

Resolution to Clarify and Amend the Ethics Policy for the
Police and Fire Retirement System of the City of Detroit

December 13, 2021

WHEREAS, the Investment Committee members are fiduciaries for the Police and Fire Retirement System of the City of Detroit (“PFRS”) and have a duty to ensure that the system is being administered for the sole and exclusive benefit of PFRS members, retirees and beneficiaries; and

WHEREAS, the PFRS has an Ethics Policy in place that limits the type of travel expenses, meals and gifts for PFRS fiduciaries and staff that can be received in furtherance of those goals; and

WHEREAS, the Investment Committee has fiduciary duties regarding certain investment decisions, including the selection and evaluation of certain staff and certain service providers including investment managers, and believes such persons and entities would benefit from additional clarity regarding the Investment Committee’s interpretation of the Ethics Policy;

WHEREAS, the Investment Committee wishes to make clear its intent to include a regular reporting and evaluation of ethical practices in its decision making regarding the evaluation of personnel and contractors who provide investment services to the System; and

WHEREAS, the Investment Committee is required to comply with the procedures adopted by the Board of Trustees, but is not prohibited from imposing higher ethical standards if it feels it is necessary to discharge its fiduciary duties; and

WHEREAS, Michigan law requires annual disclosure by the Police and Fire Retirement System of the City of Detroit (“PFRS”) of each person receiving reimbursement for out of state travel funded with public funds (destination, date, brief reason for travel, itemized costs);¹ and

WHEREAS, disclosures regarding travel expenses are appropriate for business travel for PFRS employees and fiduciaries if the travel is funded privately and will assist the Investment Committee in evaluating its service providers; and

WHEREAS, there is no current requirement for disclosures of gifts and gratuities absent a requirement to self-report violations of the Ethics Policy; and

¹ MCL 38.1133(3)(i)(X)(E).

WHEREAS, the PFRS has a process in place for assuring service provider compliance with limitations on and disclosures of political donations² that could be amended to assure compliance with the System's ethics policy without significantly increasing the burden on staff or providers; and

WHEREAS, the Investment Committee would benefit from receiving information regarding compliance with the PFRS Ethics Policy from investment service providers, as interpreted in this resolution, in its decision-making;

THEREFORE, it is resolved by the Investment Committee of the PFRS, that:

1. **Interpretations.** The following interpretations of the Ethics Policy will be applied by the Investment Committee to all service providers for which the IC has decision-making authority regarding their engagement:
 - a. ***Tickets or Entry Fees to Recreational or Social Events.*** Section VI.C.5 of the Ethics Policy provides that "participation in recreational or social events when the service provider is present" is not subject to the limitation on a) accepting a gift of \$100 or more or b) over the course of a year accepting gifts totalling \$300 or more. In interpreting this section, the Investment Committee will expect the service provider will be reimbursed with personal funds for any ticket, entry fee, or similar cost for attendance at a recreational or social event with a face value of \$100 or more whether or not the service provider is present at the event unless prior approval of the Investment Committee has been gained to accept a gift of a higher amount from that service provider.
 - b. ***Definition of Discourage/Expensive.*** Section VI.D of the Ethics Policy provides that "acceptance of expensive meals, refreshments, or entertainment from a service provider is to be discouraged." The policy states that "location and context" of the event shall be taken into account. In interpreting this provision, the Investment Committee will interpret "expensive" to refer back to the earlier provisions regarding gifts of \$100 or more, except in the case where 66% of the U.S. General Services Administration ("GSA") per diem for that location exceeds \$100, in which case "expensive" shall be defined as 66% or more of the GSA per diem for that location. The Investment Committee will interpret "discouraged" to require prior approval by the Investment Committee of acceptance of any meal, refreshment, or entertainment defined as expensive under this provision. Nothing in this provision shall be interpreted to prevent the

² MCL 38.1133e(1).

recipient from paying for a portion of a meal, refreshment, or ticket with personal funds.

- c. **“Provided” by.** The use of the word “provided” in the Ethics Policy means provided either directly by an employee of the service provider, or provided by any contractor to that service provider. For example, if a service provider engages a marketing firm that supplies gifts or gratuities to PFRS representatives, that gift or gratuity will be deemed to be “provided by” the service provider. The Investment Committee will interpret this definition to exclude any food, drinks, or incidental tokens available or given to all attendees at conferences or other educational events; e.g. a reception for all attendees at an educational conference at which food or drink are provided will not be interpreted to be “provided” to the attendee by any sponsor of the event.
2. **Disclosures.** The following disclosures will be required by the Investment Committee for all service providers for which the IC has decision-making authority regarding their engagement:
- a. **Advance Disclosure and Approval.** When travel, meals and/or lodging are proposed to be provided to a PFRS representative by a service provider or prospective service provider as part of a conference or other educational opportunity, and the travel, meal, and/or lodging is expected to exceed \$100 in value (or cumulatively \$300 in the course of a year), the PFRS representative shall disclose to the Chair of the Investment Committee the expected approximate value of the travel, meals, and/or lodging prior to making any non-refundable reservation and must seek advance approval for acceptance of such expenses in the same manner as if the PFRS were to make such an expenditure. Failure to seek and receive advance approval may require the recipient to repay the service provider the amount of the expenditures made from his or her personal funds.
 - b. **Expanded Gift Disclosure.** Section VI.E of the Ethics Policy requires prospective or current service providers to disclose annually to the Executive Director whether they have provided, or have been requested to provide, any gifts to Board members that are inconsistent with the Ethics Policy, and that such disclosures must be provided to the Board.

