

APPENDIX - E -

ETHICS POLICY

The Iowa Public Employees' Retirement System (IPERS) is charged by law with the administration of pension funds held in trust for active, inactive, and retired IPERS members and their beneficiaries. Accordingly, its Investment Board members, certain of its employees, and certain of its contractors and agents have fiduciary duties commonly associated with pensions and other trusts. These duties extend not only to the investment activities but also to the application of IPERS' benefit provisions, the establishment of actuarial assumptions, the collection of amounts owed the Fund, and the general administration of IPERS. Because IPERS is created by statute as a state agency, Investment Board members and employees have the special responsibilities for honesty and integrity applicable to public servants.

IPERS has relied on Iowa Code chapter 68B and administrative rules promulgated under that chapter to monitor and make decisions on conflict of interest issues. Section 68B.2A provides general conflict of interest principles for persons who serve or are employees of the State of Iowa, and sections 68B.21 through 68B.26 deal with the issue of gifts. However, statutes and rules are often not well-designed to handle the many permutations of the conduct they are intended to control. In the area of conflicts of interest, including gifts, there are situations where additional rules and procedures are warranted, particularly for a pension plan and its fiduciaries. Therefore, this Ethics Policy was developed to fill gaps where the current statutes and rules do not provide sufficiently clear guidance for conduct.

This policy regulates conduct by affected persons and the evaluation of that conduct by the applicable appointing authorities and supervisory personnel.

DEFINITIONS

In this Ethics Policy, the following definitions apply unless the context requires otherwise:

"Agent" means a person performing duties on behalf of IPERS other than an employee or Board member.

"Board" means the IPERS Investment Board.

"Board member" means any member of the IPERS Investment Board.

"Contractor" means a person, other than a Board member or employee, or an organization that, by virtue of a contractual relationship, provides services to IPERS. Contractor shall not mean the State of Iowa, or any of its political subdivisions that are governed by Iowa Code chapter 68B.

“Employee” means a person working for IPERS in an employer-employee relationship.

“Fiduciary” means (a) a Board member or (b) such other person, including but not restricted to employees, contractors, and agents, who are fiduciaries because they have been identified as fiduciaries by contract, or because of the nature of the relationship without any specific identification.

“Gift” means any rendering of value for which legal consideration of equal value is not given and received. The term “gift” also includes the rendering of a personal benefit or favor that results in an economic benefit or financial gain by a Board member, employee, or relative that is not expressly permitted under Iowa Code chapter 68B and the applicable administrative rules.

“IPERS” means the Iowa Public Employees’ Retirement System.

“Key Employee” means an employee who has been designated in this policy as one who exercises significant decision-making or fiduciary authority by virtue of the position he or she holds with IPERS. The following positions are hereby designated as key employees: chief executive officer, chief investment officer, chief benefits officer, chief operations officer, chief financial officer, internal auditor, security officer, chief information technology officer, general counsel, and the bureau chiefs of the retirement services bureau, special services, death disability bureau, and employer relations and account maintenance bureau.

“Personal securities transactions” means: (a) transactions for a Board member's or employee's own account, including separately held securities within IRAs, and (b) transactions for an account in which a Board member or employee has indirect beneficial ownership, unless the Board member or employee has no direct or indirect influence or control over the account. Accounts involving a relative (including husband, wife, minor children, or other dependent relatives) or accounts in which the Board member or employee has a beneficial interest (such as a trust of which he or she is an income or principal beneficiary) are included within the meaning of “indirect beneficial interest.”

“Policy” means this Ethics Policy.

“Relative” means a person related within the fourth degree by consanguinity (blood relative) or affinity (marriage).

“Restricted donor” means a person (including a relative) who falls in any of the following categories:

- (a) The person is, or is seeking to be, a party to any one sale or any combination of sales, purchases, leases, service, or other contract with IPERS.
- (b) The person will be, or is the agent of someone who will be, directly and substantially affected financially by the performance or nonperformance of a Board

member's or employee's official duty in a way that is greater than the effect on the public generally, or on a substantial class of persons to which the person belongs as a member of a profession, occupation, industry, or region.

(c) The person is a lobbyist.

(d) The person is a client of a lobbyist with respect to matters within the IPERS jurisdiction.

