

EL PASO FIREMEN & POLICEMEN'S PENSION FUND

BOARD OF TRUSTEES

PRINCIPLES OF FIDUCIARY CONDUCT AND GOVERNANCE

1. Act solely in the interest of the members and beneficiaries for the exclusive purpose of providing those benefits stated under the Pension Fund.
2. Act with the skill, competence, diligence and reasonable care of a prudent investor under the circumstances then prevailing in achieving the goals and purposes of the Fund.
3. Maintain independence and objectivity by, among other actions, avoiding: conflicts of interest or self-dealing in fact or appearance; showing favoritism or partiality to any person, institution or group; or acceptance of any gifts that could be regarded as affecting that duty of loyalty owed solely to the members and beneficiaries of the Fund.
4. Take appropriate action to implement the goals, purposes and objectives of the Fund, and establish policies and procedures that support its mission.
5. Review on a periodic basis the efficiency and effectiveness of the Fund's progress in meeting its goals, including an assessment of the performance and actions of its Board, executive staff and professional advisors.
6. Abide scrupulously by all applicable laws, rules and regulations, including the established policies and procedures of the Fund and the express terms of its plan documents.
7. Communicate with and report to the members and beneficiaries, and to designated authorities in a timely, accurate and transparent manner.
8. Maintain the confidentiality of Fund, member and beneficiary information consistent with reasonable expectations of individual privacy and business confidentiality.

I. Act solely in the interest of the members and beneficiaries for the exclusive purpose of providing those benefits under the Pension Fund.

The overriding objective of the Pension Fund is to serve as a secure source of retirement income. The Trustees have a duty of loyalty to act for the exclusive benefit of the members and beneficiaries of the Fund. Trustees comply with this duty in part by striving to safeguard and grow the assets of the trust to fund those benefits provided under the retirement plan to the members and beneficiaries.

To act solely in the interest of the members and beneficiaries for the exclusive purpose of providing those benefits under the Pension Fund, the Trustees will:

- Consider the different categories of members, including retirees and beneficiaries.
- Place the collective interests of the members and beneficiaries above all else, even if Trustees are individually employed, elected or appointed to the Board by the City or the membership.
- Consider the objectives of ensuring adequate funding of accrued liabilities, maintaining stable funding costs over time, keeping investment management and administrative costs at appropriately low levels, and paying timely benefits upon the death, disability, retirement or other distributable event of members, former members, retirees and beneficiaries.
- Carry out the activities of the Fund in a way that does not impose unnecessary financial burdens on the contributors to the Fund while assuring the adequate funding of benefits provided under the retirement plan.
- Consider all relevant risk and value factors deemed appropriate when establishing the Fund's investment policy and strategy.

2. Act with the skill, competence, diligence and reasonable care of a prudent investor under the circumstances then prevailing in achieving the goals and purposes of the Fund.

The Trustees will also exhibit the care and prudence necessary to meet their obligations to the members and beneficiaries. The exercise of prudence requires acting with the level of skill, competence, diligence and care that a person acting on behalf of a pension fund in a like capacity and familiar with such matters would use under the same or similar circumstances.

For a Trustee, prudence requires:

- Acting in a judicious manner on behalf of members and beneficiaries.
- Acting in good faith, without improper motive or purpose.
- Exercising power and discretion consistently in like cases and circumstances.
- Following the investment policies and strategies set forth by the Board and applicable authority.
- Possessing appropriate knowledge of and skill in balancing risk and return by appropriate diversification of the Fund.

The Trustees employ staff and professional advisors to advise, recommend, direct or implement the decisions of the Board. Trustees may rely on outside advisors to the extent the Trustees have made reasonable and diligent efforts to:

- Determine that the advisors act with appropriate skill, competence, and diligence.
- Determine that such advisors are independent and free of conflicts of interest and have the proper incentives to act in the best interests of the Fund.
- Ensure that the actions of staff and other delegates of the Board have a reasonable and adequate basis and that the implementation process is adequately documented.

Although the Board may prudently delegate certain responsibilities to staff, outside advisors or service providers, the Trustees shall retain the authority and responsibility to monitor such delegations to ensure that such responsibilities are carried out appropriately and in accordance with the Board's intent.

Skill and diligence require Trustees to be knowledgeable as to those matters and duties with which they have been entrusted. Ignorance of a situation or an improper course of action on matters for which Trustees are responsible is unacceptable. Improper or ill-advised decisions can be costly and detrimental to the interests of the Fund, its members and beneficiaries. Prior to taking action on behalf of the Fund, Trustees will act only after undertaking due diligence to ensure they have sufficient knowledge of those factors relevant to matters coming before the Board.

Trustees will endeavor to have a working knowledge and understanding of:

- Trust and pension laws applicable to the Pension Fund.
- The Fund's benefits, assets, liabilities and funding methodology.
- The policies and procedures of the Board and Fund.
- Investment research, including the assumptions used – such as risks, inflation, and rates of return – as well as the thoroughness of the analysis performed, the timeliness and completeness of the information, and the objectivity and independence of the source.
- The basic structure and function of the selected investments and securities in which the Fund invests.
- The manner in which investments and securities are traded, their liquidity, and other risks (including counterparty risk).

The level of such analysis will depend on the investment style and strategy employed by the Fund and the type of assets. Certain types of investments, such as hedge funds, private equity, or more sophisticated derivative instruments, necessitate more thorough investigation and understanding than do fundamental investments, such as straightforward and transparent equity, fixed-income, or pooled fund products. Trustees shall seek appropriate expert or professional guidance if they believe themselves lacking the expertise necessary to make an informed decision on a particular investment or matter.

