

**ATTACHMENT II**  
**Text of Proposed Amendment to 19 TAC**

**Chapter 33. Statement of Investment Objectives, Policies, and Guidelines of the Texas  
Permanent School Fund**

**Subchapter A. State Board of Education Rules**

**§33.5. Code of Ethics.**

- (a) General principles. The Texas Permanent School Fund (PSF) is held in public trust for the benefit of the schoolchildren of Texas. All those charged with the management of the PSF will aspire to the highest standards of ethical conduct. The purpose of the PSF code of ethics is to assist and help guide all such persons in the proper discharge of their duties and to assist them in avoiding even the appearance of impropriety.
- (b) Fiduciary responsibility. The members of the State Board of Education (SBOE) serve as fiduciaries of the PSF and are responsible for prudently investing its assets. The SBOE members or anyone acting on their behalf shall comply with the provisions of this section, the Texas Constitution, Texas statutes, and all other applicable provisions governing the responsibilities of a fiduciary.
- (c) Compliance with constitution and code of ethics. The SBOE members are public officials governed by the provisions of the Texas Government Ethics Act, as stated in the Texas Government Code, Chapter 572.
- (d) Definitions. For purposes of this chapter, the following terms shall have the following meanings.
- (1) SBOE Member, for the purposes of the PSF code of ethics, means a member of the SBOE, and shall be deemed to include the SBOE Member or a person related to the member within the second degree of affinity or consanguinity.
- (2) Person means any individual, corporation, firm, limited liability company, limited partnership, trust, association, or other legal entity.
- (3) Investment manager or manager means a Person who manages and invests PSF assets and may be either an internal investment manager or an external investment manager.
- (4) PSF Service Providers are the following Persons:
- (A) any Person who is an external investment manager, as described in §33.20(b)(1) of this title (relating to Responsible Parties and Their Duties), or who is responsible by contract for providing legal advice regarding the PSF, executing PSF brokerage transactions, or acting as a custodian of the PSF;
- ~~(B) any Person except the Texas Education Agency (TEA) or a member of the PSF staff who acts as the sponsor, general partner, managing member, manager, or adviser to an investment fund or other investment vehicle (which, by way of example but without limitation, may include a partnership, a limited liability company, trust, association, or other entity) in which the PSF is invested. Such Persons hereafter in this chapter referred to as Fund Managers;~~
- (B) ~~(C)~~ a member of the Committee of Investment Advisors;
- (C) ~~(D)~~ any Person who is Investment Counsel as described in §33.20(b)(4) of this title or provides consultant services for compensation regarding the management and investment of the PSF;
- (D) ~~(E)~~ any Person who provides investment and management advice to an SBOE Member, with or without compensation, if an SBOE Member:
- (i) gives the Person access to PSF records or information that are identified as confidential; or