In addition to these requirements, the Investment Committee will require any providers over whom the Investment Committee has decision-making authority to disclose annually whether he, she, or it has provided, or have been requested

to provide, any gifts above the Disclosure Threshold to Investment Committee members or to employees of the PFRS.

- c. **Disclosure Threshold.** In conformance with the Ethics Policy provision that occasional gifts of less than \$20 may be accepted, the following shall determine the Disclosure Threshold (i.e. shall determine if the gift needs to be disclosed) in accordance with this Resolution:
 - i. If a service provider makes three gifts or more in the course of a year and the value of those gifts in total exceeds \$100, then all gifts shall be deemed to be above the Disclosure Threshold even if an individual gift is below the \$20 threshold.
 - ii. No disclosure is required for gifts of less than \$20 in value, unless they occur in a combination or frequency that otherwise requires disclosure under this interpretation. In other words, such gifts would fall below the Disclosure Threshold.

- d. **Form of Disclosure for Committee Members and Employees.** In addition to the requirement in the Ethics Policy to report known violations of the Ethics Policy, any member of the Investment Committee and any employee of the PFRS over which the Investment Committee has evaluation responsibilities shall disclose annually to the Investment Committee any gift they have received (unless excepted under 2c(iv) of this Resolution) in a form substantially similar to that appended to this Resolution as Appendix A.

- e. **Form of Disclosure for Service Providers.** Service providers shall disclose annually to the Investment Committee any gift they have provided to a representative of the Retirement System (unless excepted under 2c(iv) of this resolution) in a form substantially similar to that appended to this Resolution as Appendix B.

- f. **Opportunity to Correct Disclosures.** In the event an error or discrepancy in the disclosures is identified, the individual or firm making the disclosure shall have notice and an opportunity to correct the discrepancy before the Investment Committee takes any action as a result of the disclosure.

- g. **Opportunity to Cure Violations for Gift Recipients.** In the event a disclosure identifies a violation of the Ethics Policy (including but not limited to omission of a gift), the individual receiving the gift and the provider making such gift shall be notified and given an opportunity to correct the situation as per the Ethics Policy. The nature of the identified violation and the cure, if any, shall be reported to all members of the Investment Committee no later than 10 business days from the discovery of the violation.

Appendix A
Gift Disclosure Form -- Representatives of PFRS

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

Ally Detroit Center
500 Woodward Avenue, Suite 3000
Detroit, MI 48226

GIFT DISCLOSURE FORM - SYSTEM REPRESENTATIVE

Completion required for IC members or employees subject to evaluation by authority by the
Investment Committee

This form must be submitted to the Police and Fire Retirement System by
March 31 of each year.

I. Representative Information

Name: _____

Title/Role for PFRS: _____

The undersigned, being duly authorized to execute, hereby certifies under penalty of perjury that the information provided herein, upon information and belief, is true, accurate and complete, and is intended to fully comply with the Retirement System's Ethics and Disclosure policies. A copy of the policies and the Resolution of the Investment Committee interpreting these policies are available at the System's website.

II. Report Year: _____

III. Gift Disclosure

Check all that apply:

I did not receive any gifts in the above year that are subject to disclosure (e.g. no gifts in excess of \$20 in value or with a combined value of \$80 or made four times a year or more).

I received gifts subject to disclosure in the above year and have attached* a list of such gifts organized by the provider giving the gift (including estimated value for non-cash items).

I received a gift or gifts subject to disclosure in the above year described in the attachment* to this form but repaid the value of the indicated gift or gifts from my personal funds.

Signature

Date

Printed Name

* Attach additional sheets as necessary.

Appendix B
Gift Disclosure Form -- Service Provider

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

**Ally Detroit Center
500 Woodward Avenue, Suite 3000
Detroit, MI 48226**

GIFT DISCLOSURE FORM - SERVICE PROVIDER

Completion required for service providers providing investment services.
This form must be submitted to the Police and Fire Retirement System by
March 31 of each year.

I. Service Provider Information

Company Name: _____

Address: _____

City: _____ State: _____ Zip: _____

The undersigned, being duly authorized to execute, hereby certifies under penalty of perjury that the information provided herein, upon information and belief, is true, accurate and complete, and is intended to fully comply with the the Ethics and Disclosure policies that are available at the System's website .

II. Reporting Period

From: _____ To: _____

III. Gift Disclosure

Check all that apply:

- | | |
|--------------------------|---|
| <input type="checkbox"/> | I did not provide any gifts in the above year that are subject to disclosure (e.g. no gifts in excess of \$20 in value or with a combined value of \$80 or made four times a year or more). |
| <input type="checkbox"/> | I provided gifts subject to disclosure in the above year and have attached * a list of such gifts organized by the recipient of the gift (including estimated value for non-cash items). |
| <input type="checkbox"/> | I provided a gift or gifts subject to disclosure in the above year described in the attachment * to this form but was repaid the value of the indicated gift or gifts by the recipient. |

Signature

Date

Printed Name

Title

* Attach additional sheets as necessary.

Failure or refusal to complete and submit the foregoing Compensation Disclosure Form may result in the suspension of payment for services rendered and/or termination of your relationship with the Retirement System.