



CONFLICT OF INTEREST GUIDELINES

Approved by the Board of Trustees

Adopted: September 11, 1987; Revised March 2006

WHEREAS, a continuing problem of government is the maintenance among its public servants of high moral standards and ethical standards; and

WHEREAS, it is not only corruption, but the appearance of any impropriety which must be avoided and can not be allowed; and

WHEREAS, the people of the District of Columbia are entitled to expect their public servants to perform their duties with integrity and good judgment.

WHEREAS, the maintenance of unusually high standards of honesty, integrity, impartiality, and conduct is essential to assure the proper performance of the government business and the maintenance of confidence by citizens in their government; and

WHEREAS, as fiduciaries of a retirement fund of the District of Columbia, Board members (the “Board”) must be and are bound to even higher standards of conduct; and

WHEREAS, the Board is statutorily required to discharge their duties with respect to the District of Columbia Police and Fire fighters’ and Teachers’ retirement funds (the “Fund”) solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to the participants and their beneficiaries; and

WHEREAS, specific guidelines will assist the Board in maintaining the appropriate standards of conduct; and

WHEREAS, the Board is an independent agency of the District Government and is not within the purview of the District of Columbia Campaign Finance Reform and Conflict of Interest Act, as amended. (D.C. Code §1-1101.01 et seq. (2001 Ed.); and

WHEREAS, the Board approved the language contained in these guidelines at its September 11, 1987 meeting by majority vote.

Now Therefore, be it resolved that the Board hereby adopts the following internal Conflict of Interest Guidelines pursuant to §121(e) of the District of Columbia Retirement Reform Act of 1979 (the “Act”):

1. Applicability

1.1 These guidelines shall apply to all Board members. In the case of members selected pursuant §121(b)(1)(A), (C) and (E), these guidelines shall apply in addition to any other Federal or District statute which may be applicable because of their status as District employees. Wherever these guidelines conflict with any other applicable Federal or District statute, the statute shall control.

1.2 These guidelines shall apply to staff when acting in a fiduciary capacity; provided, however that the Board must have designated the staff member as a fiduciary in writing, and to other staff members as may be provided for herein.

2. Responsibility of Board members

2.1. Members of the Board shall avoid action, whether or not specifically prohibited by these guidelines or any applicable Federal or District statute, which might result in or create the appearance of:

- 2.1.1 Using their position as Board members (or staff where designated) for private gain (financial or otherwise);
- 2.1.2 Giving preferential treatment to any individual, firm or organization, etc.;
- 2.1.3 Impeding government efficiency or economy;
- 2.1.4 Losing complete independence or impartiality;
- 2.1.5 Making a decision, regarding Board business or that might impact the Board, outside official channels;
- 2.1.6 Effecting adversely the confidence of the public in the integrity of the Board, or the District government;
- 2.1.7 Giving the impression that any person could improperly influence or unduly enjoy the favor of any Board member (or designated staff person) in the performance of the Board member's (or designated staff person's) official duties; or
- 2.1.8 Giving the impression that the Board member (or designated staff person) is affected by the kinship, rank, position or influence of any individual, firm or organization.

2.2. Members of the Board (and designated staff) shall act solely for the benefit of the participants and beneficiaries of the Fund and give their undivided loyalty to such participants and beneficiaries.

3. Financial Interest

3.1. No Board member shall accept assignment to serve on a committee of the Board, the jurisdiction of which, consists of matters (other than of a de minimis nature) in which he or she (or a member of his or her family, or a business with which he or she is associated) has a direct personal financial interest.

3.2. No Board member shall vote on a matter being considered by the Board, in which he or she (or a member of his or her family, or a business with which he or she is associated) has a direct personal interest.

3.3. No Board member (or designated staff person) or any member of his or her immediate family or substantial business associates may knowingly acquire any stocks, bonds, commodities, real estate, or other property, whether held individually or in consent with others, if the possession of such could unduly influence or give the appearance of unduly influencing the Board member (or designated staff person) in the performance of his or her official duties and responsibilities with the Board.

3.3.1 **Exception** - This requirement does not apply to blind trusts over which the Board member (or designated staff person) has no power of revocation during his or her tenure on the Board or as staff.