- (ii) asks the Person to interview, meet with, or otherwise confer with a PSF Service Provider, Fund Manager, or TEA staff;
- (E) ~~(F)~~ any Person who is a member of the PSF staff who is responsible for managing or investing assets of the PSF, executing brokerage transactions, acting as a custodian of the PSF, or providing investment or management advice regarding the investment or management of the PSF to an SBOE Member or PSF staff;
- (F) ~~(G)~~ any Person who is a member of TEA legal staff who is responsible for providing legal advice regarding the investment or management of the PSF; or
- (G) ~~(H)~~ any Person who submits a response to a Request for Proposal (RFP) or Request for Qualifications (RFQ), or similar types of solicitations, while such response is pending. An applicant is not required to file reports under this section except as required in the RFP or RFQ process.
- (5) Expenditure, for purposes of this section, means any expenditure other than an expenditure made on behalf of an employee acting in the scope of their employment.
- (6) Fund Manager means the Person, except the Texas Education Agency (TEA) or a member of the PSF staff, who controls a non-publicly traded investment fund or other investment vehicle (which, by way of example but without limitation, may include a partnership, a limited liability company, trust, association, or other entity) in which the PSF is invested, such as the Person who acts as the vehicle's sponsor, general partner, managing member, manager, or adviser. For purposes of this chapter, Fund Managers are not considered to be PSF Service Providers, external investment managers, consultants, or Investment Counsel.
- (e) Assets affected by this section. The provisions of this section apply to all PSF assets, both publicly and nonpublicly traded investments.
- (f) General ethical standards.
- (1) SBOE Members and PSF Service Providers must comply with all laws applicable to them, which may include one or more of the following statutes: Texas Government Code, Chapter 2263 (Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers), §572.051 (Standards of Conduct; State Agency Ethics Policy), §552.352 (Distribution or Misuse of Confidential Information), §572.002 (General Definitions), §572.004 (Definition: Regulation), §572.054 (Representation by Former Officer or Employee of Regulatory Agency Restricted; Criminal Offense), §572.058 (Private Interest in Measure or Decision; Disclosure; Removal from Office for Violation), §572.021 (Financial Statement Required), §2252.908 (Disclosure of Interested Parties), and Chapter 305 (Registration of Lobbyists); Texas Penal Code, Chapter 36 (Bribery and Corrupt Influence) and Chapter 39 (Abuse of Office); and Texas Education Code, §43.0031 (Permanent School Fund Ethics Policy), §43.0032 (Conflicts of Interest), and §43.0033 (Reports of Expenditures). The omission of any applicable statute listed in this paragraph does not excuse violation of its provisions. Fund Managers must comply with all applicable laws, including laws governing the investment vehicle, as provided in the governing documents of the investment vehicle.
- (2) SBOE Members and PSF Service Providers must be honest in the exercise of their duties and must not take actions that will discredit the PSF.
- (3) SBOE Members and PSF Service Providers shall be loyal to the interests of the PSF to the extent that such loyalty is not in conflict with other duties, which legally have priority ~~(which, by way of example but without limitation, may include obligations of Fund Managers to other investors in commingled funds)~~. SBOE Members and PSF Service Providers shall avoid personal, employment, or business relationships that create conflicts of interest as defined in subsection (i)(1) of this section. Should an SBOE Member or a PSF Service Provider become aware of any conflict of interest involving himself or herself or another SBOE Member, ~~or~~ PSF Service Provider, or Fund Manager, he or she has an affirmative duty to disclose the conflict to the SBOE chair and vice chair and the commissioner within seven days of discovering the conflict and, in the case of a conflict involving himself or herself, to cure the conflict in a manner provided for under

this section prior to the next SBOE or committee meeting and such SBOE Member shall take no action nor participate in the RFP or RFQ process, or similar types of solicitations, that concerns the conflict.