I. GENERAL ETHICAL STANDARDS

A. Board members and employees must comply with all applicable legal, fiduciary, and professional standards. They should specifically be aware of the following statutes, rules, and codes of professional conduct, as applicable to them:

- Iowa Code chapter 97B, "Iowa Public Employees' Retirement System"
- Iowa Code chapter 68B. "Conflicts of Interest of Public Officers and Employees," sections 21 through 26
- 351 Iowa Administrative Code, "Ethics and Campaign Disclosure Board," chapters 6, 7, and 8 (68B)
- Chartered Financial Analyst Institute—Code of Ethics and Standards of Professional Conduct, as amended
- Iowa Code of Professional Responsibility for Lawyers, as amended

These documents are incorporated herein by reference and are available upon request made to the general counsel.

B. Board members and employees must be honest in the exercise of their duties and must not take actions that will discredit IPERS.

C. Board members and employees must be loyal to the interests of IPERS, its members and its beneficiaries.

D. Board members, employees, contractors, agents, and any other persons having fiduciary obligations to IPERS who become aware of any conflict of interest have an affirmative duty to disclose the conflict as provided in section II(B) below, and if the conflict is their own, to cure the conflict in a manner provided for in this policy, unless the conflict is waived or is an exception case as described in this policy.

E. As discussed in more detail below, Board members and employees may not use their relationship with IPERS to seek or obtain personal gain. However, this should not be interpreted to forbid the use of IPERS as a reference or the

communication to others of the fact that a relationship with IPERS exists, provided that no misrepresentation is involved.

II. CONFLICT OF INTEREST DISCLOSURES AND RULINGS

- A. A conflict of interest exists for a Board member, employee, contractor, or agent whenever there exists personal or private, commercial, or business relationship or interest that could reasonably be expected to diminish the Board member's, employee's, contractor's, or agent's independence of judgment in the performance of the person's responsibilities to IPERS. For example, an employee's independence of judgment is diminished when the Employee is in a position to take action or not take action with respect to IPERS or its business and such act or failure to act is, may be, or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of IPERS, its members, and its beneficiaries.

The phrase "conflict of interest" includes the prohibited transactions and interests described in Section III below, the gifts prohibited under Section VI below, 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 IPERS in the best interests of IPERS members and beneficiaries.

- B. Board members, employees, contractors, agents, and any other persons having fiduciary obligations to IPERS must promptly disclose conflicts of interest in writing to the general counsel using the IPERS Conflict of Interest Disclosure and Request for Ruling, hereafter referred to as Disclosure Statement. If the general counsel determines that there is no conflict of interest, or that the conflict of interest has been cured, or will be waived, or is an exception case described in this policy, the general counsel's ruling shall be provided to the disclosing party and a copy retained in the applicable IPERS records, and no further action shall be taken. However, if the general counsel determines that the disclosing party has a conflict of interest that has not been cured, or waived, and is not an exception case, the following procedures shall be followed.

For conflict disclosures by the chief executive officer, a copy of the Disclosure Statement and the general counsel's analysis and ruling shall be given by the general counsel to the disclosing party, and also to the Board, if it is determined in the ruling that the disclosing party is in a conflict of interest situation that would bar participation by the chief executive officer in

contemplated agency action under the conflict principles of Iowa Code chapter 68B and the administrative rules thereunder or this policy.

For conflict disclosures by the investment staff, a copy of the Disclosure Statement and the general counsel's analysis and ruling shall be given by the general counsel to the disclosing party, the chief investment officer, and the chief executive officer.

For conflict disclosures by other employees, a copy of the Disclosure Statement and the general counsel's analysis and ruling shall be given by the general counsel to the disclosing party, the employee's supervisor, and the chief executive officer.

For conflict disclosures by contractors and agents, a copy of the Disclosure Statement and the general counsel's analysis and ruling shall be given by the general counsel to the disclosing party, the contractor's or agent's monitoring personnel (if not the disclosing party), and the chief executive officer.

For conflict disclosures by any other persons having fiduciary obligations to IPERS, a copy of the Disclosure Statement and the general counsel's analysis and ruling shall be given by the general counsel to the disclosing party and the chief executive officer.

