

**CITY OF DETROIT GENERAL
RETIREE HEALTH CARE TRUST**

ETHICS POLICY

Adopted: March 8, 2016

I. OVERVIEW AND PURPOSE

The Board of Trustees of the City of Detroit General Retiree Health Care Trust is established under the Plan for the Adjustment of Debts of the City of Detroit as a Voluntary Employee Beneficiary Association (VEBA) under Section 501(c)(9) of the Internal Revenue Code, as amended. The Board of Trustees is vested with the authority and responsibility for the establishment, operation, management and administration of benefits to be provided by the General VEBA, and for the management and investment of Trust assets for the exclusive purpose of providing benefits to participants and beneficiaries of the VEBA and defraying reasonable expenses. The Board of Trustees must act with the care, skill, prudence, and diligence then prevailing that a prudent person acting in a like capacity – and familiar with such matters – would use in the conduct of an enterprise of like character and with like aims.

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

Accordingly, Board members 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 General VEBA representatives and to instill and maintain a high level of confidence in the relationship between the Board and those persons doing business with the General VEBA as well as maintain the confidence of members, beneficiaries and the general public in VEBA 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 General VEBA 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.*).

“Anything of value” includes anything of monetary value, including but not limited to, money, loans, gifts, food or beverages, social event tickets and expenses, travel expenses, golf outings, consulting fees, compensation, or employment.

“Board” or “Board of Trustees” shall mean the Board of Trustees of the City of Detroit General Retiree Health Care Trust.

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

“Conflict of Interest” includes the prohibited transactions and interests described in Section III and V 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 the General VEBA in the best interests of VEBA members and beneficiaries.

“Fiduciary” means (a) the Board of Trustees; (b) any individual Board member; or (c) such other person, including but not limited to staff, 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 General VEBA.

“General VEBA” or “VEBA” means the City of Detroit General Retiree Health Care Trust, as may be amended from time to time.

“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 or a related party that is not expressly permitted under applicable laws and administrative rules.

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

1. An investment fiduciary, counsel, or employee of the VEBA;
2. A person or entity providing services to the VEBA;
3. The City of Detroit or any of its political subdivisions;
4. An organization, any of whose members are covered by the General VEBA;
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 or entity 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 of 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 or an individual identified in paragraphs (1) through (3);

“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 and/or General VEBA, 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 General VEBA is a partner, any person or entity that has a contract related to investment of the VEBA’s funds, and any other person marketing or otherwise attempting to secure business involving the VEBA’s funds.

“TPA” means the VEBA’s Third Party Administrator, and its employees, agents, and representatives.

“Trustee” shall mean any individual member of the Board of Trustees.

III. GENERAL ETHICAL STANDARDS

A. FIDUCIARY DUTIES.

- 1. Duty of Loyalty.** Board members shall act solely for the benefit of the General VEBA participants and beneficiaries, and shall give their undivided loyalty to such participants and beneficiaries. Good faith does not excuse disloyalty.
- 2. Duty to Deal Impartially.** Board members shall deal impartially with all General VEBA participants and beneficiaries.
- 3. Duty to Preserve the Trust.** Board members shall preserve the trust assets through implementation of an *Investment Policy* and the monitoring of fund performance.
- 4. Duty to be Educated.** The complexities of sound management of the assets and liabilities of the General VEBA impose a continuing responsibility for all Board members to maintain adequate levels of information and education.
- 5. Duty as a Board member.** Board members have a duty to use reasonable care to prevent other Board members from committing a breach of fiduciary duty, and have a duty to compel performance or redress of a breach.

B. ETHICAL PRINCIPLES.

1. This Policy cannot address all of the circumstances in which Board members could benefit themselves or parties in interest, rather than General VEBA 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 governmental retiree health care 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 General VEBA by the Board.
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 General VEBA, can erode confidence in the Board's administration of the VEBA, and should be avoided.
4. Board members must be honest in the exercise of their duties and must not take actions that will discredit the General VEBA.
5. Board members must be loyal to the interests of the General VEBA, its members and its beneficiaries.