3.4. A Board member who is called upon to act for or on behalf of the Board in a matter relating to or involving a non-governmental entity in which such member or a member of his or her immediate family has a financial interest, shall make that fact known in writing to the Chairman of the Board and the General Counsel. The Chairman upon advice of the General Counsel shall determine whether or not such person should disqualify himself or herself in any official decision or action involving the entity, or whether divestiture of such interest should be made.

3.5. Notwithstanding the restriction contained herein, a Board member shall not be deemed to be prevented from making, or participating in the making of, a Board decision to the extent that his or her participation is legally required for the action or decision to be made. Such circumstances may include waiving disqualification for the purposes of a quorum, but does not include such a waiver to break a tie vote. This rule of necessity does not apply to gifts which have been accepted when it was reasonably foreseeable at the time the gift was received that the Board or staff member involved would be asked to make or participate in a decision affecting the giver of the gift.

3.6. Any Board member who, in the discharge of his or her official duties, would be required to take an action or make a decision that would affect directly or indirectly his or her financial interests or those of a members of his or her household, or a business

with which he or she is associated, or must take an official action on a matter as to which he or she has a conflict situation created by a personal family or client interest, shall:

- 3.6.1. Prepare a written statement describing the matter requiring action or decision, and the nature of his or her potential conflict of interest with respect to such action or decision; and
- 3.6.2. Cause copies of such statement to be delivered to the Chairman of the Board, who shall submit such statement at the next scheduled Board meeting for the record, and, upon request of said member, shall excuse the member from voting, deliberations, and other action on the matter in which a potential conflict exists.

4. Conflict of Interest

4.1. No Board member shall solicit or receive either directly or through the intercession of others, anything of value, including a gift, favor, service, loan, gratuity, entertainment, discount, hospitality, political contribution, or promise of future employment, for a person who singularly or in concert with others: (1) has, or is seeking to obtain, contractual or the business or financial relations with the Board; (2) conducts operation or activities that are subject to the oversight responsibilities of the Board; or (3) has an interest that may be favorably affected by the performance of the Board members' official duties, based upon any understanding that such Board member's official actions or judgment or vote would be influenced thereby, or where it could reasonably be inferred that the thing of value would influence the Board member in the discharge of his or her duties.

4.1.1. Exceptions

- 4.1.1.1. Transactions made in the ordinary course of business of the person offering or giving the thing of value;
- 4.1.1.2. The acceptance of food and refreshments of nominal value on infrequent occasions in the ordinary course of a luncheon or dinner meeting or while on an inspection tour where the Board member is properly in attendance;
- 4.1.1.3. The acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities such as acquisition of a car, home appliance, etc.;
- 4.1.1.4. The acceptance of unsolicited advertising or promotional materials such as pens, pencils, note pads, calendars, and like items of nominal value;
- 4.1.1.5. The acceptance of a voluntary gift of nominal value or a cash donation in a nominal amount which is presented in a special occasion such as marriage, illness, or retirement; or

- 4.1.1.6. The thing of value qualifies as (i) payment of reasonable air fare or accommodations to a seminar, outing or convention given by an educational or charitable institution, (ii) free tickets or passes customarily sent to city officials of a nature which would be expected to be reciprocated at the Board member's own expense; provided that the principal purpose of the meeting must be to discuss financial matters for the benefit of the Funds' participants and beneficiaries and such occasion is of a nature normally provided to other institutional investors; and further provided that only in-kind gifts for actual expenditures for travel and reasonable subsistence may be given to the Board.
- 4.2. No Board member shall use his or her position on the Board to obtain financial gain for himself or herself, any member of his or her household, or any business with which he or she or a member of his or her household is associated, other than that compensation provided by law for said Board member.
 - 4.2.1. Exception This restriction shall not affect a vote by a Board member on any matter which affects a class of persons (such a class shall include no less than 50 persons) of which such Board member is a member if the financial gain to be realized is de minimis.
- 4.3. No Board member shall solicit or receive any money, in addition to that lawfully received by the Board member in his or her official capacity, for advice or assistance given in the course of the Board member's tenure as trustee or relating to his or her position as trustee.
- 4.4. No Board member shall use or disclose confidential information given in the course of, or by reason of, his or her official position or activities, in any way that could result in financial gain for himself or herself or for any other person.
- 4.5. If there is a conflict or potential conflict of interest, removal from influence over actions or decisions is accomplished when the Board member refrains from taking any action or making any decision that would affect or appear to affect, directly or indirectly the conflict.
- 4.6. A Board member shall remove himself or herself from influence over actions and decisions, on the matter in which there is a conflict or potential conflict, whenever the Board member has reasonable knowledge of any direct or indirect financial interest or gain which is incompatible with the discharge of the Board member's duties, or upon written notice from the Chairman that an investigation has been initiated.
- 4.7. A Board member, other than as provided by law for the proper discharge of official Board duties, shall not directly or indirectly ask, demand, exact, solicit, seek, accept, receive or agree to receive anything of value for himself or herself for or because of any

official act performed or to be performed by him or her, or represent any person on entity before the Board.

