STATE OF VERMONT
STANDARD CONTRACT FOR SERVICES

REGULATION 12033: STANDARDS OF CONDUCT
EFFECTIVE 9/10/12
VERMONT PENSION INVESTMENT COMMITTEE

§1. STATEMENT OF PURPOSE

A. The VPIC is responsible for the investment of the assets of the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System pursuant to 3 V.S.A. § 472, 16 V.S.A. § 1943, and 24 V.S.A. § 5063. The VPIC is obligated to strive to maximize total return on investment, within acceptable levels of risk for public retirement systems, in accordance with the standards of care established by the prudent investor rule under 14A V.S.A. § 902.

B. VPIC Members must maintain high ethical and moral standards both professionally and personally in order to maintain and promote public confidence in the integrity of the decisions of the VPIC relating to investment of the Retirement Systems' assets. The ability to carry out these responsibilities may be impaired whenever a real or apparent conflict of interest exists between the private interest of a VPIC Member and his or her official responsibilities.

C. In recognition and consideration of their responsibilities and obligations as VPIC members and to further the goal of protection of the Retirement Systems' members, beneficiaries, Trustees and employees from the damage that could result from real or apparent conflicts of interest, the following Standards of Conduct are hereby adopted to assist and guide VPIC Members and employees in the exercise of professional and moral judgment.

D. This regulation is intended to implement the standards of conduct provisions of 3 V.S.A. §472(d); 16 V.S.A. §1943(d); and 24 V.S.A. §5063(e).

§2. AUTHORITY

This regulation is adopted pursuant to 3 V.S.A. §471(d) and §472(d); 16 V.S.A. §1942(f) and §1943(d); and 24 V.S.A. §5062(d).

§3. APPLICABILITY

A. These standards of conduct shall apply to the Members and Employees of the VPIC.
B. These Standards of Conduct are intended to supplement, and not to replace, other State and federal laws. Where this code is less restrictive than another law, executive order, or regulation that applies to the conduct and activities of VPIC Members and employees of the VPIC, such other stricter terms shall apply. Where this code is more restrictive than any other applicable law, executive order or regulation, the stricter standards of this code shall apply.

§4. DEFINITIONS

For the purposes of these Standards of Conduct, the following words have the following meanings:

A. "Benefit" means any gain, favor, profit, reward, value, accommodation or other advantage, including, but not limited to, acceptance of preferential pricing from Vendors or Potential Vendors with respect to brokerage accounts or investment fees and a benefit to any other person in whose welfare the beneficiary is interested.

B. "Conflict of Interest" means any personal or financial interest of a VPIC Member, or such an interest, known to the VPIC Member, of a member of his or her immediate family, household member, or business associate in the outcome of any particular matter pending before the VPIC. A conflict of interest includes, but is not limited to, those defined in subsections 5 and 8.

C. "Gift" means any form of compensation or anything of value, tangible or intangible, and includes, but is not limited to, meals, alcoholic beverages, travel fare, room and board, gratuities, entertainment, cash, goods or services. "Gift" shall not include the nominal value of free conference registration offered by a Vendor or Potential Vendor and approved by the VPIC.

D. "Interest" means any personal or financial interest except an interest that is incidental to the person's membership in a Retirement System or participation in a plan administered by a Retirement System that is no greater than that of other persons generally affected by the outcome of the matter.

E. "Potential Vendor" means any Vendor that has bid on a VPIC contract and any Vendor that is in the business of providing goods or services of the type routinely purchased by the VPIC, whether or not it has bid on a VPIC contract, including but not limited to administrative, investment, financial, banking, and consulting services.

F. "Retirement Systems" means the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System and any individual municipalities that have been allowed to invest their retirement funds with the VPIC.

H. "VPIC Member" means any person who serves as a VPIC Member or any person who serves as the designee of a VPIC Member or as an Alternate to a VPIC Member.

I. "Vendor" means a natural person, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, a limited liability company, or a limited liability partnership that performs services for the VPIC for direct or indirect compensation. The term includes affiliated entities and trade organizations.

§5. PROHIBITED CONDUCT: CONFLICTS OF INTEREST

The following conduct by a VPIC Member or an Employee of the VPIC creates either an actual or potential conflict of interest or the appearance of a conflict of interest and is prohibited:

A. Solicitation or acceptance of a gift or benefit from any Vendor or potential Vendor except in accordance with Section 9(A).

B. Solicitation or acceptance of a gift or benefit from any person or entity with a personal or financial interest in the outcome of a particular matter pending before the VPIC.

