

CITY OF BATTLE CREEK POLICE AND FIRE RETIREMENT SYSTEM **ETHICS POLICY**

I. OVERVIEW AND PURPOSE

The Board of Trustees (the “Board” or “Board of Trustees”) of the City of Battle Creek Police and Fire Retirement System (the “Plan”) is established pursuant to the City of Battle Creek Code of Ordinances, as amended, and Public Act 345 of 1937, and its members serve as trustees of the Plan. Board Members are fiduciaries to the Plan and must prudently administer the Plan in accordance with Plan provisions and all applicable laws and regulations.

In order to maintain the respect, trust and confidence of its members and retirees, all Board members and Plan representatives must use the powers and resources of their office only to advance the interests of Plan members, retirees and beneficiaries, and not to obtain personal benefits or pursue private advantage incompatible with these interests. Board members and Plan representatives shall conduct themselves in a manner that justifies the confidence placed in them by Plan members and retirees, at all times maintaining their integrity and discharging their responsibilities ethically in the course of their association with the Plan.

Accordingly, Board members and Plan representatives are expected to comply with all applicable laws governing their conduct. This Ethics Policy is intended (to the extent possible) to reduce the likelihood of any vague or ambiguous principal or standard of conduct expected of Plan representatives and to instill and maintain a high level of confidence in the relationship between the Plan and those persons doing business with the Plan as well as maintain the confidence of government officials and the general public in the Plan and the Board.

II. DEFINITIONS

For purposes of this policy, the following words shall have the meanings respectively ascribed to them by this section:

“*Agent*” means a person performing duties on behalf of the Plan other than an employee or Board member.

“*Act 314*” means Michigan Public Act 314 of 1965, as amended (M.C.L. § 38.1132 *et seq.*).

“*Board*” or “*Board of Trustees*” shall mean the Board of Trustees of the Plan.

“Board member” means any member of the Board of Trustees.

“Fiduciary” means (a) a Board member; or (b) such other person, including but not limited to Plan representatives, service providers, and agents, who are fiduciaries because they have been identified as such by contract, or because of the nature of the relationship with the Plan.

“Party in interest” means, as it relates to the Plan, any of the following:

1. An investment fiduciary, counsel, or employee of the Plan;
2. A person providing services to the Plan;
3. The City or any of its political subdivisions;
4. An organization, any of whose members are covered by the Plan;
5. A spouse, domestic partner, ancestor, lineal descendant, or spouse of a lineal descendant of an individual described in subdivision (1) or (2); or
6. An entity controlled by an individual or organization described in subdivisions (1) through (5).

“Policy” means this Ethics Policy.

“Related Party” means a person who is:

1. The spouse, domestic partner or child of a Board member;
2. A brother, sister or child or other descendant of a Board member or the spouse or domestic partner of any of them;
3. A parent of a Board member, or of a spouse or domestic partner of a Board member;
4. An entity in which a person referred to in any of paragraphs (1) through (3) has a substantial investment; or
5. A corporation or other business entity that is directly or indirectly controlled by a Board member;

“Service Provider” includes, but is not limited to, any person, corporation, or other party that is doing or seeking to do business with, regulated by, or has interests before the Board or the Plan, including anyone who is known or should be known to be an agent or acting on behalf of such a party, including any partnership of which the Plan is a partner, any person or entity that has a contract related to investment of the System’s funds, and any other person marketing or otherwise attempting to secure business involving the System’s funds.

III. STATUTORY GUIDELINES

A. STATUTORY GUIDELINES. In accordance with Section 13 of Act 314, the Board of Trustees shall have the authority and fiduciary responsibility for the administration of the Plan and the investment of its assets subject to all of the following:

1. Board members shall discharge their duties solely in the interest of Plan participants and the beneficiaries;
2. Board members shall act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
3. Board members shall act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;
4. Board members shall make investments for the exclusive purposes of providing benefits to Plan participants and beneficiaries, and of defraying reasonable expenses of investing the assets of the Plan;
5. Board members shall give appropriate consideration to those facts and circumstances that the Board member knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in the Plan's investments; and act accordingly. "Appropriate consideration" includes, but is not limited to, a determination by the Board that a particular investment or investment course of action is reasonably designed, as part of the investments of the Plan, to further the purposes of the Plan, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment course of action:
 - i. the diversification of the investments of the Plan;
 - ii. the liquidity and current return of the investments of the Plan relative to the anticipated cash flow requirements; and

- iii. the projected return of the investments of the Plan relative to the funding objectives.
6. Board members shall give appropriate consideration to investments that would enhance the general welfare of the State of Michigan and its citizens if those investments offer the safety and rate of return comparable to other investments permitted under Act 314 and available to the Board at the time the investment decision is made;
7. Board members may use a portion of the income of the Plan to defray the costs of investing, managing, and protecting the assets of the Plan; may retain investment and all other services necessary for the conduct of the affairs of the Plan; and may pay reasonable compensation for those services.

