contractor shall maintain the highest standards of honesty and integrity during the performance of this contract and shall take no action in violation of state or federal laws or regulations or any other applicable laws or regulations, or other requirements applicable to Contractor or that govern contracting with the Commonwealth.
2. Contractor shall establish and implement a written business integrity policy, which includes, at a minimum, the requirements of these provisions as they relate to Contractor employee activity with the Commonwealth and Commonwealth employees, and which is distributed and made known to all Contractor employees.
3. Contractor, its affiliates, agents and employees shall not influence, or attempt to influence, any Commonwealth employee to breach the standards of ethical conduct for Commonwealth employees set forth in the *Public Official and Employees Ethics Act, 65 Pa.C.S. §§1101 et seq.*; the *State Adverse Interest Act, 71 P.S. §776.1 et seq.*; and the *Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 et seq.*, or to breach any other state or federal law or regulation.
4. Contractor, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person at the direction or request of any Commonwealth official or employee.
5. Contractor, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person, the acceptance of which would violate the *Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 et seq.* or any statute, regulation, statement of policy, management directive or any other published standard of the Commonwealth.
6. Contractor, its affiliates, agents and employees shall not, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any Commonwealth official or employee.

7. Contractor, its affiliates, agents, employees, or anyone in privity with him or her shall not accept or agree to accept from any person, any gratuity in connection with the performance of work under the contract, except as provided in the contract.

8. Contractor shall not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on this project, unless the financial interest is disclosed to the Commonwealth in writing and the Commonwealth consents to Contractor's financial interest prior to Commonwealth execution of the contract. Contractor shall disclose the financial interest to the Commonwealth at the time of bid or proposal submission, or if no bids or proposals are solicited, no later than Contractor's submission of the contract signed by Contractor.

9. Contractor, its affiliates, agents and employees shall not disclose to others any information, documents, reports, data, or records provided to, or prepared by, Contractor under this contract without the prior written approval of the Commonwealth, except as required by the *Pennsylvania Right-to-Know Law*, 65 P.S. §§ 67.101-3104, or other applicable law or as otherwise provided in this contract. Any information, documents, reports, data, or records secured by Contractor from the Commonwealth or a third party in connection with the performance of this contract shall be kept confidential unless disclosure of such information is:

- a.** Approved in writing by the Commonwealth prior to its disclosure; or
- b.** Directed by a court or other tribunal of competent jurisdiction unless the contract requires prior Commonwealth approval; or
- c.** Required for compliance with federal or state securities laws or the requirements of national securities exchanges; or
- d.** Necessary for purposes of Contractor's internal assessment and review; or
- e.** Deemed necessary by Contractor in any action to enforce the provisions of this contract or to defend or prosecute claims by or against parties other than the Commonwealth; or
- f.** Permitted by the valid authorization of a third party to whom the information, documents, reports, data, or records pertain; or
- g.** Otherwise required by law.

10. Contractor certifies that neither it nor any of its officers, directors, associates, partners, limited partners or individual owners has not been officially notified of, charged with, or convicted of any of the following and agrees to immediately notify the Commonwealth agency contracting officer in writing if and when it or any officer, director, associate, partner, limited partner or individual owner has been officially notified of, charged with, convicted of, or officially notified of a governmental determination of any of the following:

- a.** Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.
- b.** Commission of fraud or a criminal offense or other improper conduct or knowledge of, approval of or acquiescence in such activities by Contractor or any affiliate, officer, director, associate, partner, limited partner, individual owner, or employee or other individual or entity associated with:
 - (1)** obtaining;
 - (2)** attempting to obtain; or
 - (3)** performing a public contract or subcontract.

Contractor's acceptance of the benefits derived from the conduct shall be deemed evidence of such knowledge, approval or acquiescence.

