

TITLE 5. EDUCATION
DIVISION 3. TEACHERS' RETIREMENT SYSTEM
CHAPTER 1. TEACHERS' RETIREMENT SYSTEM
ARTICLE 14. INVESTMENT RELATIONSHIPS AND CAMPAIGN
CONTRIBUTIONS

§ 24010. Prohibitions on Campaign Contributions

(a) No party engaging or seeking to engage in an Investment Relationship with CalSTRS may make any campaign contributions, as defined in The Political Reform Act (Gov. Code, § 81000 *et seq.*), valued in excess of \$1,000, individually, or \$5000 in the aggregate from the party engaged in the Investment Relationship and the individuals identified in subdivision (d) collectively, in any twelve month period beginning on the dates identified in subdivision (e), to any person designated in subdivision (c) below.

(b) For purposes of this Article 14, "Investment Relationship" means a relationship between a non-governmental party and CalSTRS for the purpose of providing investment services such as money management or fund management services, investment advice or consulting (including making recommendations for the placement or allocation of investment funds), and investment support services (including market research, fund accounting, custodial services, and fiduciary advice) for investments placed in the Teachers' Retirement Fund.

(c) This prohibition applies to campaign contributions made to or on behalf of CalSTRS officers and employees, any existing Teachers' Retirement Board member, the Governor, Controller, Treasurer, and Superintendent of Public Instruction, candidates for Teachers' Retirement Board member, and candidates for the offices of Governor, Controller, Treasurer, and Superintendent of Public Instruction.

(d) This prohibition applies to those parties currently engaging in or seeking to engage in an Investment Relationship with CalSTRS which is expected to generate at least \$100,000 annually in income, fees, or other revenue to the party, and specifically includes:

(1) Those individuals employed by or associated with the parties described in this Section 24010(b), above, who are required to file a Form 700 Statement of Economic Interest pursuant to Government Code Section 81000 *et seq.*, the Fair Political Practices Commission Regulations contained in Title 2, Division 6, California Code of Regulations Section 18109 *et seq.*, and the Teachers' Retirement System Regulations contained in Title 5, Division 3, California Code of Regulations Section 22000, *et seq.*; or

(2) "Authorized Personnel/Key Personnel" as defined and identified by the contracting party in the "Authorized Personnel/Key Personnel exhibit" incorporated in or attached to the contract between the contracting party entering into the Investment Relationship and CalSTRS; or

(3) Those individuals who expect to and/or do experience a material financial effect on their economic interests including salary, bonuses, options, or other financial incentives directly deriving from an Investment Relationship with CalSTRS.

This prohibition also applies to contributions from any other entities or individuals made at the direction of such parties identified above in this subdivision (d).

(e) For parties defined in subdivision (d) above, the prohibition set forth in this section shall apply to the time period which begins

(1) On the date CalSTRS first announces a procurement or search process that could lead to an Investment Relationship which is likely to generate at least \$100,000 annually in income, fees, or other revenue to the party; or

(2) On the date a party identified in subdivision (d) above approaches CalSTRS with a proposal to enter into an Investment Relationship with CalSTRS by discussing the specific facts and financial terms of a particular investment transaction or strategy, whichever is earlier, and ends when the Investment Relationship is terminated by any party for any reason, or when CalSTRS communicates its decision not to pursue the Investment Relationship.

AUTHORITY:

Note: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22202, 22207, 22208, 22214, 22250, 22253, and 22305, Education Code. Reference: California Constitution, Article XVI, Section 17; and Sections 22250 and 22253, Education Code.

