



## 2022 Form 600C - CalSTRS Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information Acknowledgement

Name: \_\_\_\_\_

I hereby acknowledge that I have read and understand the [Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information](#) and agree to adhere strictly to the Policy. I further acknowledge and understand that any violation of the terms of the Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information will result in consequences, up to and including discipline or termination from employment or contract with CalSTRS.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

### REQUIREMENT

New employees are required to read and sign the CalSTRS Form 600-C when they start work with CalSTRS and file it with the Office of the General Counsel within 7 (seven) business days of being granted access to any CalSTRS systems or engaging in any work involving confidential, sensitive, or personal information.

### WHERE TO FILE

Route or mail completed forms to:

**CalSTRS Office of the General Counsel- Office of Legal Ethics & Accountability (OLEA)**  
P.O Box 15275, MS-03  
Sacramento, CA 95851-0275

### ASSISTANCE

Contact the OLEA at (916) 414-1724 (or) [Compliance@CalSTRS.com](mailto:Compliance@CalSTRS.com) if you have questions or need assistance completing the form.

# **TEACHERS' RETIREMENT BOARD POLICY MANUAL**

## **(Updated August 2021)**

### **E. Policy Prohibiting Insider Trading**

#### **I. Background**

The Board is committed to the highest ethical standards and strictest adherence to federal, state and foreign securities laws and regulations regarding “insider trading.” To ensure that the California State Teachers’ Retirement System (CalSTRS) operates in a manner commensurate with its goal of promoting integrity in the investment, administration and management of securities, the Board has adopted this Policy Prohibiting Insider Trading. The policy applies to Board members and CalSTRS staff, including investment consultants and contractors affiliated with CalSTRS (hereinafter referred to as “staff”), in possession of or with access to non-public information relating to publicly traded securities. The prohibition on insider trading continues to apply even after resignation from the Board or termination of employment until such time, if ever, that the information becomes generally available to the public other than through disclosure by or through the Board member or staff.

“Insider trading” has been defined as buying or selling securities on the basis of material, nonpublic information relating to those securities. Any person who possesses material, nonpublic information is considered an “insider” as to that information. The prohibition against insider trading may reach anyone, not just a corporate insider, who has access to the material, nonpublic information. The scope of insider trading liability has been extended to “controlling persons,” which includes any entity or person with power of influence or control over the management, policies or activities of another person. It has also been extended to “tippees” who receive material, nonpublic information from an insider when the “tipper” (the “insider”) breaches a fiduciary duty for his or her personal benefit and the “tippee” knows or has reason to know of the breach. Liability has also been extended to fiduciaries who trade based upon misappropriated material nonpublic information obtained from their principal. The law provides civil and criminal penalties for insider trading violations.

Information is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell or refrain from any activity regarding that company’s securities. Material information may be either positive or negative and can relate to any aspect of a company’s business. Common examples of material information include, but are not limited to: unpublished financial results and projections, news of a merger or acquisition, stock splits, public or private securities/debt offerings, changes in dividend policies or amounts, gain or loss of a major customer or supplier, major product announcements, significant changes in senior management, a change in accounting policies, major problems or successes of the business, and information relating to a company against whom CalSTRS is considering securities litigation. Material nonpublic information may not be used by Board members or staff for personal gain or to benefit relatives or friends.

Information is considered “nonpublic” if it is not available to the general public. Once it is released to the general public, it loses its status as “inside” information. However, for nonpublic information to become public, it must have been made generally available to the securities marketplace, and sufficient time must pass for the information to become available in the market. To show that material information is public, it is generally necessary to show some fact verifying that the information has become generally available, such as disclosure in company filings with the SEC or company press releases to a national business and financial wire service, a national news service, or a national newspaper.

## **II. Policy on Insider Trading**

Board members and staff may be provided or have access to confidential information, including material, nonpublic information. Any information not publicly available must be treated as confidential even if it is not designated as confidential. It is the duty of Board members and staff to maintain the confidentiality of information and to not misuse confidential information, including material nonpublic information, belonging to or relating to CalSTRS. Board members and staff who come into possession of material nonpublic information must not intentionally or inadvertently communicate it to any person, including relatives and friends, unless the person has a need to know for legitimate reasons in keeping with their responsibilities to the System.