For conflict disclosures by Board members, if the Board member believes that he or she may be in a conflict of interest situation with respect to a matter requiring official Board action, the Board member is strongly encouraged to disclose such conflicts and receive the General Counsel's ruling in advance of any Board vote on related issues using the Disclosure Statement. However, such a Board member may, in lieu of seeking an advance ruling, disclose at such a Board meeting that he or she has a conflict and recuse himself or herself from further participation.

If a Board member indicates that he or she may have a conflict of interest at a Board meeting, and the Board member wishes to participate in the official Board action with respect to the matter for which a conflict may exist, the Board, at the Board member's request, may go into closed session as permitted in Iowa Code sections 21.5 or 97B.8A(5) to discuss the matter and receive the general counsel's ruling. The minutes of the open portion of the meeting must include the notice of a possible conflict and the curative actions to be taken, if any. The general counsel shall provide a written analysis and ruling to the Board regarding the written conflict of interest disclosures made by Board members, if it is determined in the ruling that the disclosing party is in a conflict of interest situation that would bar participation by that party in

contemplated agency action under the conflict principles of Iowa Code chapter 68B and the administrative rules thereunder or this policy.

- C. Person who have a duty to disclose a conflict of interest also have a duty to cure it, if the conflict is their own, and a cure is required in the general counsel's ruling. 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 the relationship with IPERS as quickly as is responsibly and legally 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 IPERS. 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. Board members, employees, contractors, and agents who file disclosure statements must refrain from giving advice or making decisions about matters affected by the conflict of interest unless the general counsel, after consultation with the Board, the applicable appointing authority or supervisor, or the contractor's or agent's monitoring personnel, expressly waives this prohibition. The fact that a waiver of a conflict of interest has been granted must be provided to the disclosing party in writing or, if the possible conflict disclosure has been made and a waiver is granted during a Board meeting, summarized in the minutes of the open portion of the meeting held in compliance with the Iowa Open Meetings laws. Records of all waivers granted with the supporting reasons will be maintained for a reasonable period by the general counsel.
- E. It shall not be considered a conflict, and a written waiver ruling shall not be required, solely because:
1. A Board member or employee is a member, retiree, or beneficiary of the System or, with respect to the matter at issue, has an interest no greater than a large class of its members or retirees, or

2. A Board member, employee, or relative has an investment in the securities of a publicly or privately traded corporation which is owned, purchased, sold, or otherwise dealt with by IPERS provided that the 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, or
3. A Board member, employee, or relative 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 IPERS unless the Board member, employee, or relative participates in the management of such funds.

III. PROHIBITED TRANSACTIONS AND INTERESTS

BOARD MEMBERS AND EMPLOYEES

- A. Board members and employees may buy or sell a publicly traded security of an issuer which is held by IPERS but shall not engage in a Personal Securities Transaction when they know or reasonably should know by virtue of information received as a Board member or employee material nonpublic information with respect to such securities.
- B. No Board member or employee shall use or seek to use his or her IPERS position to obtain from a restricted donor an economic benefit or financial gain for himself or herself, for any relative or for any for-profit business or not-for-profit organization on whose behalf such economic benefit or financial gain is solicited by a Board member or employee. This prohibition does not apply to the situations described in Section II(E) above.
- C. No Board member or employee may recommend or cause discretionary IPERS business to be transacted with or for the benefit of a relative.
- D. Board members and employees may not under any circumstances accept offers by reason of their position with IPERS to trade in any security or other investment on terms more favorable than available to the general investing public.
- E. Board members and employees may not borrow from investment managers, outside service providers, professional advisors, or contractors, banks, or other financial institutions with which IPERS has a business relationship, unless such entities are normally engaged in such lending in the usual course

of their business, and then only on customary terms offered to members of the general public under similar circumstances to finance proper and usual activities.

- F. No Board member or employee may represent any person in any action or proceeding before or involving the interests of IPERS except as a duly authorized agent of IPERS.
- G. No Board member or employee may use tangible or intangible resources or facilities paid for by IPERS to benefit their own private business interests or those of their clients.
- H. No Board member or employee may take action personally or on behalf of IPERS that will result in a reasonably foreseeable conflict of interest. Should there be action which a Board member or employee believes to be in the best interest of IPERS but which could result in a personal conflict of interest, and absent an exemption contained in this policy, the Board member or employee must disclose such fact to the general counsel and receive a written conflict of interest waiver from the general counsel prior to taking such action.