- (4) SBOE Members and PSF Service Providers shall not use nonpublic information gained through their relationship with the PSF to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of PSF as a reference or the communication to others of the fact that a relationship with PSF exists, provided that no misrepresentation is involved.
  - (5) An SBOE Member shall report in writing the name and address of any PSF Service Provider, as defined by subsection (d)(4)(D) [~~(d)(4)(E)~~] of this section, who provides investment and management advice to that SBOE Member. The SBOE Member shall submit the report to the commissioner of education for distribution to the SBOE within 30 days of the PSF Service Provider first providing investment and management advice to that SBOE Member.
  - (6) SBOE Members and PSF Service Providers shall report in writing any action described by the Texas Education Code, §7.108, to the commissioner of education for distribution to the SBOE within seven days of discovering the violation.
  - (7) A PSF Service Provider or Fund Manager shall not make any gift or donation to a school or other charitable interest on behalf of, at the request of, or in coordination with an SBOE Member. Any PSF Service Provider, Fund Manager, or SBOE Member shall disclose in writing to the commissioner of education any information regarding such a donation.
  - (8) A PSF Service Provider or Fund Manager shall disclose in writing to the commissioner of education for dissemination to all SBOE Members any business or financial transaction greater than \$50 in value with an SBOE Member, the commissioner of education, or any member of PSF staff or TEA legal staff who is a PSF Service Provider within 30 days of the transaction. Excluded from this subsection are checking accounts, savings accounts, credit cards, brokerage accounts, mutual funds, or other financial accounts that are provided to the SBOE Member or to a member of the PSF staff or TEA legal staff under the same terms and conditions as they are provided to members of the general public.
  - (9) An SBOE Member shall disclose in writing to the commissioner of education on a quarterly basis any business or financial transaction greater than \$50 in value between the SBOE Member, or a business entity in which the SBOE Member has a significant ownership interest, and a PSF Service Provider or Fund Manager. A report shall be filed even if there has not been a business or financial transaction greater than \$50 in value between the SBOE Member, or a business entity in which the SBOE Member has a significant ownership interest, and a PSF Service Provider or Fund Manager. Excluded from this subsection are checking accounts, savings accounts, credit cards, brokerage accounts, mutual funds, or other financial accounts that are provided to an SBOE Member under the same terms and conditions as they are provided to members of the general public. The reports shall be filed on or before January 15, April 15, July 15, and October 15 and shall cover the preceding three calendar months. The first report filed for each SBOE Member shall cover the preceding one-year period. Subsection (u) of this section does not apply to the first report filed. The commissioner of education shall communicate the information included in the disclosure to all SBOE Members.
- (g) Notification of disclosure. In order to preserve the integrity and public trust in the PSF, it is deemed necessary and appropriate to allow all SBOE Members a reasonable time to promptly review and respond to any disclosures or written inquiries made by applicants or made by PSF Service Providers as provided in SBOE operating procedures. In compliance with Texas Government Code, §2156.123, no SBOE Member or PSF Service Provider should publicly disclose any submission materials prior to completion of the RFP or RFQ process. For purposes of this subsection, an RFP or RFQ is completed upon final award of an RFP, or selection of qualified bidders for an RFQ, or closure without any selection. This subsection does not allow an SBOE Member to refrain from publicly disclosing a conflict of interest as required by subsections (f)(3) and (i)(4) of this section and Texas Government Code, §572.058.
- (h) Disclosure.

- (1) If an SBOE Member solicited a specific investment action by the PSF staff or a PSF Service Provider or a Fund Manager, the SBOE Member shall publicly disclose the fact to the SBOE in a public meeting. The disclosure shall be entered into the minutes of the meeting. For purposes of this section, a matter is a prospective directive to the PSF staff or a PSF Service Provider or a Fund Manager to undertake a specific investment or divestiture of securities for the PSF. This term does not include ratification of prior securities transactions performed by the PSF staff or a PSF Service Provider and does not include an action to allocate classes of assets within the PSF.
  - (2) In addition, an SBOE Member shall fully disclose any substantial interest in any publicly or nonpublicly traded PSF investment (business entity) on the SBOE Member's annual financial report filed with the Texas Ethics Commission pursuant to Texas Government Code, §572.021. An SBOE Member has a substantial interest if the SBOE Member:
    - (A) has a controlling interest in the business entity;
    - (B) owns more than 10% of the voting interest in the business entity;
    - (C) owns more than \$25,000 of the fair market value of the business entity;
    - (D) has a direct or indirect participating interest by shares, stock, or otherwise, regardless of whether voting rights are included, in more than 10% of the profits, proceeds, or capital gains of the business entity;
    - (E) is a member of the board of directors or other governing board of the business entity;
    - (F) serves as an elected officer of the business entity; or
    - (G) is an employee of the business entity.
- (i) Conflicts of interest.
- (1) A conflict of interest exists whenever SBOE Members or PSF Service Providers have business, commercial, or other relationships, including, but not limited to, personal and private relationships, that could reasonably be expected to diminish their independence of judgment in the performance of their duties. For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to PSF and such act or failure to act is, may be, or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of the PSF. Conflicts include, but are not limited to, beneficial interests in securities, corporate directorships, trustee positions, familial relationships, or other special relationships that could reasonably be considered a conflict of interest with the duties to the PSF. Further, Texas Education Code, §43.0032, requires disclosure and no participation, unless a waiver is granted, when an SBOE Member or a PSF Service Provider has a business, commercial, or other relationship that could reasonably be expected to diminish a person's independence of judgment in the performance of the person's responsibilities relating to the management or investment of the PSF. Such business, commercial, or other relationship is defined to be a relationship that is prohibited under Texas Government Code, §572.051, or that would require public disclosure under Texas Government Code, §572.058, or a relationship that does not rise to this level but that is determined by the SBOE to create an unacceptable risk to the integrity and reputation of the PSF investment program.
  - (2) Any SBOE Member or PSF Service Provider who has a possible conflict of interest as defined in paragraph (1) of this subsection shall disclose the possible conflict to the commissioner of education and the chair and vice chair of the SBOE on the disclosure form. The disclosure form is provided in this paragraph entitled "Potential Conflict of Interest Disclosure Form."  
Figure: 19 TAC §33.5(i)(2) (No change.)
  - (3) A person who files a statement under paragraph (2) of this subsection disclosing a possible conflict of interest may not give advice or make decisions about a matter affected by the possible conflict of interest unless the SBOE, after consultation with the general counsel of the TEA, expressly waives this prohibition. The SBOE may delegate the authority to waive this prohibition. If a waiver is not granted by the SBOE or its delegate to an SBOE Member or a PSF Service