C. NCPERS GUIDING PRINCIPLES. The National Conference on Public Employee Retirement Systems has published NCPERS' Model Code of Ethics, the Guiding Principles of which are hereby adopted and restated as follows:

1. Service to the VEBA participants and beneficiaries is the primary function of the Board of Trustees.
2. The participants and beneficiaries of the General VEBA are sovereign and the Board of Trustees is ultimately responsible to them.
3. In those situations where the law is not clear, the best interests of the General VEBA participants and beneficiaries must be served. Conscience is critical. Good ends never justify unethical means.
4. Efficient and effective administration and investment management is basic to preservation of the Trust fund. Misuse of influence, fraud, waste or abuse is unacceptable conduct.
5. Safeguarding the trust fund is paramount. Conflicts of interest, bribes, gifts or favors which subordinate Board members to private gains are unacceptable.
6. Service to General VEBA participants and beneficiaries demands special sensitivity to the qualities of justice, courage, honesty, equity, competence and compassion.
7. Timely and energetic execution of fiduciary responsibilities is to be pursued at all times by Board members.

D. POLICY GUIDELINES. Board members shall not:

1. Solicit or accept employment from anyone doing business with the Board or General VEBA, unless the Board member completely withdraws from any discretionary or decision-making activity regarding the party offering employment, and the Board approves the withdrawal;
2. Use his or her 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;
4. Hold or benefit from a contract with, authorized by, or approved by, the Board;
5. Vote, authorize, recommend, or in any other way use his or her position to secure approval of a General VEBA 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 General VEBA, or the VEBA's logo in a manner that suggests impropriety, favoritism, or bias by the Board;
7. Solicit or accept any compensation, except as allowed by the Trust Agreement or other applicable 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.

IV. CONFLICTS OF INTEREST

The phrase “conflict of interest” includes prohibited transactions and interests, gifts, 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 General VEBA in the best interests of VEBA members and beneficiaries.

A. EXISTENCE. A conflict of interest exists for a Board member whenever there exists personal or private, commercial, or business relationship or interest that could reasonably be expected to diminish the Board member's independence of judgment in the performance of the individual's responsibilities as a member of the Board of Trustees.

B. DISCLOSURE. Board members and any other person(s) or entity(ies) having fiduciary obligations to the General VEBA 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. 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. Board members 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 General VEBA 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 General VEBA as soon as administratively possible. However, if the conflict of interest involves a Board member 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 General VEBA. 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 is a participant or beneficiary of the General VEBA 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 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 General VEBA 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 VEBA; or
3. A Board member 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 General VEBA unless the Board member or related party participates in the management of such funds.

V. GIFTS, POLITICAL CONTRIBUTIONS AND SOLICITATIONS

A. GENERAL POLICY STATEMENT

Engaging in or condoning bribery is strictly prohibited.

Board members 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.

B. DISCLOSURES. All parties who engage in business or seek to do business with the General VEBA, directly or indirectly, are required to disclose whether they have provided, or have been requested to provide, during the preceding 12 months, any gifts to Board members. The information disclosed will be retained by the VEBA's Third Party Administrator (the "TPA") (even if the response is that no gifts were made) for a period of five (5) years from the disclosure unless a longer period is required under applicable law.

Prior to any contract decisions made by the Board, the TPA and the Board's General Counsel will obtain and provide any third party disclosures to the Board.

C. PROCUREMENT OVERSIGHT. Written notice of General VEBA gift prohibitions should be provided to all current and potential service providers. If an unsolicited prohibited gift is received by a Board member, 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 a bona fide charitable organization.