C. The purchase, sale, exchange, or lease of property to or from the VPIC.

D. Acting upon or providing to any person any information relating to the investment of the VPIC's assets prior to that information becoming public record.

E. Acceptance of a fee, gift or other benefit for providing information relating to the VPIC and its assets, obtained as a VPIC Member, whether insider or otherwise, to any other person.

F. Participation in any breach of fiduciary duty by another person subject to this code, participation in concealing such breach, or knowingly or negligently permitting such breach to occur.

G. Participation in a violation of these Standards of Conduct by another person subject to this code, participation in concealing such violation, or knowingly or negligently permitting such violation to occur.

H. Acceptance of money, gifts or benefits in connection with any campaign for public office from any Vendor or potential Vendor of the VPIC.

I. Any direct interest in the gains or profits of any investment made by the VPIC.

J. Direct or indirect use of the gains or profits of any investments made by the VPIC, for himself or as an agent, for any purpose except to make current and necessary payments as are authorized by the VPIC.

K. Becoming an endorser or surety, or in any manner an obligor, for money loaned to or borrowed from the VPIC.

§6. DISCLOSURE

A. To the extent (i) VPIC investment decisions continue to be made in public session of warned public meetings; (ii) certain VPIC investment data is available on the Office of the Treasurer's website; and (iii) all VPIC assets are managed, at the discretion of external investment managers, within stated guidelines, there is very little, if any, investment information to which VPIC

Members have access which is not also generally available to members of the public. Vermont State law does not prohibit VPIC Members from investing in the same investments in which the VPIC invests, or with Vendors except as may be otherwise inconsistent with this rule. Likewise, there is no State law reporting requirement regarding the personal investment holdings of the VPIC Members.

VPIC Members are expected to avoid personal investment activity which creates either an actual or potential conflict of interest or the appearance of a conflict of interest. On an annual basis, VPIC Members shall execute the attached "Standards of Conduct Disclosure for VPIC Members."

B. VPIC Members shall disclose to the VPIC all actual or potential conflicts of interest and appearances of a conflict of interest as soon as such actual or potential conflict or appearance of a conflict becomes known.

C. Employees of the VPIC shall disclose all actual and potential conflicts of interest and appearances of a conflict of interest to the VPIC as soon as such actual or potential conflict or appearance of a conflict becomes known.

§7. RECUSAL

No VPIC Member shall knowingly participate in a decision or action by the VPIC in which he or she has an actual or potential conflict of interest.

§8. TRAVEL, CONFERENCES AND MEETINGS

A. The reasonable and necessary expenses of travel, lodging, meals, and incidentals for a VPIC Member or Employee traveling on behalf of the VPIC, or in his or her capacity as a VPIC Member or Employee, or because of his or her position as a VPIC Member or Employee, shall be paid pro rata by the Retirement Systems if approved prior to the travel by the VPIC. The agenda, written materials pertaining to the event, when available, an estimate of the cost of the trip and the names of all sponsors of the event to be attended shall be provided to the VPIC at the time approval is requested. If approval is granted, the VPIC Member or Employee shall report to the VPIC, at the next scheduled meeting that he or she attends, on the content of the event and whether a Vendor or Potential Vendor attempted to pay any expenses of the VPIC Member or Employee or sponsored any function or event in which the VPIC Member or Employee participated.

B. All expenses related to the travel of a spouse, family or household member, or other invitee of a VPIC Member, shall be paid by the VPIC Member or invitee.

C. Nothing in this policy is intended to limit or restrict travel to, and attendance at, an event by a VPIC Member or Employee when attendance is in a capacity other than as a VPIC Member or Employee. When traveling in a capacity other than as a VPIC Member or Employee, a VPIC

Member or Employee shall not solicit or receive any gift including meals, alcoholic beverages, travel fare, room and board, or any other thing of value from a Vendor or Potential Vendor or from the organizers of an event sponsored by one or more Vendors or Potential Vendors, except in accordance with Section 9(A).

§9. GIFTS AND GRATUITIES

A. All VPIC Members shall refuse to accept any gift that is received from or offered by a Vendor or Potential Vendor or from the organizers of an event sponsored by one or more Vendors or Potential Vendors, except for the following:

1. Items or products of de minimis value of $10.00 or less; provided, however, that ;

2. Items or products donated by a Vendor or Potential Vendor and awarded at a conference attended by a VPIC Member as long as they are offered to participants on a random basis through a drawing, raffle or game of chance and have a value of $100.00 or less. Any item accepted under this provision with a value of greater than $25.00 shall be reported by the VPIC Member pursuant to section 9(B).