Provider for a possible conflict of interest, the SBOE Member or PSF Service Provider may request an opinion from the Texas Ethics Commission as to a determination of whether a conflict of interest exists. An SBOE Member will be given the assistance of the TEA ethics advisor to help draft a request for an opinion, if such assistance is requested. When the SBOE Member or PSF Service Provider receives the opinion of the Texas Ethics Commission and if a waiver is still sought, the SBOE Member or PSF Service Provider shall forward the opinion to the SBOE chair and vice chair and the commissioner. An opinion of the Texas Ethics Commission that determines a conflict exists is final and the SBOE may not waive the conflict of interest. An opinion of the Texas Ethics Commission that determines that no conflict exists will automatically result in an SBOE waiver.

- (4) If an SBOE Member believes he or she has a conflict of interest based on the existence of certain relationships described in Texas Government Code, §572.058, the SBOE Member shall publicly disclose the conflict at an SBOE meeting or committee meeting and the SBOE Member shall not vote or otherwise participate in any decision involving the conflict. In accordance with Texas Government Code, §572.058, the SBOE may not waive the prohibition under this paragraph. This requirement is in addition to the requirement of filing a disclosure under paragraph (2) of this subsection.
- (5) Texas Government Code, §572.051, establishes standards of conduct for state officers and employees. SBOE Members and TEA employees shall abide by these standards.

(j) Prohibited transactions and interests.

- (1) For purposes of this section, the term "direct placement" (with respect to investments that are not publicly traded) is defined as a direct sale of fixed income securities, generally to institutional investors, with or without the use of brokers or underwriters, primarily offered to Qualified Institutional Buyers (QIBs) and not registered by the Securities and Exchange Commission. The term does not include offerings or sales of interests in investment funds or investment vehicles.
- (2) For the purposes of this section, the term "placement agent" is defined as any third party, whether or not affiliated with a PSF Service Provider or Fund Manager, that is a party to an agreement or arrangement (whether written or oral) with a PSF Service Provider or Fund Manager for direct or indirect payment of a fee in connection with a PSF investment.
- (3) No SBOE Member or PSF Service Provider shall:
  - (A) have a financial interest in a direct placement investment of the PSF;
  - (B) serve as an officer, director, or employee of an entity in which a direct placement investment is made by the PSF; or
  - (C) serve as a consultant to, or receive any fee, commission or payment from, an entity in which a direct placement investment is made by the PSF.
- (4) No SBOE Member shall:
  - (A) act as a representative or agent of a third party in dealing with a PSF investment manager, Investment Counsel, or consultant in connection with a PSF investment; or
  - (B) be employed for two years after the end of his or her term on the SBOE with an organization in which the PSF invested, unless the organization's stock or other evidence of ownership is traded on the public stock or bond exchanges.
- (5) A PSF Service Provider shall ~~§~~
  - ~~(A)~~ not act as a representative or agent of a third party in dealing with a PSF investment manager, Investment Counsel, or consultant in connection with a PSF investment ~~;~~ ~~and~~
- ~~(6)~~ ~~(B)~~ A PSF Service Provider or Fund Manager shall, except as approved by the SBOE, not use a placement agent in connection with a PSF investment unless:

