

*Model Code
of
Ethics*

Model Code of Ethics

The TEXPERS Code of Ethics was prepared by the Texas Association of Public Employee Retirement Systems. The initial document was prepared by the TEXPERS Select Committee on Professional Service Agreements and Surveys. On March 24, 1993, the delegates to the 1993 Annual TEXPERS Conference approved the Committee's report subject to the Board of Directors giving its final approval after several minor changes were to be completed. On June 16, 1993, the TEXPERS Board of Directors approved the finished document.

Members of the Select Committee on Professional Service Agreements and Surveys Committee were:

Everard Davenport, Chairman - Dallas Employees Retirement Fund
Jennifer Morales, Vice-Chair - Houston Firemen's Relief & Retirement Fund
Bruce Cox - Fort Worth Employees' Retirement Fund
Mike Dougherty - The Westcap Corporation
Alex Fitzenhagen- L & B Real Estate Counsel
Fred Holmes - Houston Municipal Employees' Pension System
Richard Tettamant- Dallas Police and Fire Pension System
Richard Watson - The Boston Company

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CODE OF ETHICS

The Board of Trustees of the _____ Fund ("the Board of Trustees" or "the Board") is obligated to administer its pension fund as a trust fund solely in the interest of the participants and beneficiaries. In performance of this obligation, the Board of Trustees is required to administer the Fund in accordance with Chapter 802, Title 8 of the Texas Government Code, other applicable state and federal laws and regulations, and (local law, plan document, etc.. In furtherance of these obligations, the Board of Trustees hereby adopts the following Code of Ethics which shall be applicable to all trustees and fiduciaries of the _____ Fund ("the Fund"), its consultants, advisors, and any employees hired by the Board.

I. Fiduciary Duties

Under Texas State statutes and applicable federal law and regulations, the Fund is a trust fund to be administered solely in the interest of the participants and beneficiaries thereof, for the exclusive purpose of providing benefits to participants and beneficiaries, and to defray reasonable expenses of the Fund.

In the performance of these duties, all trustees, employees, consultants, vendors and other fiduciaries of the Fund are subject to the "prudent expert" rule which requires that they exercise their duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims. Further, all fiduciaries of the Fund shall maintain high ethical and moral character both professionally and personally, such that the conduct of all fiduciaries shall not reflect negatively upon the Board of Trustees or the Fund.

II. Definitions

Benefit - means anything reasonably regarded as economic gain or advantage, including benefit to any other person in whose welfare the beneficiary is interested.

Consultants - independent contractors, (whether individuals, partnerships, corporations or other organizations) which provide legal, economic, investment, actuarial or other advice to the Trustees or staff to be used in the performance of fiduciary functions. Any limitations or obligations apply to the individuals involved and the contracting organization, if any.

Employees or Staff - Employees of the Fund including the Plan Administrator, if any, whose work the Board has the right to direct and control, not only as to the results to be accomplished but also as to the details and means by which that result is to be accomplished.

Fiduciary - any person who (1) exercises any discretionary control over the management of the Fund or any authority or control over the management or disposition of its assets, (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Fund, or has any authority or discretionary responsibility to do so, (3) has any discretionary authority or discretionary responsibility in the administration of the Fund, or (4) has been designated by the Trustees as a fiduciary in the performance of certain duties for the Fund.

Fund Representative - Consultants, Employees and Trustees of the Fund.

Gifts - Anything of tangible value given without adequate consideration and shall include, but not be limited to any payment of cash, or receipt of goods or services. Meals, refreshments and entertainment are usually considered as intangibles and are dealt with separately on this policy. Food or entertainment received other than as a guest of a persons physically present is a gift under this policy.

Trustee - Includes both persons serving as trustees of the Fund and persons who are candidates for the position of Fund trustee.

Vendors independent contractors, whether individuals, partnerships, corporations or other organizations which perform services for the Fund for direct or indirect compensation. Services include, but are not limited to, custodianship of funds, management of investments and maintenance of official records and provision of professional advice.