B. PROHIBITED TRANSACTIONS. In accordance with Section 13, subsections (8) and (9) of Act 314, the Board and Plan representatives shall not cause the Plan to engage in a transaction if he or she knows or should know that the transaction is any of the following, either directly or indirectly:

1. A sale or exchange or a leasing of any property from the Plan to a party in interest for less than the fair market value, or from a party in interest to the Plan for more than the fair market value.
2. A lending of money or other extension or credit from the Plan to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to the Plan with the provision of excessive security or at an unreasonably high rate of interest.
3. A transfer to, or use by or for the benefit of, the City of any assets of the Plan for less than adequate consideration.
4. The furnishing of goods, services, or facilities from the Plan to a party in interest for less than adequate consideration, or from a party in interest to the Plan for more than adequate consideration.

Board members and Plan representatives shall not do any of the following:

1. Deal with the assets of the Plan in his or her own interest for his or her own account;
2. In his or her individual or any other capacity act in any transaction involving the Plan on behalf of a party whose interests are adverse to the interests of the Plan or the interest of Plan participants or beneficiaries; or
3. Receive any consideration for his or her own personal account from any party dealing with the Plan in connection with a transaction involving Plan assets.

IV. GENERAL ETHICAL STANDARDS

A. ETHICAL PRINCIPLES.

1. This Policy cannot address all of the circumstances in which Board members could benefit themselves or parties in interest, rather than Plan participants and beneficiaries. This Policy must therefore consist of general principles that will provide Board members with guidelines for managing the many complicated situations that arise in administering a public employee Plan.
2. In situations where the law or this policy are not clear, any doubt shall be resolved in a manner that abates or mitigates any actual conflict of interest and furthers the members' sense of faith in the integrity of the administration of the Plan by the Board members and representatives.
3. Board members must be aware that the mere appearance of a conflict of interest, or conduct that may be legal but appears to conflict with the interest of the members and beneficiaries of the Plan, can erode confidence in the Plan and its administration, and should be avoided.
4. Board members and representatives must be honest in the exercise of their duties and must not take actions that will discredit the Plan.
5. Board members and representatives must be loyal to the interests of the Plan, its members and its beneficiaries.

B. POLICY GUIDELINES. Board members and representatives shall not:

1. Solicit or accept employment from anyone doing business with the Board or the Plan, unless the Board member or representative completely withdraws from any discretionary or decision-making activity regarding the party offering employment, and the Board approves the withdrawal in the case of a Board member or the Plan Administrator of the System, and the Plan Administrator approves the withdrawal in the case of another Plan representative;
2. Use his or her public position to obtain benefits or a special privilege for the Board member or a related party;
3. Be paid or accept any form of compensation for personal services rendered on a matter before, or sell goods or services to, the Board or the Plan;
4. Hold or benefit from a contract with, authorized by, or approved by, the Board or System.
5. Vote, authorize, recommend, or in any other way use his or her position to secure approval of a Board or Plan contract (including employment or personal services) in which the Board member or a related party has an interest;
6. Use or authorize the use of, his or her title, the name of the Board or Plan, or the Board's or System's logo in a manner that suggests impropriety, favoritism, or bias by the Board, Plan or a representative;
7. Solicit or accept any compensation, except as allowed by law, to perform his or her official duties or any act of service in his or her official capacity; or
8. Do through third parties that which he or she may not do directly under the foregoing restrictions.

C. GIFTS AND GRATUITIES.

Engaging in or condoning bribery is strictly prohibited.

Board members and Plan representatives shall not, directly or indirectly, solicit, accept or receive any gift, whether in the form of money, service, loan, travel, gratuity, favor honoraria, entertainment, hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably be expected or perceived to compromise, impair or influence him or her, in the performance of his or her official duties or was

intended as a reward for any official action on his or her part. More simply put, regardless of legality, no gifts of any kind or in any amount should be accepted if someone might consider that gift as influencing a decision made in service to the Plan.

Board members and representatives shall not solicit or accept contributions or gifts from current, prospective or potential service providers if they know, or reasonably should know, that such contributions or gifts are intended to influence their actions or decisions with respect to the Plan.

Solicitation or encouragement by a Board member or Plan representatives member of entertainment, including but not limited to meals, refreshment, or entry fees for a cultural or sporting event from a current, prospective, or potential service provider of the Plan is prohibited

No cash, cash equivalents or securities of any value may ever be accepted.