(A) ~~(i)~~ the relationship of the PSF Service Provider or Fund Manager with the placement agent, any compensation, and a description of the services provided by the placement agent in connection with a PSF investment are disclosed in writing to PSF staff;

(B) ~~(ii)~~ the placement agent is registered with the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA) or, if not required to register with the SEC or FINRA, is registered with an applicable regulatory body;

(C) ~~(iii)~~ such placement agent does not share any fees with a non-registered person or entity; and

(D) ~~(iv)~~ in executed closing documents for the PSF investment, the PSF Service Provider or Fund Manager contractually represents and warrants that the information provided about the placement agent is true, correct, and complete in all material respects, provided that information provided by the placement agent is, to the knowledge of the PSF Service Provider or Fund Manager, true, correct, and complete in all material respects.

~~(7)~~ ~~(6)~~ A placement agent shall file campaign contribution reports in the same manner as does a PSF Service Provider under subsection (o)(1) of this section for the period during which the placement agent provides services in connection with a PSF investment.

(k) Solicitation of support. No SBOE Member shall solicit or receive a campaign contribution on behalf of any political candidate, political party, or political committee from a PSF Service Provider or Fund Manager. The PSF Service Provider or Fund Manager shall report any such incident in writing to the commissioner of education for distribution to the SBOE.

(l) Hiring external professionals. The SBOE may contract with investment managers to make or assist with PSF investments. The SBOE has the authority and responsibility to hire other external professionals, including custodians, Investment Counsel, or consultants. The SBOE shall select each professional based on merit and cost and subject to the provisions of §33.55 of this title (relating to Standards for Selecting Consultants, Investment Managers, Custodians, and Other Professionals To Provide Outside Expertise for the Fund).

(m) Responsibilities of PSF Service Providers and Fund Managers. The PSF Service Providers and Fund Managers shall be notified in writing of the code of ethics contained in this section. Any existing contracts for investment and any future investment shall strictly conform to this code of ethics. The PSF Service Provider or Fund Manager shall report in writing any suggestion or offer by an SBOE Member to deviate from the provisions of this section to the commissioner of education for distribution to the SBOE within 30 days of the PSF Service Provider or Fund Manager discovering the violation. The PSF Service Provider or Fund Manager shall report in writing any violation of this code of ethics committed by another PSF Service Provider or Fund Manager to the commissioner of education for distribution to the SBOE within 30 days of the PSF Service Provider or Fund Manager discovering the violation. A PSF Service Provider or other person retained in a fiduciary capacity must comply with the provisions of this section.

(n) Gifts and entertainment.

(1) Bribery. SBOE Members are prohibited from soliciting, offering, or accepting gifts, payments, and other items of value in exchange for an official act, including a vote, recommendation, or any other exercise of official discretion pursuant to Texas Penal Code, §36.02.

(2) Acceptance of gifts.

(A) An SBOE Member may not accept gifts, favors, services, or benefits that may reasonably tend to influence the SBOE Member's official conduct or that the SBOE Member knows or should know are intended to influence the SBOE Member's official conduct. For purposes of this paragraph, a gift does not include an item with a value of less than \$50, excluding cash, checks, loans, direct deposit, or negotiable instruments.

(B) An SBOE Member may not accept a gift, favor, service, or benefit from a Person that the SBOE Member knows is interested or is likely to become interested in a charter, contract, purchase, payment, claim, or other pecuniary transaction over which the SBOE has discretion.