- 4.8. A Board member shall not receive, demand, exact, solicit, or accept, or entice into any agreement, express or implied, for compensation, anything of value for himself or herself or any other person or entity, or services to be rendered in return for:
 - 4.8.1. Being influenced in his or her performance of any official act;
 - 4.8.2. Being influenced to commit or aid in committing, or collude in, or allow, or make opportunity for the commission of, any fraud on the Board or the District of Columbia; or
 - 4.8.3. Being induced to or omit to do any act in violation of his or her official duty.
- 4.9. Lock-Out Rule. This rule is intended to protect the integrity of the Board's search and selection procedures for the retention of outside service providers (including, without limitation, investment managers, investment consultants, legal counsel, accountants, custodial bank, auditors, and actuaries). The lock-out rule requires Board members and senior staff to refrain from intentional, unauthorized contact with such service providers during the search and selection period to avoid the appearance of a conflict in the decision making process. Authorized contact includes communication for: (a) ordinary and necessary business purposes and, (b) matters of public record. Notwithstanding any other provision set forth in these guidelines, the lock-out rule shall be in effect for Board members and senior staff upon the commencement of search procedures as follows:
 - 4.9.1. For purposes of a “core” investment manager search, the lock-out rule shall commence at such time as a list of potential qualifying candidates (based upon search criteria) has been distributed to the Board members and staff for review.
 - 4.9.2. For purposes of an internal (no official involvement by consultant) investment manager search, the lock-out rule shall commence at such time as the universe of potential qualifying candidates (based upon the search criteria) has been identified and distributed to the Board and staff for review.
 - 4.9.3. For purposes of a search for other service providers, the lock-out rule shall commence upon distribution to the Board of potential qualifying candidates for review.
 - 4.9.4. Upon commencement of a search, potential qualifying candidates shall be notified in writing of the lock-out rule.

5. Indebtedness

5.1 Board members (and designated staff persons) shall pay each just financial obligation in a proper and timely manner.

6. Travel

6.1. Notwithstanding the restrictions set forth in these guidelines, a Board member (or designated staff person may participate in a program, the principal objective of which is educational, involving travel paid by the sponsors if such participation is in the best interest and for the sole benefit of the beneficiaries and participants of the Fund and if the Board has determined by majority vote that such participation is in the best interest and for the sole benefit of the beneficiaries and participants of the Fund.

6.1.1 Exception Where the program is provided for in an existing contract between the Board and the sponsor of the program.

6.2. Any Board member who receives an invitation to participate in any program shall immediately notify the Chairman of the Board. The Board member shall provide the nature and itinerary of the program and a written explanation of how the best interests of the beneficiaries and participants will be served. If participation is approved, subsequent to the program, the Board member(s) who participate shall make a presentation to the Board, at the next regularly scheduled meeting, regarding the program. If a Board meeting is not scheduled prior to the date on which acceptance of the invitation must be made, the Chairman may approve attendance.

7. Outside Employment and Other Outside Activity

7.1. Board members may not engage in any outside employment or other activity which is not compatible with the full and proper discharge of their duties and responsibilities with the Board. Activities or actions which are not compatible with Board duties include, but are not limited to, the following:

7.1.1. Engaging in any outside employment, private business activity, or other interest which may interfere with the Board member's ability to perform his or her job, or which may impair the efficient operation of the Board;

7.1.2. Using Board time or resources for other than official business, or approved or sponsored activities, except that a Board member may spend a reasonable amount of time and resources on such projects, reports, and studies as may be considered in aid of other government pension systems or employee benefit organizations; provided that the work so performed is within the scope of the Board member's regular assignments and duties;