III. Prohibited Transactions

- A. No fiduciary of the Fund or Fund Representative shall receive compensation from any person in connection with any action involving assets of the Fund other than pursuant to contracts with the Fund for money management services or similar services which, by their very nature, create the fiduciary relationship.
- B. No fiduciary of the Fund or Fund Representative shall participate in a decision or action involving any asset or benefit for his or her own interest except insofar as the benefit is incidental to the fiduciary's membership in a large class such as that of Fund participants.
- C. No fiduciary or Vendor of the Fund or Fund Representative shall engage in the purchase, sale, exchange, or leasing of property with the Fund if that person or firm holds an interest in the property unless the person or firm is an investment manager and the ownership interest was fully disclosed at the time the particular investment was presented to the Board and at the time of the vote.

- D. No fiduciary of the Fund or Fund Representative shall engage in the purchase, sale, or exchange of any direct investment with the Fund if that person or firm holds an interest in the investment.
- E. No fiduciary of the Fund or Fund Representative shall participate in the lending of money or furnishing of other credit by the Fund if the person or firm has a direct or indirect interest in the loan or credit unless such loan or credit is generally available to members of the Fund, generates a reasonable return, provides adequate security, and is made in accordance with specific provisions of the plan.
- F. Any goods, services, or facilities furnished by the Fund to any person shall be used for the exclusive benefit of the Fund unless reasonable consideration is received by the Fund for the use of the goods, services, or facilities.
- G. No fiduciary of the Fund shall cause the Fund to engage in any of the prohibited transactions listed above with any immediate relative or business associate of the fiduciary, any other Trustee, Employee, Vendor or Consultant to the Fund, any other fiduciary of the Fund, any person providing services to the Fund, any employee organization whose members are covered by the Fund, or the (governmental entity) and its officials and employees.

IV. Exercise of Fiduciary Duties

- A. In making or participating in decisions, the fiduciaries of the Fund shall give appropriate consideration to those facts and circumstances reasonably available to the fiduciary which are relevant to the particular decision, and shall refrain from using facts or circumstances which are not relevant to the decision.
- B. In making decisions, the fiduciaries shall make a determination that the particular investment or course of action is reasonably designed, as part of the portfolio, to further the purposes of the Fund, taking into consideration the risk of loss and the opportunity for gain or other return.
- C. the Trustees of the Fund shall keep adequate records of all investment and benefit decisions, in the form of official minutes or otherwise, sufficient to provide documentation for those decisions for future reference.
- D. If a fiduciary is present at any time a decision is being made concerning any investment, benefit or other action in which the fiduciary has an interest, the fiduciary shall disclose the interest and refrain from participating in the decision or discussion concerning the action, including abstention from voting regarding such action.

- E. Record of voting abstentions shall be maintained outlining the basis for such abstention.
- F. No fiduciary of the Fund shall participate in the breach of fiduciary duty by another fiduciary of the Fund, participate in concealing such breach, or knowingly or negligently permit such breach to occur.
- G. In the conduct of all decision-making regarding the Fund, it is understood that at times individuals will contact trustees to attempt to influence decisions of the Board. However, "ex-parte" communications by trustees with individuals seeking to influence the decisions of the Board is discouraged unless done with the knowledge and consent of the Board. Provided, however, that this paragraph shall not be construed to restrict the administrative role of the Trustees to set the Board's agenda or otherwise be involved in the proper administration of the Fund.

V. Gifts, Travel, and Expenses

Fund Representatives shall not solicit any benefit from any source which is a current or prospective Vendor or Consultant of the pension fund. It is the policy of the Board that all trustees, employees, and consultants of the pension fund be careful about accepting any gifts from any other source, particularly those sources which are current or prospective vendors or consultants of the pension fund. Toward this end, all fiduciaries of the pension fund shall report on a form provided by the Board, the receipt of any gift with a fair market value of greater than \$50 from any source which is a current or prospective consultant or vendor of the Fund.

1. Reporting of gifts. Each Fund Representative shall file a report of all gifts covered by this policy which have a market value of over \$50 on the form provided by the Board. The form shall note the source of the gift, the dates received, and the estimated market value of the gift. Gift reports shall be filed at least quarterly, and if a Fund Representative has no such gift to report for the quarter, a statement to that effect must be filed on the applicable report. All reports shall be retained by the Board and shall be made available to the public upon reasonable request. In determining whether a report is required, all previously unreported gifts received from the same source in any calendar year will be deemed a single gift received on the date of the latest gift. Actual date of receipt of gifts will be used on the report, not the "deemed" date of receipt.