- (C) An SBOE Member may not accept a gift, favor, service, or benefit from a Person that the SBOE Member knows to be subject to the regulation, inspection, or investigation of the SBOE or the TEA.
- (D) An SBOE Member may not solicit, accept, or agree to accept a gift, favor, service, or benefit from a Person with whom the SBOE Member knows that civil or criminal litigation is pending or contemplated by the SBOE or the TEA.
- (E) Except as prohibited in subparagraphs (A)-(D) of this paragraph and subject to the requirements for PSF Service Providers, Fund Managers, [providers] and lobbyists in subparagraph (F) of this paragraph, an SBOE Member may accept a gift, favor, service, or benefit if it fits into one of the following categories:
  - (i) items worth less than \$50, but may not be cash, checks, loans, or negotiable instruments;
  - (ii) item is given in the context of a relationship, such as kinship, or a personal, professional, or business relationship that is independent of the SBOE Member's official capacity;
  - (iii) fees for services rendered outside the SBOE Member's official capacity;
  - (iv) government property issued by a governmental entity that allows the use of the property; or
  - (v) food, lodging, entertainment, and transportation, if accepted as a guest and the donor is present.
- (F) In addition to the requirements of subparagraph (E) of this paragraph, the following provisions govern the disposition of an individual who is a PSF Service Provider or Fund Manager or who is both a lobbyist registered with the Texas Ethics Commission and who represents a person subject to the SBOE's or the TEA's regulation, inspection, or investigation. A gift, favor, service, or benefit from a PSF Service Provider or Fund Manager or lobbyist will not be considered a violation of the prohibition set forth in subparagraph (C) of this paragraph.
  - (i) An SBOE Member may not accept the following from a PSF Service Provider or Fund Manager or lobbyist, even if otherwise permitted under subparagraph (E) of this paragraph:
    - (I) loans, cash, checks, direct deposits, or negotiable instruments;
    - (II) transportation or lodging for a pleasure trip;
    - (III) transportation or lodging in connection with a fact-finding trip or to a seminar or conference at which the SBOE Member does not provide services;
    - (IV) entertainment worth more than \$250 in a calendar year;
    - (V) gifts, other than awards and mementos, that combined are worth more than \$250 in value for a calendar year. Gifts do not include food, entertainment, lodging, and transportation if accepted as a guest and the PSF Service Provider or Fund Manager or lobbyist is present; or
    - (VI) individual awards and mementos worth more than \$250 each if from a lobbyist or worth \$50 or more each if from a PSF Service Provider or Fund Manager .
  - (ii) An SBOE Member may accept food and beverages as a guest if the PSF Service Provider or Fund Manager or lobbyist is present.
- (G) An SBOE Member may not solicit, agree to accept, or accept an honorarium in consideration for services that the SBOE Member would not have been asked to provide

but for the SBOE Member's official position. An SBOE Member may accept food, transportation, and lodging in connection with a speech performed as a result of the SBOE Member's position in accordance with the rulings with the Texas Ethics Commission, which may place limitations on the type of entity that may fund such travel. An SBOE Member must report the food, lodging, or transportation accepted under this subparagraph in the SBOE Member's annual personal financial statement.