- c. Violation of federal or state antitrust statutes.
- d. Violation of any federal or state law regulating campaign contributions.
- e. Violation of any federal or state environmental law.
- f. Violation of any federal or state law regulating hours of labor, minimum wage standards or prevailing wage standards; discrimination in wages; or child labor violations.
- g. Violation of the *Act of June 2, 1915 (P.L.736, No. 338)*, known as the *Workers' Compensation Act, 77 P.S. 1 et seq.*
- h. Violation of any federal or state law prohibiting discrimination in employment.
- i. Debarment by any agency or department of the federal government or by any other state.
- j. Any other crime involving moral turpitude or business honesty or integrity.

Contractor acknowledges that the Commonwealth may, in its sole discretion, terminate the contract for cause upon such notification or when the Commonwealth otherwise learns that Contractor has been officially notified, charged, or convicted.

11. If this contract was awarded to Contractor on a non-bid basis, Contractor must, (as required by *Section 1641* of the *Pennsylvania Election Code*) file a report of political contributions with the Secretary of the Commonwealth on or before February 15 of the next calendar year. The report must include an itemized list of all political contributions known to Contractor by virtue of the knowledge possessed by every officer, director, associate, partner, limited partner, or individual owner that has been made by:

- a. Any officer, director, associate, partner, limited partner, individual owner or members of the immediate family when the contributions exceed an aggregate of one thousand dollars (\$1,000) by any individual during the preceding year; or
- b. Any employee or members of his immediate family whose political contribution exceeded one thousand dollars (\$1,000) during the preceding year.

To obtain a copy of the reporting form, Contractor shall contact the Bureau of Commissions, Elections and Legislation, Division of Campaign Finance and Lobbying Disclosure, Room 210, North Office Building, Harrisburg, PA 17120.

12. Contractor shall comply with requirements of the *Lobbying Disclosure Act, 65 Pa.C.S. § 13A01 et seq.*, and the regulations promulgated pursuant to that law. Contractor employee activities prior to or outside of formal Commonwealth procurement communication protocol are considered lobbying and subjects the Contractor employees to the registration and reporting requirements of the law. Actions by outside lobbyists on Contractor's behalf, no matter the procurement stage, are not exempt and must be reported.

13. When Contractor has reason to believe that any breach of ethical standards as set forth in law, the Governor's Code of Conduct, or in these provisions has occurred or may occur, including but not limited to contact by a Commonwealth officer or employee which, if acted upon, would violate such ethical standards, Contractor shall immediately notify the Commonwealth contracting officer or Commonwealth Inspector General in writing.

14. Contractor, by submission of its bid or proposal and/or execution of this contract and by the submission of any bills, invoices or requests for payment pursuant to the contract, certifies and represents that it has not violated any

of these contractor integrity provisions in connection with the submission of the bid or proposal, during any contract negotiations or during the term of the contract.

15. Contractor shall cooperate with the Office of Inspector General in its investigation of any alleged Commonwealth employee breach of ethical standards and any alleged Contractor non-compliance with these provisions. Contractor agrees to make identified Contractor employees available for interviews at reasonable times and places. Contractor, upon the inquiry or request of the Office of Inspector General, shall provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Inspector General to Contractor's integrity and compliance with these provisions. Such information may include, but shall not be limited to, Contractor's business or financial records, documents or files of any type or form that refers to or concern this contract.

16. For violation of any of these Contractor Integrity Provisions, the Commonwealth may terminate this and any other contract with Contractor, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all additional costs and expenses incurred in obtaining another contractor to complete performance under this contract, and debar and suspend Contractor from doing business with the Commonwealth. These rights and remedies are cumulative, and the use or non-use of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation, or otherwise.

