

OKLAHOMA TEACHERS RETIREMENT SYSTEM ETHICS POLICY

The Oklahoma Teachers Retirement System (OTRS) is charged by statute with the administration of pension funds held in trust for OTRS clients and their beneficiaries. Accordingly, OTRS Trustees, employees, contractors, and agents have fiduciary duties commonly associated with pensions and other trusts. A fiduciary duty is a duty to act solely in another person's best interest. This duty includes the duty to avoid any conflicts of interest. It is a basic principle of the OTRS that all business conduct must uphold the highest standards of honesty and integrity. All Trustees and employees are expected to use sound judgment and to maintain the highest ethical and moral standards. Unethical actions are not acceptable. Fraudulent activities will not be tolerated. All OTRS Trustees and employees are encouraged to immediately report all cases of suspected fraudulent activities through the appropriate channels, as is outlined in the Fraud and Ethic Reporting Policy.

Accurate and reliable preparation and maintenance of OTRS records is of critical importance to proper management, decision-making, and fulfillment of the OTRS's financial, legal, and reporting obligations. All transactions must be properly documented and accounted for in the records of the OTRS. Financial statements, and the records upon which they are based, must accurately reflect all OTRS transactions.

As a State agency, business records and communications may become public, and Trustees and employees should avoid exaggeration, derogatory remarks, speculative language, or inappropriate characterizations of others that could be misinterpreted. This applies equally to e-mails, internal memos, and formal reports. Records should be retained or destroyed in accordance with the State of Oklahoma and OTRS record retention policies.

1. GENERAL ETHICAL STANDARDS

- a. Trustees and employees must comply with all applicable legal, fiduciary, and professional standards.
- b. Trustees and employees must be honest and use common sense in the exercise of their duties and must not take actions that will discredit OTRS.
- c. Trustees and employees must be loyal to the interests of OTRS, its clients and its beneficiaries.
- d. As discussed in more detail below, Trustees and employees may not use their relationship with OTRS to seek or obtain personal gain. However, this should not be interpreted to forbid the use of OTRS as a reference or the communication to others of the fact that a relationship with OTRS exists, provided that no misrepresentation is involved.

2. FIDUCIARY DUTIES

- a. The Board, individual Trustees, and employees of the system shall, in addition to the ethical and fiduciary duties imposed by the law, discharge their duties with respect to the system and the plan solely in the interest of the clients and beneficiaries as follows:
 - I. For the exclusive purpose of the following:

1. Providing benefits to clients and beneficiaries to the extent they are eligible to participate in the plan pursuant to law.
2. Defraying reasonable expenses of administering the plan.
3. With the care, skill, prudence, and diligence that a prudent person would employ under like circumstances.

3. CONFLICT OF INTEREST DISCLOSURES

A conflict of interest exists for a Trustee, employee, contractor, or agent whenever there is a personal or private, commercial, or business relationship or interest that could reasonably be expected to diminish the Trustee's, employee's, contractor's, or agent's independence of judgment in the performance of the person's responsibilities to the OTRS. For example, an employee's independence of judgment is diminished when an employee makes decisions that affect the OTRS and is influenced by matters of own personal gain or benefit.

- a. Trustees, employees, contractors, agents, and any other persons having fiduciary obligations to OTRS must promptly disclose conflicts of interest in writing to the Legal Counsel and Chairman of the Governance Committee. The Legal counsel and Chairmen will consult to develop an appropriate solution to the conflict of interest.
- b. The following, alone, shall not be considered a conflict of interest:
 - I. A Trustee, employee, or relative is a client, 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 clients or retirees, or
 - II. A Trustee, 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 the OTRS provided that the affected person's interest in the securities is not more than five (5) percent of any class of securities and the person is not a director or officer of the corporation, or
 - III. A Trustee, 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 OTRS unless the Trustee, employee, or relative participates in the management of such funds.

4. PROHIBITED TRANSACTIONS AND INTERESTS

- a. No Trustee or employee shall use or seek to use his or her OTRS position to obtain from a 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 Trustee or employee.

- b. No Trustee or employee may recommend or cause any OTRS business to be transacted with or for the benefit of a relative. All Trustees and employees must refer any business with a relative to another employee of the OTRS.
- c. No Trustee or employee may represent any person in any action or proceeding before or involving the interests of OTRS except as a duly authorized agent of OTRS.
- d. No Trustee or employee may take action personally or on behalf of OTRS that will result in a reasonably foreseeable conflict of interest. Should there be action which a Trustee or employee believes to be in the best interest of OTRS but which could result in a personal conflict of interest the Trustee or employee must disclose such fact to the Legal Counsel and Chairman of the Governance Committee.

5. OUTSIDE EMPLOYMENT OR BUSINESS RELATIONSHIP OF EMPLOYEES

- a. Employees may not engage in outside employment, business, or other activities which conflict with their full-time responsibilities at the OTRS. All employees must disclose any outside employment or business relationship using the OTRS Notice of External Employment or Business Relationship form. If, in the opinion of the Legal Counsel and the Executive Director, the outside employment or business relationship of any employee presents a conflict with the employee's full-time responsibilities at the OTRS, the employee shall either terminate the outside employment or business relationship or resign from OTRS employment.
- b. Failure to disclose any outside employment or business relationship, or failure to terminate outside employment or business relationship deemed to present a conflict with an employee's full-time responsibilities at the OTRS shall result in disciplinary actions under OTRS' personnel policies up to, and including termination.

6. CONFIDENTIAL/SENSITIVE INFORMATION

- a. Trustees and employees should take great care in all of their interactions outside of OTRS to not disclose specific client or beneficiary information that is confidential by law. During the course of the execution of their official duties, Trustees 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 Trustees and employees for OTRS' purposes and not for their own personal gain or for the gain of third parties.

7. OBSERVANCE OF OTRS CONTROLS AND POLICIES

- a. Trustees and employees will observe all operating controls established by law and OTRS policies, including restrictions and prohibitions on the use of OTRS property for personal or other non-OTRS related purposes.

8. GIFTS AND ENTERTAINMENT

- a. 70 O.S. Section 17-106 states, "The members of the Board of Trustees, the Executive Director and the employees of the System shall not accept gifts or gratuities from an individual organization with a value in excess of Fifty Dollars (\$50.00) per year. The provisions of this section shall not be construed to prevent the members of the Board

of Trustees, the Executive Director or the employees of the System from attending educational seminars, conferences, meetings or similar functions which are paid for, directly or indirectly, by more than one organization.”

- b. All parties must comply with Oklahoma Administrative Code 257:23-1-1 through 6 regarding reporting of things of value to state officers or employees.

9. COMPLIANCE AND ENFORCEMENT

- a. The Governance Committee, with the assistance of the Legal Counsel, shall enforce this policy.