- (H) Under no circumstances shall an SBOE Member accept a prohibited gift if the source of the gift is not identified or if the SBOE Member knows or has reason to know that the gift is being offered through an intermediary.
  - (I) If an unsolicited prohibited gift is received by an SBOE Member, he or she should return the gift to its source. If that is not possible or feasible, the gift should be donated to charity. The SBOE Member shall report the return of the gift or the donation of the gift to the commissioner of education.
  - (J) A PSF Service Provider or Fund Manager shall file a report annually with the TEA's PSF office, in the format specified by the PSF staff, on or before January 31 of each year ~~on the expenditure report provided in this subparagraph entitled "Report of Expenditures of Persons Providing Services to the State Board of Education Relating to the Management and Investment of the Permanent School Fund."~~ The report shall be for the time period beginning on January 1 and ending on December 31 of the previous year. The expenditure report must describe in detail any expenditure of more than \$50 made by the Person on behalf of:
    - (i) an SBOE Member;
    - (ii) the commissioner of education; or
    - (iii) an employee of the TEA or of a nonprofit corporation created under the Texas Education Code, §43.006.
- [Figure: 19 TAC §33.5(n)(2)(J)]
- (K) A PSF Service Provider or Fund Manager shall file a report annually with the TEA's PSF office, in the format specified by the PSF staff, on or before January 31 of each year. The report will be deemed to be filed when it is actually received. The report shall be for the time period beginning on January 1 and ending on December 31 of the previous year. It shall list any individuals who served in any of the following capacities at any time during the reporting period:
    - (i) all members of the governing body of the PSF Service Provider or Fund Manager ;
    - (ii) the officers of the PSF Service Provider or Fund Manager ;
    - (iii) any broker who conducts transactions with PSF funds;
    - (iv) all members of the governing body of the firm of a broker who conducts transactions with PSF funds; and
    - (v) all officers of the firm of a broker who conducts transactions with PSF funds.
  - (L) This subsection does not apply to campaign contributions.
  - (M) Each SBOE Member and each PSF Service Provider and Fund Manager shall, no later than April 15, file an annual report affirmatively disclosing any violation of this code of ethics known to that Person during the time period beginning January 1 and ending December 31 of the previous year which has not previously been disclosed in writing to the commissioner of education for distribution to all board members, or affirmatively state that the Person has no knowledge of any such violation. For purposes of this subparagraph only, "SBOE Member" means only the individual elected official.

(o) Campaign contributions.



- (1) A PSF Service Provider or Fund Manager shall, no later than January 31 and July 31, file a semi-annual report of each political contribution that the PSF Service Provider or Fund Manager has made to an SBOE Member or a candidate seeking election to the SBOE in writing to the commissioner of education. The report shall be for the six-month time period preceding the reporting dates and include the name of each SBOE Member or candidate seeking election to the SBOE who received a contribution, the amount of each contribution, and date of each contribution. Subsection (u) of this section does not apply to the first report filed. A report shall be filed even if the PSF Service Provider or Fund Manager made no reportable contribution during the reporting period to an SBOE Member or a candidate seeking election to the SBOE. The commissioner of education shall communicate the information included in the disclosure to all SBOE Members.
  - (2) Any person or firm filing a response to an RFP or RFQ relating to the management and investments of the PSF shall disclose in the response whether at any time in the preceding four years from the due date of the response to the RFP or RFQ the person or firm has made a campaign contribution to a candidate for or member of the SBOE.
- (p) Compliance with professional standards.
- (1) SBOE Members and PSF Service Providers who are members of professional organizations which promulgate standards of conduct must comply with those standards.
  - (2) To the extent applicable to them, PSF Service Providers must comply with the Code of Ethics and Standards of Professional Conduct of the Chartered Financial Analyst Institute.
- (q) Transactions involving PSF Service Providers or Fund Managers .
- (1) A PSF Service Provider or Fund Manager other than a PSF executing broker shall not engage in any transaction involving the assets of the PSF with a Person who is an SBOE Member, Investment Counsel, a consultant to the SBOE or to an SBOE Member, or a member of the PSF staff or TEA legal staff who is responsible for managing or investing assets of the PSF or providing investment or management advice or legal advice regarding the investment or management of the PSF.
  - (2) A PSF Service Provider or Fund Manager other than a PSF executing broker shall report to the SBOE on a quarterly basis all investment transactions or trades and any fees or compensation paid or received in connection with the transactions or trades with a Person who is an SBOE Member, Investment Counsel, a consultant to the SBOE or an SBOE Member, or a member of the PSF staff or TEA legal staff who is responsible for managing or investing assets of the PSF or providing investment or management advice or legal advice regarding the investment or management of the PSF.
- (r) Compliance and enforcement.
- (1) The SBOE will enforce this section through its chair or vice chair or the commissioner of education.
  - (2) Any violation of this section will be reported to the chair and vice chair of the SBOE and the commissioner of education and a recommended action will be presented to the SBOE by the chair or the commissioner. A violation of this section may result in the termination of the contract or a lesser sanction. Repeated minor violations may also result in the termination of the contract. With respect to Fund Managers, the recommended action, if any, shall be limited to a withdrawal or other disposition of the PSF's interest in the investment vehicle, each in accordance with the governing documents of the investment vehicle and laws applicable thereto.
  - (3) The PSF compliance officer under the direction of the TEA confidentiality officer shall act as custodian of all statements, waivers, and reports required under this section for purposes of public disclosure requirements.
  - (4) The ethics advisor of the TEA shall respond to inquiries from the SBOE Members and PSF Service Providers concerning the provisions of this section. The ethics advisor may confer with the general counsel and the executive administrator of the PSF.