EMPLOYEES

- A. Employees may not engage in outside employment, business, or other activities which conflict with their full-time responsibilities at IPERS, or the conflict of interest principles set forth in this policy.

Key employees, excluding the chief executive officer, must obtain advance written approval from the chief executive officer for any outside employment or business that may result in an actual or perceived conflict of interest, as defined in this policy. Furthermore, Employees who have any association with the IPERS investment function, including access to investment information, may not advise, manage, or oversee an investment function for any other entity, whether for-profit or nonprofit, without disclosing the relationship and receipt of a conflict waiver from the general counsel. An investment function means management of, or investment advice with respect to, a portfolio of investments and does not extend to advice or management relating to individual transactions for relatives or to functions normally viewed as those such as of a treasurer. Any outside employment by the chief executive officer must be approved in advance by the Board.

- B. If IPERS adopts an in-house internal management or securities trading program, the following employees must obtain preclearance for personal securities transactions and must provide transactional disclosure for such

transactions: (1) those employees who make or monitor those who make investment recommendations, or otherwise participate in investment decisions concerning current portfolio investments or investments under consideration for purchase, (2) those employees who in the course of their regular duties for IPERS receive information concerning such investment recommendations or decisions, (3) those employees with actual knowledge of investment recommendations or decisions regarding purchases, sales, or other acquisitions or dispositions.

The preclearance and transactional disclosure requirements for personal securities transactions shall apply to all domestic and foreign securities, whether publicly traded or privately placed. However, the preclearance requirement does not apply to mutual funds or commingled investment funds.

Preclearance will be documented by written requests for approval of personal securities transactions. The general counsel must approve preclearance applications and shall maintain a personal securities transaction log. Preclearance for personal securities transactions is effective for five trading days only.

Personal securities transactions requiring preclearance must be supplemented by transactional disclosure forms given to the general counsel within ten calendar days of personal securities transactions trade dates. The transactional disclosure form must contain the following information: name and amount of the security involved, date and nature of the transaction, price at which the transaction was effected, and name of the broker through whom the transaction was effected.

IV. CONFIDENTIAL/SENSITIVE INFORMATION

- A. Board members and employees may not disclose confidential information, except when duly authorized personnel determine such disclosure is either permitted or required by law. Confidential information must be used by Board members and employees for IPERS' purposes and not for their own personal gain or for the gain of third parties.
- B. Information derived from a relationship with IPERS which might reflect favorably or adversely upon the value of any investment or contemplated investment may not be released or used by Board members or employees in any manner for the purpose of personal advantage or to provide advantage to others.

V. OBSERVANCE OF IPERS CONTROLS AND POLICIES

Board members and employees will observe the accounting and operating controls established by law and IPERS policies, including restrictions and prohibitions on the use of IPERS property for personal or other non-IPERS related purposes.

VI. GIFTS AND ENTERTAINMENT

- A. A Board member or employee is prohibited from soliciting or accepting a gift from a restricted donor.

A restricted donor is prohibited from offering or making a gift to a Board member or employee.

The prohibited solicitation of gifts by a Board member or employee from a restricted donor includes gifts solicited by a Board member or employee on behalf of third parties, regardless of whether the restricted donor declines to make the gift. Gifts are subject to specific exceptions and prohibitions as set forth below and in Iowa Code chapter 68B and 351 Iowa Administrative Code chapters 6, 7, and 8 (68B).

- B. This prohibition applies to lodging, meal, and transportation costs, except as provided in C below or under Iowa Code chapter 68B and 351 Iowa Administrative Code chapters 6, 7, and 8(68B).
- C. 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 IPERS' contractors or agents. 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 IPERS.
- D. The prohibitions in this article do not apply to the following:
1. Books, pamphlets, articles, or other such written materials which contain information directly related to the official job duties of a Board member or employee and are accepted by the Board member or employee on behalf of the agency for use in performing his or her job duties, or