HISTORY:

1. New article 14 (sections 24010-24013) and section filed 10-29-2007; operative 11-28-2007 (Register 2007, No. 44).

§ 24011. Disclosure and Recusal Requirement for Campaign Contributions

(a) No CalSTRS officer, employee or current Teachers' Retirement Board member, including the Controller, Treasurer, and Superintendent of Public Instruction shall make, participate in making or in any way attempt to use his or her official position to influence a decision involving an Investment Relationship with CalSTRS if the officer, employee or member has received, solicited or directed a campaign contribution, as defined in The Political Reform Act (Gov. Code, § 81000 *et seq.*), valued in excess of \$1,000, individually or \$5000 in the aggregate, in any twelve month period prior to the dates identified in Section 24010, subdivision (e) from any person designated in Section 24010, subdivision (d). For purposes of this section, a member appointed by the Governor and the Director of Finance shall also be deemed to have received a contribution if the Governor who appointed the member or Director of Finance has received a contribution within the twelve month period prior to the dates identified in Section 24010, subdivision (e) from any person designated in Section 24010, subdivision (d).

(b) If the disqualification provision of subdivision (a) results in the lack of a quorum for the purposes of taking action on any item before the Board or any of its committees, a sufficient number of Board members to constitute a quorum shall be drawn by lot from the otherwise disqualified Board members for the purpose of establishing a quorum and taking action on items before the Board or any of its committees. Board members who have been drawn by lot

to constitute a quorum shall have their participation deemed as necessary and shall be exempt from the restrictions of subdivision (a) for the purpose of establishing a quorum and participating in the deliberations and voting on an item for which a quorum could not be established absent this waiver of the restrictions of subdivision (a).

AUTHORITY:

Note: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22202, 22207, 22208, 22214, 22250, 22253, and 22305, Education Code. Reference: California Constitution, Article XVI, Section 17; and Sections 22250 and 22253, Education Code.

HISTORY:

1. New section filed 10-29-2007; operative 11-28-2007 (Register 2007, No. 44).

§ 24012. Remedies, Enforcement and Safe Harbors

(a) CalSTRS' General Counsel shall cause an independent investigation to be performed for any reported violation of Sections 24010 and 24011, and report any documented violation to the Board for action.

(b) If any party seeking an Investment Relationship with CalSTRS is found to be in violation of Section 24010, that party shall be disqualified from engaging in an Investment Relationship with CalSTRS for a period of two years.

(c) Any party who has an existing Investment Relationship with CalSTRS and who is found to be in violation of the provisions of Section 24010 shall be subject to disqualification from doing future or additional business with CalSTRS for a period of two years.

(d) If a party voluntarily reports a violation of Section 24010 to the CalSTRS General Counsel within ninety days of the contribution being made and it is established pursuant to an independent investigation that the violation was inadvertent, the disqualification provision of subdivision (c) will not be applied. This safe harbor provision does not apply to a knowing or intentional violation of Section 24010.

(e) CalSTRS staff shall maintain a current list of parties engaged in an Investment Relationship subject to Section 24010, subdivision (d). The disclosure and recusal requirements of Section 24011, subdivision (a) shall not apply to any CalSTRS officer, employee or current Teachers' Retirement Board member, including the Controller, Treasurer, and Superintendent of Public Instruction if the Investment Relationship has not been published on the list maintained by CalSTRS staff.

AUTHORITY:

Note: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22202, 22207, 22208, 22214, 22250, 22253, and 22305, Education Code. Reference: California Constitution, Article XVI, Section 17; and Sections 22250 and 22253, Education Code.

HISTORY:

1. New section filed 10-29-2007; operative 11-28-2007 (Register 2007, No. 44).

§ 24013. Definitions

Terms not specifically defined herein are defined in the Government Code, the Education Code, the Political Reform Act, the Fair Political Practices Commission Regulations, and the Teachers' Retirement System Regulations.

AUTHORITY:

Note: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22202, 22207, 22208, 22214, 22250, 22253, and 22305, Education Code. Reference: California Constitution, Article XVI, Section 17; and Sections 22250 and 22253, Education Code.

HISTORY:

1. New section filed 10-29-2007; operative 11-28-2007 (Register 2007, No. 44).