17. For purposes of these Contractor Integrity Provisions, the following terms shall have the meanings found in this Paragraph 17.

a. "Confidential information" means information that a) is not already in the public domain; b) is not available to the public upon request; c) is not or does not become generally known to Contractor from a third party without an obligation to maintain its confidentiality; d) has not become generally known to the public through a act or omission of Contractor; or e) has not been independently developed by Contractor without the use of confidential information of the Commonwealth.

b. "Consent" means written permission signed by a duly authorized officer or employee of the Commonwealth, provided that where the material facts have been disclosed, in writing, by pre-qualification, bid, proposal, or contractual terms, the Commonwealth shall be deemed to have consented by virtue of execution of this contract.

c. "Contractor" means the individual or entity that has entered into this contract with the Commonwealth, including those directors, officers, partners, managers, and owners having more than a five percent interest in Contractor.

d. "Financial interest" means:

(1) Ownership of more than a five percent interest in any business; or

(2) Holding a position as an officer, director, trustee, partner, employee, or holding any position of management.

e. "Gratuity" means tendering, giving or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind. The exceptions set forth in the *Governor's Code of Conduct, Executive Order 1980-18, the 4 Pa. Code §7.153(b)*, shall apply.

f. "Immediate family" means a spouse and any unemancipated child.

g. "Non-bid basis" means a contract awarded or executed by the Commonwealth with Contractor without seeking bids or proposals from any other potential bidder or offeror.

h. “Political contribution” means any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance or deposit of money or any valuable thing, to a candidate for public office or to a political committee, including but not limited to a political action committee, made for the purpose of influencing any election in the Commonwealth of Pennsylvania or for paying debts incurred by or for a candidate or committee before or after any election.

III. NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE (August 2010)

The contractor agrees:

- 1.** In the hiring of any employee(s) for the manufacture of supplies, performance of work, or any other activity required under the contract or any subcontract, the Contractor, each subcontractor, or any person acting on behalf of the Contractor or subcontractor shall not, by reason of gender, race, creed, or color discriminate against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.
- 2.** Neither the Contractor nor any subcontractor nor any person on their behalf shall in any manner discriminate against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the contract on account of gender, race, creed, or color.
- 3.** The Contractor and each subcontractor shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.
- 4.** The Contractor and each subcontractor shall not discriminate by reason of gender, race, creed, or color against any subcontractor or supplier who is qualified to perform the work to which the contract relates.
- 5.** The Contractor and each subcontractor shall, within the time periods requested by the Commonwealth, furnish all necessary employment documents and records and permit access to their books, records, and accounts by the contracting agency and the Bureau of Minority and Women Business Opportunities (BMWBO), for purpose of ascertaining compliance with provisions of this Nondiscrimination/Sexual Harassment Clause. Within fifteen (15) days after award of any contract, the Contractor shall be required to complete, sign and submit Form STD-21, the “Initial Contract Compliance Data” form. If the contract is a construction contract, then the Contractor shall be required to complete, sign and submit Form STD-28, the “Monthly Contract Compliance Report of Construction Contractors”, each month no later than the 15th of the month following the reporting period beginning with the initial job conference and continuing through the completion of the project. Those contractors who have fewer than five employees or whose employees are all from the same family or who have completed the Form STD-21 within the past 12 months may, within the 15 days, request an exemption from the Form STD-21 submission requirement from the contracting agency.
- 6.** The Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that those provisions applicable to subcontractors will be binding upon each subcontractor.
- 7.** The Commonwealth may cancel or terminate the contract and all money due or to become due under the contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File.

IV. CONTRACTOR RESPONSIBILITY PROVISIONS (October 2006)

- a.** The Contractor certifies, for itself and all its subcontractors, that as of the date of its execution of this Bid/Contract, that neither the Contractor, nor any subcontractors, nor any suppliers are under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority and, if the Contractor cannot so certify, then it agrees to submit, along with its Bid, a written explanation of why such certification cannot be made.
- b.** The Contractor also certifies, that as of the date of its execution of this Bid/Contract, it has no tax liabilities or other Commonwealth obligations.