2. Political contributions as permitted under Iowa Code chapter 68B, or
 3. Other gifts as permitted under Iowa Code section 68B.22(4) and the administrative rules thereunder.
- E. The prohibition on solicitation and/or acceptance of gifts offered or given by persons seeking official action from IPERS does not apply to gifts from relatives of Board members or employees which are based solely on a personal relationship between the Board member or employee and his or her relative.
- F. Under no circumstances may Board members and employees accept a gift if the source of the gift is not identified or if the Board member or employee knows or has reason to know that the gift is being offered through an intermediary.
- G. Written notice of IPERS' gift prohibitions should be provided to all potential donors. If an unsolicited prohibited gift is received by a Board member or employee, he or she should attempt to return the gift to its source. If that is not possible or feasible, the gift shall be forwarded to the Department of Administrative Services, or a bona fide charitable organization as outlined in Iowa Code chapter 68B and 351 Iowa Administrative Code. If transfer of the gift to the Department of Administrative Services or a bona fide charitable organization is not possible or feasible, the item may be sold within the agency, provided that the sale of a prohibited gift must be for fair market value, with distribution of the proceeds to the Department of Administrative Services or to a bona fide educational or charitable organization.

VII. COMPLIANCE WITH PROFESSIONAL STANDARDS

- A. IPERS representatives who are members of professional organizations which promulgate standards of conduct must comply with those standards.
- B. All IPERS professional investment personnel shall comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute (the "CFA Institute Standards") as amended from time to time by the CFA Institute, the requirements of which are incorporated herein by this reference.

VIII. FINANCIAL DISCLOSURE

- A. Board members and key employees shall comply with the requirements for personal financial disclosure set forth in the Iowa Code chapter 68B and the administrative rules thereunder.

IX. COMPLIANCE AND ENFORCEMENT

- A. The Board, with the assistance of the general counsel, shall enforce this policy with respect to Board members, the chief executive officer, and contractors and agents providing investment and actuarial services. Such enforcement shall be through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.
- B. The chief executive officer, with the assistance of the general counsel, shall enforce this policy with respect to employees, using the full range of disciplinary options under IPERS' personnel policies and collective bargaining agreement up to, and including termination. The chief executive officer shall also enforce this policy with respect to IPERS' contractors and agents other than those providing investment and actuarial services.
- C. The chief executive officer shall enforce this policy with respect to the general counsel.
- D. Board members and those IPERS employees who are fiduciaries shall take appropriate action as cofiduciaries in the event a violation of this policy involves a breach of a Board member's or employee's fiduciary duties.
- E. Board members and employees with knowledge of a violation of this policy shall report such violation to the general counsel. No retaliatory action will be taken for any such report made in good faith.
- F. Key employees and Board members, respectively, shall sign and date a Compliance Statement, stating that they have received and read this policy, that they will comply with its provisions, that it is their duty to report violations of this policy, and, for employees, that adherence to the policy is a condition of their employment. The statement will also include a disclosure of any conflicts of interest or violations of the policy of which they are aware and a reminder that they are required to update their statements if a change in circumstances occurs which would require reporting under this policy. The general counsel will maintain the compliance statements of Board members.

New Board members and new key employees shall provide the compliance statement within 60 days of employment or appointment, as applicable.

- G. Board members and key employees shall promptly disclose any discipline imposed on themselves for violations of the laws, rules, and codes listed at 1(A). All such Disclosure Statements shall be provided to the general counsel within 45 days of the adoption date of this policy, or, if later, within 45 days after the imposition of such discipline. Disciplinary action disclosure shall be promptly updated if any action occurs which would cause a Board member's or an employee's answers to change.

- H. For open records purposes, the custodian of the Compliance Statements, Disclosure Statements, and rulings required under this policy shall be the general counsel. Such records including all relevant documentation, and the general counsel's rulings thereon, shall be maintained as confidential except as otherwise required by a court of competent jurisdiction. Provided that, if in the general counsel's sole discretion, appropriate corrective actions are not taken in response to an adverse conflict of interest ruling, this section shall not preclude IPERS from taking further actions to cure the situation which could result in the release of part or all of the information disclosed in the compliance statement or conflict disclosure.

- I. A list of the contractors and agents who have been found to be in violation of the Ethics Policy and whose relationship with IPERS has been terminated because of such violation shall be maintained. The custodian of this list is the general counsel. IPERS will not do business with a contractor or agent terminated for violation of the Ethics Policy for a period of at least five years after the termination of the relationship between the contractor or agent and IPERS.