During the pendency of any Request for Proposal (RFP) or Request for Information (RFI), no person or entity that submits an application or bid for the award of a General VEBA contract, nor an agent for such person or entity, may have any communication concerning any topic with the Board, 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. Board members and/or service providers who are identified within the RFP or RFI as responsible for responding to prospective applicant or bidder questions;

2. Communications by a firm under contract to provide services to the General VEBA, where the communication is made formally to the Board or TPA 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 RFP or RFI, for the purpose of providing the Board 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) believes that a violation has occurred, the Chair will promptly inform the Board and the TPA of this information, the Board will make a prompt determination as to whether a violation has occurred, and the TPA will inform the applicant or bidder of his/her/its immediate disqualification, if applicable.

VI. PROHIBITED CONDUCT

A. CONFIDENTIAL/SENSITIVE INFORMATION. No member of the Board shall obtain or use for personal reasons or for private gain any confidential information acquired as a result of his or her position as a member of the Board.

A Board member shall not use information to which he or she has access by reason of his or her office to acquire, or aid another to acquire, a pecuniary interest in any property, transaction or enterprise that may be affected by the information; speculate, or aid another to speculate, on the information; or coerce another to suppress or fail to report that information to a law enforcement agency.

Board members may not disclose confidential information, except when duly authorized personnel determine that disclosure is either permitted or required by law.

B. OUTSIDE EMPLOYMENT AND OTHER OUTSIDE ACTIVITY. Board members may not engage in any outside employment or other activity that is not compatible with the full and proper discharge of their duties and responsibilities with the Board. Activities or actions that are not compatible with Board duties include, but are not limited to, the following:

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 duties as a Board member, or which may impair the efficient operation of the Board;
2. Accepting employment or rendering services in exchange for pay regarding General VEBA policies, rules or matters of VEBA business, except if the employment or services are in the course of public employment;
3. Ordering, directing or requesting Board members to perform during regular working hours any personal services not related to official Board functions or activities;

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; and

5. Serving in a representative capacity or as an agent, consultant, expert witness or attorney for any outside entity involving any matter before the Board or matter that involves the Board.

C. USE OF VEBA RESOURCES FOR PRIVATE GAIN. No Board member shall use Board consultants or General VEBA facilities, equipment, materials or supplies for any purpose other than the discharge of his or her responsibilities and duties to the VEBA.

D. USE OF POSITION FOR PRIVATE GAIN. No Board member shall use or seek to use his or her position to obtain an economic benefit or financial gain for himself or herself, for any party in interest 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.

E. NEPOTISM. On the basis of objective qualifications and competitive cost, the Board is not prohibited from hiring or retaining the relative of a Board member; however, it will be incumbent upon the Board to disclose such a relationship to the Board as early in the evaluation and selection process as is reasonably possible.

VII. ETHICS ADVISORY OPINIONS

In its sole discretion, the Board of Trustees from time to time may seek advisory opinions from its General Counsel or special counsel to the General VEBA 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 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 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 General VEBA and its full Board of Trustees with regards to the subject matter of the Board's request for the advisory opinion.

VIII. COMPLIANCE AND ENFORCEMENT

The Board, with the assistance of its General Counsel, shall enforce this *Ethics Policy* with respect to Board members, service providers and agents providing investment, actuarial, legal, and other consulting 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, agent, service provider or other offender of this *Ethics Policy*.

The TPA, pending approval of the Board of Trustees, shall enforce this policy with respect to the General Counsel.

Board members 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.

The Board may not impose a fine on another Board member; however, the Board may order restitution to repay assets of the General VEBA that have been diminished because of a Board member's behavior. Additionally, a Board member may be required to reimburse the General VEBA or repay the value of a gift to comply with this policy.

A copy of this policy shall be provided to all General VEBA service providers, receipt of which shall be acknowledged in writing.

No Board member may engage in illegal activities at any time, in matters related to the General VEBA. Such illegal behavior is not tolerated and is subject to immediate discipline, including possible termination and prosecution.

IX. POLICY REVIEW

The Board shall review this *Ethics Policy* at least once every three (3) years to assure its efficacy and relevance. The Board may amend this policy, from time to time, by majority vote of the Board at a meeting in which a proposed amendment has been communicated to all Trustees in advance of said meeting, and is included as an item for consideration on the meeting agenda.