All members of the Board and Plan representatives who are responsible for investment decisions or who are involved in the management of Plan assets shall not solicit, accept, or agree to accept any gifts of more than *de minimus* value, personal benefits, or personal favors offered to them because of their positions with the Plan (examples of *de minimus* gifts are educational, promotional, or advertising items of a nominal value which are defined as items estimated to cost less than \$100.00 with minimum resale value). An occasional gift of less than \$20.00 in value shall not be included in the limitations on gifts. *De minimus* gifts should not be received on so frequent a basis as to lead a reasonable person to believe that a Board member or representative is using his or her office for personal gain.

Board members and Plan representatives shall not solicit or accept contributions or gifts (to include meals, lodging, entertainment, transportation, or invitations to social/sporting/cultural events) from any single current, prospective or potential service provider which exceed a value totaling \$200.00 in any calendar year. However, this limitation on gifts does not apply:

1. to business meals/receptions where a representative of the service provider is present for the purpose of conducting business or providing education; or
2. to seminar/conferences sponsored by a service provider or prospective service provider where attendance is approved by the Board of Trustees pursuant to the Plan's *Travel and/or Education Policy*; or

3. to transportation sponsored by a service provider in connection with receptions, business meals or business meetings when the service provider will be present at such reception, business meal or business meeting; or
4. to participation in recreational or social events while attending a seminar/conference provided said events are available to a majority of the seminar/conference attendees;
5. to participation in recreational or social events sponsored by a service provider or prospective service provider provided the service provider will be present and attendance is expected to benefit the Plan.

This prohibition regarding the solicitation or acceptance of gifts or other economic benefits does not apply to seminar or conference fees when the seminar relates to the Board member's or employee's job duties and is sponsored by Plan service providers or agents. Business meetings and discussions, including meetings which include meals, with current service providers may provide useful information or benefit to the Board member, and are not prohibited by this *Ethics Policy*. However, the prohibition does apply during a period in which the seminar or conference sponsor is under consideration as a new or continued service provider, that is, an eligible respondent to an RFP issued by the Plan as further provided in subparagraph F.

If a Board member or representative receives an unsolicited, prohibited contribution or gift, he or she should return such contribution or gift to the source; however, if returning the contribution or gift is not possible or feasible, the contribution or gift should be donated to a charitable organization.

D. SPONSORED TRAVEL.

It is well recognized that Board members of most governmental and private Plans are invited to and attend conferences sponsored by trade associations as well as service providers to the plan industry (such as consultants, investment managers, and investment advisors). Further, it is in Plan's members', retirees', and survivors' best interest that the Board and Plan representatives be as well educated and informed on various matters pertaining to benefit design, investment opportunities, and management of a large governmental Plan as reasonably possible. It is thus considered appropriate and desirable for Board members and representatives to attend various conferences throughout their tenure and employment, including those sponsored by service providers. Further, it is neither uncommon nor improper in many cases for the service provider to pay for the cost

of travel and related costs of attendees, provided the same is uniformly done by such service provider.

Acceptance of expensive meals, refreshments, or entertainment from a service provider is discouraged. Of course, application of the rule in the preceding sentence shall take into account the location and context of the event at which such meal, refreshment, and entertainment occurs.

E. PROCUREMENT OVERSIGHT.

During the pendency of any Request for Proposal or Invitation to Bid, no person or entity that submits an application or bid for the award of a Plan contract, nor an agent for such person or entity, may have any communication concerning any topic with the Board or representative, except as expressly provided in the procurement document. This communication restriction exists from the date that the procurement document is mailed until the contract is awarded.

Any applicant or bidder who violates these communication restrictions, or permits an agent to violate these restrictions on behalf of the applicant or bidder, will be immediately disqualified from further consideration under the solicitation.

These communication restrictions shall not apply to:

1. Staff who are identified within the Request for Proposal or Invitation to Bid as responsible for responding to prospective applicant or bidder questions;
2. Communications by a firm under contract to provide services to the Plan, where the communication is made formally to the Board or Committee and relates to the services for which the firm has been retained; and
3. Communication that is required of finalists, consistent with the terms of the Request for Proposal or Invitation to Bid, for the purpose of providing the Board and representatives with information that updates any information previously included in the proposal or bid.

If the Chair (or the Vice Chair if the Chair is involved) determines that a violation has occurred, the Chair will promptly inform the Board and the Plan Administrator of this determination, and the Plan Administrator will inform the applicant or bidder of his/her immediate disqualification.

V. CONFLICTS OF INTEREST

The phrase “conflict of interest” includes prohibited transactions and any other personal or private transaction, interest, or relationship that, under the circumstances, creates an appearance of impropriety that could reasonably be expected to diminish public confidence in the independent and impartial administration of the Plan in the best interests of Plan members and beneficiaries.