- 7.1.3. Ordering, directing, or requesting other Board members or employees to perform during regular working hours any personal services not related to official Board functions and activities;
 - 7.1.4. Engaging in any outside employment, private business activity, or interest which permits a Board member or others, to capitalize on his or her official title or position;
 - 7.1.5. Divulging any official governmental information, whether labeled confidential or not, to any unauthorized person or in advance of the time prescribed for its authorized issuance, or otherwise making use of, or permitting other to make use of, information not available to the general public;
 - 7.1.6. Engaging in any outside employment, private business activity, or other interest which might impair the Board member's mental or physical capacity to such an extent that he or she can no longer carry out his or her duties and responsibilities as a trustee in a proper and efficient manner;
 - 7.1.7. Serving in a representative capacity or as an agent or attorney for any outside entity involving any matter before the Board; or
 - 7.1.8. Engaging in any outside employment, private business activity, or other interest which is in violation of Federal or District law.
- 7.2. A member of the Board may not do indirectly what he or she may not do directly under the foregoing restrictions.
- 7.3. Except as otherwise provided herein, a Board member may engage in: teaching activities; writing for publication; consultative activities; and speaking engagements that are not prohibited by law, regulation, or Board standards, only if such activities are conducted during Board non-compensated hours.
- 7.4. The information used by a Board member engaging in an activity under section 7 shall not draw on official data or ideas which have not become part of the body of public information, except under circumstances where the Chairman of the Board or Executive Director has given written authorization for such use on the basis that its use is in the public's interest.
- 7.5. If a Board member receives compensation or anything of monetary value for engaging in an activity under section 7, the subject matter shall not be devoted substantially to the responsibilities, programs, or operations of the Board, to his or her official duties or responsibilities, or to information obtained as a result from his or her position as a trustee.

8. Disclosure of Information

- 8.1. Board members shall file the disclosure statement required pursuant to §161, of the Retirement Reform Act, as amended.
- 8.2. In the event a Board member is unable to file the required personal financial disclosure statement by the April 30th deadline, such Board member shall make a written request to the Board for extension of the time to file. The written request shall contain an explanation of the circumstances surrounding the need for an extension and an estimated date of filing; provided however that no extension may be greater than 6 months for the April 30th deadline.
- 8.3. If, after the filing of the annual personal disclosure statement, but before the due date of the next filing, a Board member acquires a loan, purchases stocks, bonds, subscriptions rights, warrants, options, or acquires any other form of financial interest or liability from a service provider, such information shall be immediately disclosed, in writing, to the Chairman of the Board.
- 8.4. All staff members shall also be required to annually disclose, in writing, all loans, stocks, bonds, options, or any other financial interest or liability that has been acquired from a service provider or fiduciary of the Fund. Staff shall make such disclosure to the Executive Director and the Chairman of the Board, and the Executive Director shall make such disclosure to the Board.

9. Definitions

- 9.1. For purposes of these guidelines the term “gift” means a payment, subscription, advance, forbearance, rendering or deposit of money, service, or anything of value, including food, lodging, transportation, entertainment, and reimbursement for other than necessary expenses, but does not include:
 - 9.1.1. A political contribution otherwise reported as required by law;
 - 9.1.2. A loan made in a commercially reasonable manner (including requirement that the loan be repaid, at a reasonable rate of interest);
 - 9.1.3. A bequest, inheritance, or other transfer at death;
 - 9.1.4. A bona fide award in recognition of public service and available to the general public;
 - 9.1.5. A reception at which a public official, Board member or employee is to be honored; or
 - 9.1.6. Meals, beverages, or entertainment consumed or enjoyed; provided that the meals, beverages, or entertainment are not consumed or enjoyed in connection with a gift or overnight lodging.

- 9.2. For purposes of these guidelines, the term “de minimis” shall be financial gain no greater than one thousand dollars (1,000) per year from any one service.
- 9.3. For purposes of these guidelines, a “substantial business associate” means a co-officer or manager in a business entity, a business partner, or a member of a trust, over which the Board is trustee, or of a business in which a Board member owns a 10% interest. Fifty percent (50%) ownership shall be a “material financial interest”.
- 9.4. For purposes of these guidelines, a “just financial obligation” means one acknowledged by the Board member (or staff person), or reduced to judgment by a court, or one imposed by law; and “in a proper and timely manner” means in a manner which the agency determines does not, under the circumstances, reflect adversely on the Board or the District of Columbia Government. In the event of a dispute, these guidelines do not require an agency to determine the validity or amount of the disputed debt.