- c. The Contractor's obligations pursuant to these provisions are ongoing from and after the effective date of the contract through the termination date thereof. Accordingly, the Contractor shall have an obligation to inform the Commonwealth if, at any time during the term of the Contract, it becomes delinquent in the payment of taxes, or other Commonwealth obligations, or if it or any of its subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. Such notification shall be made within 15 days of the date of suspension or debarment.
- d. The failure of the Contractor to notify the Commonwealth of its suspension or debarment by the Commonwealth, any other state, or the federal government shall constitute an event of default of the Contract with the Commonwealth.
- e. The Contractor agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the Contractor's compliance with the terms of this or any other agreement between the Contractor and the Commonwealth, which results in the suspension or debarment of the Contractor. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.
- f. The Contractor may obtain a current list of suspended and debarred Commonwealth contractors by either searching the internet at <http://www.dgs.state.pa.us/> or contacting the:

Department of General Services
Office of Chief Counsel
603 North Office Building
Harrisburg, PA 17125
Telephone No. (717) 783-6472
FAX No. (717) 787-9138

V. ASSIGNMENT OF ANTITRUST CLAIMS (October 2006)

The Contractor and the Commonwealth recognize that in actual economic practice, overcharges by Contractor's suppliers resulting from violations of state or federal antitrust laws are in fact borne by the Commonwealth. As part of the consideration for the award of the Contract, and intending to be legally bound, Contractor assigns to the Commonwealth all right, title and interest in and to any claims the Contractor now has, or may acquire, under state or federal antitrust laws relating to the products or services which are the subject of this Contract.

VI. OFFSET PROVISION (October 2006)

The Contractor agrees that the Commonwealth may set off the amount of any state tax liability or other obligation of the Contractor or its subsidiaries to the Commonwealth against any payments due the Contractor under any contract with the Commonwealth.

VII. CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER

Execution of this Contract constitutes certification by the Contractor that:

- A. The number appearing on the Contract is the Contractor's correct taxpayer identification number (if no number is present, Contractor is waiting for a number to be issued) and,
- B. Contractor is not subject to backup withholding because: (i) Contractor is exempt from backup withholding, or (ii) Contractor has not been notified by the I.R.S. that it is subject to backup withholding as result of a failure to report all interest or dividends, or (iii) the I.R.S. has notified Contractor that it is no longer subject to backup withholding.

VIII. THE AMERICANS WITH DISABILITIES ACT (October 2006)

a. Pursuant to federal regulations promulgated under the authority of The Americans With Disabilities Act, 28 C.F.R. Section 35.101 et seq., the Contractor understands and agrees that it shall not cause any individual with a disability to be excluded from participation in this Contract or from activities provided for under this Contract on the basis of the disability. As a condition of accepting this contract, the Contractor agrees to comply with the “General Prohibitions Against Discrimination”, 28 C.F.R. §35.130, and all other regulations promulgated under Title II of The Americans With Disabilities Act which are applicable to all benefits, services, programs, and activities provided by the Commonwealth of Pennsylvania through contracts with outside contractors.

b. The Contractor shall be responsible for and agrees to indemnify and hold harmless the Commonwealth of Pennsylvania from all losses, damages, expenses, claims, demands, suits and actions brought by any party against the Commonwealth of Pennsylvania as a result of the Contractor’s failure to comply with the provisions of Subparagraph a. above.

IX. DISADVANTAGED BUSINESS INFORMATION (March 2010)

The Issuing Office encourages participation by small disadvantaged businesses as prime contractors, joint ventures and subcontractors/suppliers and by socially disadvantaged businesses as prime contractors.

Small Disadvantaged Businesses are small businesses that are owned or controlled by a majority of persons, not limited to members of minority groups, who have been deprived of the opportunity to develop and maintain a competitive position in the economy because of social disadvantages. The term includes:

- a. Department of General Services Bureau of Minority and Women Business Opportunities (BMWBO)-certified minority business enterprises (MBEs) and women business enterprises (WBEs) that qualify as small businesses; and
- b. United States Small Business Administration certified 8(a) small disadvantaged business concerns.
- c. Businesses that BMWBO determines meet the Small Business Administration criteria for designation as a small disadvantaged business.