A. EXISTENCE. A conflict of interest exists for a Board member, Plan representatives, or service provider whenever there exists personal or private, commercial, or business relationship or interest that could reasonably be expected to diminish the Board member’s, representative’s, service provider’s independence of judgment in the performance of the person’s responsibilities to the Plan.

B. DISCLOSURE. Board members, representatives, service providers, and any other person(s) or organization(s) having fiduciary obligations to the Plan must promptly disclose any actual or potential conflicts of interest in detail sufficient to be understood by the Board and by the public. Disclosure may be made orally during Board meetings or by submission of a written statement to the Chair of the Board, with a copy to all Board members and the Plan Administrator. Disclosure shall be made immediately prior to the Board’s consideration of a matter, and shall be reflected in the official record of the meeting. Members of the Board shall be accountable for recognizing a potential or actual conflict of interest and for disqualifying themselves from making, participating in, or attempting to influence Board decisions which may affect any of their financial interests. Recusal from acting on any matter in which an actual or potential conflict exists is required.

In addition to the disclosures required above, each Board member shall disclose his or her and any related party’s financial interest in any business proposing to engage in a transaction with the Plan prior to any official act by the Board on such transaction. Such disclosure shall be set forth in the minutes of the meeting of the Board at which such transaction is considered.

C. DUTY TO CURE. Persons and organizations who have a duty to disclose a conflict of interest also have a duty to cure the conflict, if the conflict is their own and a cure is deemed required prior to any action by the Board. A person normally cures a conflict of interest by promptly eliminating it. Persons who cannot or do not wish to eliminate the conflict must terminate their relationship with the Plan as soon as is reasonably possible. However, if the conflict of interest involves a Board member or

employee who may prudently withdraw from action on a particular matter in which a conflict exists, he or she may cure the conflict in that manner provided that:

1. The person may be and is effectively separated from influencing the action taken;
2. The action may properly be taken by others; and
3. The nature of the conflict is not such that the person must regularly and consistently withdraw from decisions which are normally his or her responsibility with respect to the Plan. Board members must disclose any conflicts regarding matters which are before the Board, leave the room during any relevant deliberations, and not vote on the matter.

D. EXCEPTIONS. It shall not be considered a conflict, and a disclosure and recusal shall not be required if:

1. A Board member or representative is a member, retiree, or beneficiary of the Plan or, with respect to the matter at issue, has an interest no greater than a large class of its members or retirees;
2. A Board member or representative or party in interest has an investment in the securities of a publicly or privately traded corporation which is owned, purchased, sold, or otherwise dealt with by the Plan provided that that affected person's interest in the securities is not more than 5 percent of any class of securities and the person is not a director or officer of the corporation other than as a representative of the Plan; or
3. A Board member, representative or party in interest maintains ownership in a mutual fund or commingled investment fund that holds securities or other assets of a firm that provides or is being considered to provide services to the Plan unless the Board, representative or related party participates in the management of such funds.

VI. ETHICS ADVISORY OPINIONS

In its sole discretion, the Board of Trustees from time to time may seek advisory opinions from its legal counsel or special counsel to the Plan to aid in its application of this policy to particular factual situations presenting an apparent ethical issue. Such counsel's opinion shall be

advisory only, but any Board member or representative acting in reliance thereon shall be deemed to be acting in good faith compliance with this policy.

Advisory opinions sought by the Board of Trustees pursuant to this provision, together with the Board's initial request and that documentation setting forth the factual circumstances giving rise to the request for advisory opinion, shall not be public information unless or until so determined by a court of competent jurisdiction.

Counsel rendering an advisory opinion hereunder and so acting at the direction of the Board shall not owe an express or implied ethical duty of loyalty or confidentiality to a Board member, representative, or any other party affected by such advisory opinion, nor does the consideration or issuance of such advisory opinion establish an attorney-client relationship between counsel and any person other than the Plan and its full Board of Trustees with regards to the subject matter of the Board's request for the advisory opinion.

VII. COMPLIANCE AND ENFORCEMENT

The Board, with the assistance of its legal counsel, shall enforce this *Ethics Policy* with respect to Board members, representatives, service providers and agents providing investment and actuarial services. Such enforcement shall be through resolutions of reprimand, censure, or other appropriate parliamentary measures, including, but not limited to requests for resignation. The Board may also pursue all available legal remedies against any Board member, Plan representative, agent, service provider or other offender of this *Ethics Policy*.

Board members and Plan representatives with knowledge of a violation of this policy shall report such violation to the legal counsel. No retaliatory action will be taken for any such report made in good faith.

VIII. POLICY REVIEW

The Board shall review this *Ethics Policy* at least every five (5) years to assure its efficacy and relevance. The Board may amend this policy, from time to time, by majority vote of the Board.