- (5) No payment shall be made to a PSF Service Provider who has failed to timely file a completed report as described by subsection (m) of this section, until a completed report is filed.
- (s) Ethics training. The SBOE shall receive annual training regarding state ethics laws through the Texas Ethics Commission and the TEA's ethics advisor.
- (t) TEA general ethical standards. The commissioner of education and PSF staff shall comply with the General Ethical Standards for the Staff of the Permanent School Fund and the Commissioner of Education.
- (u) Reporting period. A new report required by an amendment to the code of ethics need only concern events after the effective date of the amendment. An amendment to a rule that presently requires a report does not affect the reporting period unless the amendment explicitly changes the reporting period.
- (v) Statutory statement.
  - (1) A "statutory financial advisor or service provider" as defined in this subsection shall on or before April 15 file a statement as required by Texas Government Code, §2263.005, with the commissioner of education and the state auditor, for the previous calendar year. The statement will be deemed filed when it is actually received. A statutory financial advisor or service provider shall promptly file a new or amended statement with the commissioner of education and the state auditor whenever there is new information required to be reported under Texas Government Code, §2263.005(a).
  - (2) A "statutory financial advisor or service provider" is a member of the Committee of Investment Advisors or an individual or business entity, including a financial advisor, financial consultant, money or investment manager, or broker, who is not an employee of the TEA, but who provides financial services or advice to the TEA or the SBOE or an SBOE member in connection with the management and investment of the PSF and who may reasonably be expected to receive, directly or indirectly, more than \$5,000 in compensation from the TEA or the SBOE during a fiscal year.
  - (3) An annual statement required to be filed under this subsection will be made using the form developed by the state auditor.



# Texas Permanent School Fund

19 TAC §33.5 (n)(2)(I)

## Annual Expenditures Report

Report of Expenditures of Persons Providing Services to the State Board of Education Relating to the Management and Investment of the Permanent School Fund

Report for the Period  
January 1 - December 31, 20\_\_\_\_  
Due Date: January 31, 20\_\_\_\_

A PSF Service Provider shall file a report **annually on January 31** of each year on the expenditure report provided in this subparagraph entitled "Report of Expenditures of Persons Providing Services to the State Board of Education Relating to the Management and Investment of the Permanent School Fund." The report shall be for the time period beginning on January 1 and ending on December 31 of the previous year. The expenditure report must describe in detail any expenditure of more than \$50 made by the Person on behalf of:

- (i) an SBOE Member;
- (ii) the commissioner of education; or
- (iii) an employee of the TEA or of a nonprofit corporation created under the Texas Education Code, §43.006.

Name of Individual Making Report:

Title:

Employer:

Services Rendered to TEA:

Did Expenditures over \$50 Occur (If Yes, complete transaction details below.)

	Date	Amount	Name (SBOE Member, Commissioner, Employee)	Detailed Description of Expenditure
<input type="button" value="Add Row"/> <input type="button" value="Delete Row"/>		\$		

By typing my name in the box below, I certify that the content of this report is true and accurate.

Signature

Date