3. Food or refreshment offered during a meeting or conference that appears on the agenda, is an integral part of the event and is offered to all in attendance at the event and taken in a group setting.

4. Books, conference materials and other educational materials offered during a meeting or conference to all in attendance at the event.

B. VPIC Members who receive any item or product from a Vendor or Potential Vendor of more than de minimis value shall report the following to the State Treasurer's Office:

- a description of the product,
- the date of receipt,
- the identity of the sender or donor,
- the item's approximate value, and
- the disposition of the item by the VPIC Member.

If the item is not perishable, the item shall be promptly returned to the sender. All perishable items shall be donated to a suitable charity or placed in a publicly accessible area for general enjoyment.

C. The State Treasurer's Office shall record the information specified in section 9(B) for public inspection.

§10. INITIATION OR CONTINUATION OF CONTRACTUAL RELATIONSHIP

A. From the time the VPIC has decided to obtain bids or proposals for goods or services, or from the time the VPIC has under consideration the decision to renew an existing contract, and until a final contract is approved:

1. No VPIC Member shall have any direct or indirect communication about the bid or proposal with any Vendor or Potential Vendor seeking such new or continued contractual relationship with the VPIC except at an open meeting of the VPIC.

2. A VPIC Employee shall limit his or her direct or indirect communication about the bid or proposal with any Vendor or Potential Vendor during this time period to that necessary for administration of existing contracts or in connection with administration of the bid or proposal process. All communications shall be documented by the VPIC Employee and maintained as a record of the Office of the State Treasurer.

3. A VPIC Member who receives any direct or indirect communication outside of a meeting of the VPIC from any Vendor or Potential Vendor seeking a new or continued contractual relationship with the VPIC shall notify the VPIC of the communication prior to the VPIC's final approval of a contract.

B. The VPIC shall require that all Vendors or Potential Vendors seeking a new or continued contractual relationship with the VPIC give written disclosure to the VPIC of all communications or contacts with any VPIC Member in the preceding year and any expenditures relating to those communications or contacts. Disclosure will be required before final interviews by the VPIC or, if there are no final interviews, before approval of a final contract.

C. The VPIC may disqualify a Vendor or Potential Vendor from ongoing business or potential business for any communication contrary to the provisions of this section, for attempting to pay any expenses of a Trustee or employee contrary to section 8(A), or for any other conduct having the potential to create a conflict of interest or to cause a breach of fiduciary duty.

D. This regulation shall be included as an attachment to all requests for proposals, bidding documents and contracts of the VPIC. The VPIC shall require all consultants who conduct manager searches or other vendor searches on behalf of the VPIC to provide a copy of this policy to all Vendors or Potential Vendors during the search process.

§11. SANCTIONS

A. The VPIC may take such actions it deems appropriate if a VPIC Member fails to comply with the provisions of this rule including, but not limited to:

1. A recommendation that a VPIC Member refrain from participation and voting in a matter or matters pending before the VPIC.

2. A recommendation that a VPIC Member repay or return any gift or benefit received by a VPIC Member from a Vendor or potential Vendor.

3. A recommendation that a VPIC Member refrain from particular actions that the VPIC determines constitute an actual or potential conflict and are detrimental to public confidence in the VPIC's integrity.

B. The VPIC may recommend that the appropriate appointing authority take appropriate disciplinary action if a VPIC Member fails to comply with the provisions of this rule.

VERMONT PENSION INVESTMENT COMMITTEE

Standards of Conduct Disclosure for VPIC Members

This disclosure is for the period January 1, 20__ to December 31, 20__ and needs to be filed with the Vermont Pension Investment Committee (VPIC). VPIC members and alternates are required to complete this disclosure in accordance with the VPIC Standards of Conduct adopted _____. All capitalized terms used in this form shall have the meaning set forth in the Standards of Conduct.

Please ensure full disclosure in the space provided for explanation or attach a separate sheet. This disclosure must be completed and returned electronically or via U.S. post to the attention of the Office of the Treasurer of the State of Vermont, 109 State Street, 4th Floor, Montpelier, VT 05609, no later than February 15, 20__.

PLEASE DISCLOSE ALL CONFLICTS OF INTEREST, POTENTIAL CONFLICTS OF INTEREST, OR SITUATIONS THAT COULD REASONABLY BE PERCEIVED AS CREATING CONFLICTS OF INTEREST.

☐ None to report.

I certify that I have read the VPIC Standards of Conduct. I further certify that I am in full compliance with the Standards of Conduct.

By:_____

Name: _____

Date:_____