2. Disclosure and Voting. Each Fund Representative is discouraged from participation in any action or decision affecting the financial interest of any source of a gift if the Fund Representative has in the preceding twelve months received a gift or gifts from the person or firm involved with an aggregate total market value of more than \$100. If such action or decision is discussed or acted upon during a meeting of the Board or any of its committees, the fund Representative shall make a public disclosure of the conflict, which shall be noted in the minutes of the meeting.

3. Gifts of edibles to Fund office. If edible products are sent to the Fund office by a current or prospective consultant or vendor, a report of the date and approximate value will be placed in the fund's records and the material placed in a publicly accessible area for general consumption.

4. Return of gift. If a gift is returned to the sender or donated to a suitable charity immediately upon its receipt, then reporting of the gift is unnecessary. Any gift, the receipt of which is prohibited by this policy, shall be returned to its source whenever possible.

5. Receipt of gifts through intermediaries. No Fund Representative shall receive any gift through an intermediary, if the person knows, or has reason to know, that the gift has originated from another source.

6. Anonymous gifts. In no event shall any Fund Representative accept a gift, if the source of the gift is not identified. If the source of any gift cannot be ascertained, the gift shall be donated to a suitable charitable organization.

7. Door prizes. Door prizes are not reportable as gifts unless (a) the likelihood of winning a prize of some sort is at least one chance in ten or (b) the combined value of all prizes is greater than \$10 multiplied by the number of persons eligible to win.

VI. Travel and Related Expenses

1. Receipt of travel and related expenses. It shall be the policy of the Board that wherever possible, the expenses of travel, lodging, meals, and incidentals for its Trustees, and employees traveling on official business on behalf of the Board shall be paid by the Fund. This section applies to all travel related to any business meeting, educational seminar, conference, or convention attended by any trustee or employee of the Board. Payment of travel and related expenses by any other source shall not be accepted except under the provisions of this policy.

2. Expenses related to new business. In no event shall any trustee, officer, or employee of the Board accept any expenses related to travel, the purpose of which is to determine the selection of new contractors or to determine the assignment of continuing or additional business to existing contractors.

3. Acceptance of travel and related expenses. If, in the opinion of the Board, the interests of the pension fund are served by accepting travel and related expenses from another source to attend any conference, convention, seminar, or other business meeting, the Board may authorize the acceptance of the expenses by any trustee or employee. Acceptance of such expenses shall be made only if:

- a) The Board specifically authorizes receipt of the expenses and
- b) A public record of that action is maintained in the minutes of the Board.

4. No trustee or employee of the Fund will incur any expenses to attend any Fund-related conference, convention, seminar or other business meeting, whether or not those expenses will be borne by others unless prior to such expenditure:

- a) The Board has reviewed materials relating to the proposed meeting and determined that it is appropriate for the individual to attend, or
- b) The plan administrator, if authorized by resolution of the Board, has concluded that it is appropriate for a subordinate staff member to attend after reviewing the materials relating to the proposed meeting.

NOTE: Sample conference information forms and conference reporting forms are attached.

Miscellaneous - Intangibles

1. Acceptance by a Fund Representative of any "favor" or complimentary work or analysis, offered or performed by a current or prospective contractor or service vendor of the pension fund, intended to benefit personally the involved Fund Representative is prohibited.

2. Solicitation or encouragement by a Fund Representative of entertainment, including but not limited to meals, refreshment, or entry fees from a current or prospective contractor or service vendor of the pension fund is prohibited. On-going acceptance of such meals, refreshment or entertainment shall be strongly discouraged.

3. Excessive acceptance by a Fund Representative of invitations from any current or prospective Vendors or Consultants to entertainment, including, but not limited to meals, refreshment, or entry fees is strongly discouraged. Acceptance of such invitations shall be recorded on a form and shall include the names and firms of the person(s) involved and the date and location of the event.

A report of the receipt of any intangibles within the past twelve months must be filed by the Fund Representative at any time the he or she is involved in a decision involving the host or the host's firm. In the event that any single person or firm entertains the Fund Representative on more than three occasions in a calendar year, the report must be filed with the Plan Administrator in January of the following year. Acceptance of invitations extended to large groups i.e. to all attendees at a large, multi-fund seminar or client conference, need not be reported.