Small businesses are businesses in the United States that are independently owned, are not dominant in their field of operation, employ no more than 100 full-time or full-time equivalent employees, and earn less than \$20 million in gross annual revenues (\$25 million in gross annual revenues for those businesses in the information technology sales or service business).

Socially disadvantaged businesses are businesses in the United States that BMWBO determines are owned or controlled by a majority of persons, not limited to members of minority groups, who are subject to racial or ethnic prejudice or cultural bias, but which do not qualify as small businesses. In order for a business to qualify as “socially disadvantaged”, the offeror must include in its proposal clear and convincing evidence to establish that the business has personally suffered racial or ethnic prejudice or cultural bias stemming from the business person’s color, ethnic origin or gender.

Questions regarding this Program can be directed to:

Department of General Services
Bureau of Minority and Women Business Opportunities
Room 611, North Office Building
Harrisburg, PA 17125
Phone: (717) 783-3119
Fax: (717) 787-7052
Email: gs-bmwbo@state.pa.us
Website: www.dgs.state.pa.us

A database of BMWBO-certified minority- and women-owned businesses can be accessed at <http://www.dgsweb.state.pa.us/mbewbe/VendorSearch.aspx>. The federal vendor database can be accessed at <http://www.ccr.gov> by clicking on *Dynamic Small Business Search* (certified companies are so indicated).

X. INFORMATION CONCERNING SMALL BUSINESSES IN ENTERPRISE ZONES (March 2010)

The Issuing Office encourages participation by small businesses, whose primary or headquarters facility is physically located in areas the Commonwealth has identified as *Designated Enterprise Zones*, as prime contractors, joint ventures and subcontractors/suppliers.

The definition of headquarters includes, but is not limited to, an office or location that is the administrative center of a business or enterprise where most of the important functions of the business are conducted or concentrated and location where employees are conducting the business of the company on a regular and routine basis so as to contribute to the economic development of the geographical area in which the office or business is geographically located.

Small businesses are businesses in the United States that are independently owned, are not dominant in their field of operation, employ no more than 100 full-time or full-time equivalent employees, and earn less than \$20 million in gross annual revenues (\$25 million in gross annual revenues for those businesses in the information technology sales or service business).

There is no database or directory of small businesses located in Designated Enterprise Zones. Information on the location of *Designated Enterprise Zones* can be obtained by contacting:

Aldona M. Kartorie
Center for Community Building
PA Department of Community and Economic Development
4th Floor, Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120-0225
Phone: (717) 720-7409
Fax: (717) 787-4088
Email: akartorie@state.pa.us

XI. RECYCLED CONTENT PRODUCTS PROVISION

The Commonwealth of Pennsylvania State Employees' Retirement System has determined that the recycled content products provision is not applicable to this Contract for the type of service being provided by this Contractor. This determination was based on the fact that no material type products included on the Department of General Services "List of Products and Procurement Guidelines" are being requested under this Contract.

XII. HOLD HARMLESS PROVISION (November 30, 2006)

The Contractor shall hold the Commonwealth harmless from and indemnify the Commonwealth against any and all third party claims, demands and actions based upon or arising out of any activities performed by the Contractor and its employees and agents under this Contract, provided the Commonwealth gives Contractor prompt notice of any such claim of which it learns. Pursuant to the Commonwealth Attorneys Act (71 P.S. Section 732-101, et seq.), the Office of Attorney General (OAG) has the sole authority to represent the Commonwealth in actions brought against the Commonwealth. The OAG may, however, in its sole discretion and under such terms as it deems appropriate, delegate its right of defense. If OAG delegates the defense to the Contractor, the Commonwealth will cooperate with all reasonable requests of Contractor made in the defense of such suits.