If Board members or staff are uncertain whether a piece of information is material, nonpublic information, they shall consult with the General Counsel or the Ethics and Compliance Officer before taking action based upon that information. Special care should be taken so that confidential information is not disclosed inadvertently. Examples of inadvertent disclosure include, but are not limited to, discussing confidential information in the cafeteria, elevators, or non-private locations, and leaving confidential documents exposed on one’s desk or in a public area.

Board members and staff in possession of material, nonpublic information may not purchase or sell securities of the concerned company or other publicly traded securities to which the information pertains. Board members and staff also may not disclose material, nonpublic information to another person who could subsequently use that information for profit. Recommending purchases or sales of securities to which the material nonpublic information relates, even without disclosing the basis for the recommendation, is prohibited.

Like insider trading, “front running” may subject Board members or CalSTRS staff to criminal and/or civil proceedings. Front running occurs when a person enters into a trade of securities with advance knowledge of pending orders from other investors. It could occur, for example, when any Board member or CalSTRS staff covered by this policy trades with the knowledge that a trade is pending on behalf of CalSTRS. Furthermore, front running may constitute a misappropriation of CalSTRS proprietary information for private or personal gain. It is therefore the policy of CalSTRS that front running is prohibited. Board members and CalSTRS staff may not place an order for a personal securities

transaction when they know that a CalSTRS securities transaction is pending in a security of the company that is the subject of the personal securities transaction. Likewise, Board members and CalSTRS staff may not knowingly delay, hinder, modify, or cancel any internal CalSTRS buy or sell recommendation, decision, or trading order intending to facilitate a personal securities transaction that, but for the action of the Board member or CalSTRS staff person would otherwise constitute front running or violations of state or federal laws.

Board members and staff in possession of material, nonpublic information relating to a tender offer, acquired directly or indirectly from the bidder or target company, may not trade in target company securities. Board members and staff also may not disclose such material, nonpublic information to another person where it is reasonably foreseeable that the recipient of the information could purchase or sell such company securities.

Board members and staff in possession of material, nonpublic information may not purchase, directly or indirectly, any security in the initial public offering of such security. Such new issue securities may only be purchased in the secondary trading market once such a market is established. Board members and staff also may not encourage, facilitate, or arrange such a purchase by or on behalf of any other person.

### **III. Compliance**

The Board is committed to the highest ethical standards and strictest adherence to the laws and regulations regarding insider trading. This policy is to be delivered to all new Board members and staff, including consultants, upon commencement of a relationship or employment with CalSTRS. Each Board member and all CalSTRS staff must read and comply with the Policy. The certification in Attachment I must be completed by Board members and staff within 30 days of receipt of the policy and annually by April 1 of each year thereafter. The certifications shall be delivered to the CalSTRS General Counsel.

The Chief Investment Officer shall obtain written confirmation from each external manager that handles securities for the System that it has a policy against insider trading that, at a minimum, contains the same prohibitions as this policy and each external manager must confirm that it enforces the policy. The written confirmation must be received by CalSTRS within 30 days of commencement of the manager's relationship with CalSTRS.

Statements of Economic Interests (Form 700) filed by Board members or staff may be reviewed by CalSTRS to insure compliance with this policy. Board members and staff should report any suspected violation of this policy to the CalSTRS General Counsel. The General Counsel is responsible for causing an investigation of any reported violation. Following such investigation, if the General Counsel concludes that the policy may have been violated, he or she shall take appropriate action.

Violation of this policy may result in disciplinary action, including dismissal of employees, and may result in termination of contracts for consultants and other contractors. Any disciplinary action for violation of the policy may be in addition to any civil or criminal

liability under federal and state securities laws and regulations and is not subject to appeal on the grounds that the violation did not ultimately result in any actual civil or criminal investigation or other legal proceeding.

#### **IV. Training**

In addition to the requirements set forth in the Compliance section of this policy, all CalSTRS staff shall participate in training on the Policy Prohibiting Insider Trading at the time of employment with CalSTRS, and annually thereafter. The training shall also be available to all Board Members annually and as part of the Board Member Orientation. In no event shall the failure to provide training or the failure to attend training excuse noncompliance with this policy.

*Amended May 5, 1999*

*Amended September 7, 2006*

*Amended November 6, 2008*

*Amended February 10, 2011*

*Amended June 6, 2013*