4. No Fund Representative shall have any direct or indirect contact with prospective service providers once the Board has decided to obtain bids or proposals except:

- a) with current providers, discussions may be had in relation to existing business and current problems. There will be no entertaining or acceptance of gifts whatsoever.
- b) with respect to questions concerning the bid/proposal process itself, discussions may be had which are in strict accordance with Board approved procedures. It is strongly recommended that all such communication be by letter or Fax transmission with copies given to all other prospective providers and to the person designated by the Fund.

VII. Reports from Vendors and Consultants

All Fund contracts with consultants and vendors will include a requirement that thereafter records will be maintained and filed annually with the Plan Administrator and Chairman of the Board which reflect:

- a) any finder's fees, commissions or similar payments, made to anyone whatsoever as consideration for the placement of business with the consultant or vendor;
- b) any gifts, food, or entertainment expense which exceeds the minimum reporting limitation contained in this policy for the recipient;
- c) any direct or indirect benefit to a Fund Representative other than food, entertainment or gifts; and,
- d) the extent, amount and placement of any directed business, other than directed brokerage placed in accordance with a resolution adopted by the Board in open meeting which was in any way associated with the parties relationship with the Fund.

VIII. General Provisions

1. Adherence to any and all other applicable laws. Nothing in this policy shall excuse any trustee, officer, or employee from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties.

2. Restriction on Providing Representation of Others.

a) A trustee or employee who leaves the service or employment of the Fund shall not, within 12 months after leaving that service or employment, represent any other person or organization in any formal or informal appearance before the Board or staff concerning a project for which the person had responsibility as trustee, or employee; and

b) A former trustee or employee who is subject to the requirements of Subsection (a) shall, during the 24 months after leaving the service or employment of the Fund, disclose his previous position and responsibilities with the Fund whenever he represents any other person or organization in any formal or informal appearance before the Board or staff.

ADOPTION:

The foregoing Code of Ethics was adopted by the Board of Trustees of the Fund at its meeting of _____.

Chairman

Date:

Secretary

Date:

Vendor Account Representative

In compliance with Section _____ of the Contract between (Vendor) _____ and (Fund) _____ dated _____, I certify that the above schedule is an itemization of all direct and indirect compensation I received or accrued which in any way related to my or to Vendor's association with the Fund's programs or investment of the Fund's assets for calendar year _____. Income reflected as earnings by the Vendor and paid to me in the normal course of business is not included in this report.

Account Manager

Vendor Certification

In compliance with Section _____ of the Contract between (Vendor) _____ and _____ dated _____, I certify that the above schedule is an itemization of all direct and indirect compensation received or accrued by Vendor _____, and each of its officers, employees, agents, partners and associates which in any way related to Vendor's association with the Fund's programs or investment of the Fund's assets for calendar year _____. Income reflected as earnings by the Vendor and paid to individual employees in the normal course of business is not separately reported as earnings of the individuals.

Chief Financial Officer

Parent Company Certification

In compliance with Section _____ of the Contract between (Vendor) _____ and (Fund) _____ dated _____, I certify that the above schedule is an itemization of all direct and indirect compensation received or accrued by (Parent company) _____, and each of its affiliates which in any way related to Vendor's association with the Fund's programs or investment of the Fund's assets for calendar year _____. Items reported by (Account Representative) or (Vendor) are not reflected in this report.

Chief Financial Officer

Conference/Meeting Information Form

Conference/Meeting _____

Date: _____ Location: _____

Topics to be Discussed Include: _____

Fund Representatives Attending: _____

Expected Costs Associated with Attendance:

	Per Person	Extended
Travel (mileage/airfare)	_____	_____
Lodging	_____	_____
Meals	_____	_____
Registration Fee	_____	_____
Incidentals	_____	_____
Other	_____	_____
TOTAL	_____	_____

Was this conference/meeting budgeted? YES _____ NO _____

If YES, is the budgeted amount greater than the total extended expected costs to attend the conference/meeting?

YES _____ NO _____

Board Approval YES _____ NO _____

Date of Board Approval _____

Conference/Meeting Evaluation Form

Conference/Meeting _____

Date: _____ Location: _____

Was this conference/meeting beneficial?

YES _____ NO _____ MARGINAL _____

Should we send a representative the next time the conference/meeting is held?

YES _____ NO _____

Who should attend next time, include why they should attend? _____

General comments about the conference/meeting: _____