Trustees should not act – or fail to act – for the Fund, its members and beneficiaries if lacking appropriate understanding or knowledge. Therefore:

- Trustees are expected to take such additional training or educational opportunities as are necessary or advisable to ensure that their level of knowledge and understanding of Fund operations and investments remains current.
- The Board as a whole has the responsibility to strongly encourage new Trustees and staff to receive proper training, education and preparation to fulfill their respective duties to the Pension Fund, its members and beneficiaries.

3. **Maintain independence and objectivity by, among other actions, avoiding: conflicts of interest or self-dealing in fact or appearance; showing favoritism or partiality to any person, institution or group; or acceptance of any gifts that could be regarded as affecting that duty of loyalty owed solely to the members and beneficiaries of the Fund.**

Trustees should endeavor to avoid actual and potential conflicts of interest between their work on the Board and other personal and outside interests. Conflicts of interest are many and varied, but the interests of the Pension Fund's members and beneficiaries remain paramount. In this connection, Trustees will:

- Avoid even the appearance of impropriety or a perceived conflict of interest.
- Take great care to put their duties to all the members and beneficiaries of the Pension Fund before those of the person, entity or group that appointed or elected them to the Board.
- Not solicit political contributions from members, beneficiaries, staff, advisors or service providers to the Fund, either personally or on behalf of another.
- Not allow political interests, philosophy, or political party loyalty to influence decisions made on behalf of the Fund.
- Not put themselves in a position where their interests and the interests of the Fund conflict.
- Not use the prestige or influence of their position for private gain or advantage.
- Avoid any employment or contractual relationship with, or any interest in, firms that provide services to the Fund.
- Not be involved in any retention, oversight or termination decisions of firms or otherwise vote on matters related to firms in which a Trustee may be perceived as personally interested.
- Not receive or accept, directly or indirectly, any gift, service, favor, entertainment, or any other thing of value from anyone currently engaged by or seeking business from the Fund if it could reasonably be perceived to influence a decision or be considered a reward.
- Refuse to accept gifts or entertainment of more than \$_____ in value from service providers, consultants, potential investment targets, or other counter-parties.

- Refuse any gift or benefit that could reasonably be expected to affect their independence, objectivity, or loyalty to the Fund, its members or beneficiaries.

To the extent a conflict may not be avoided, a Trustee shall recognize and take appropriate measures to manage the conflict, such as:

- Disclosing to the entire Board all real or perceived conflicts or interest.
- Abstaining from a vote and excluding themselves from any deliberations of the Board in which they have a direct conflict.
- Documenting and disclosing to the Board the acceptance of any gift or entertainment in connection with his or her status as a Trustee.

The overriding principle is that Trustees should act solely and exclusively in the best interests of the participants of the Fund and always disclose any conflict of interest.

Lastly, to maintain the trust and confidence that the members and beneficiaries of the Fund place in them, Trustees shall treat all members in a fair, courteous and objective manner with no preferential treatment or the appearance of such given to individual members or beneficiaries.

4. Take appropriate action to implement the goals, purposes and objectives of the Fund, and establish policies and procedures that support its mission.

The Trustees will develop, implement and periodically amend comprehensive written investment policies setting forth the mission, outlook, and strategic investment plans that guide the investment decisions of the Fund. Additionally, the Trustees will formulate general policies and procedures for guiding staff in the Fund's operation and office administration.

The Trustees will:

- Adopt written investment policies that include a discussion of risk tolerances, return objectives, liquidity requirements, liabilities, and applicable legal, regulatory, or other unique circumstances specific to an investment.
- Review and approve the Fund's investment policies as necessary but, at least annually, also ensure that the policies remain current.
- Take only those investment actions that are consistent with the stated objectives and constraints of established Fund policies.
- Give consideration to the suitability of investments in view of the needs of the Pension Fund, its future (or projected) liabilities, risk tolerance, and diversification goals.
- Select investment options within the context of the stated mandates or strategies and appropriate asset allocation.
- Establish policy frameworks within which to allocate risk for both asset mix policy risk and active risk as well as frameworks within which to monitor performance of the asset mix policies and the risk of the overall Pension Fund.
- Adopt general policies and procedures to guide staff in the administration, operation and management of the Fund, including the distribution of benefits provided under the retirement plan.

5. Review on a periodic basis the efficiency and effectiveness of the Fund's progress in meeting its goals, including an assessment of the performance and actions of its Board, executive staff and professional advisors.

The Trustees will:

- Develop disciplined decision rules for appointing, terminating, and retaining investment managers and advisors that foster a long-term investment focus and are consistent with the Fund's investment policy statement. Hire and termination decisions should be made in the context of established criteria that may include performance, organizational or operational strength, personnel quality, and other relevant considerations.
- Ensure that the Fund employs qualified advisors and sufficient human and technological resources to thoroughly investigate, analyze, implement and monitor investment decisions and actions.
- Ensure that investment managers, funds and advisors retained by the Board adopt and comply with applicable compliance and professional standards.
- Ensure that the Fund has in place proper monitoring and control procedures for investment managers and funds.
- Review investment manager and fund performance assessments relative to the Fund's investment policy statement on a regular basis, generally quarterly but at least annually.

6. Abide scrupulously by all applicable laws, rules and regulations, including the established policies and procedures of the Fund and the express terms of its plan documents.

The Board of Trustees, having been statutorily vested with management authority over the Pension Fund, is ultimately responsible for ensuring adherence to the written terms of the Fund's retirement plan documents, applicable statutes, rules, policies, procedures, contracts and other associated governing documents.

Generally, the Trustees are not expected to master the nuances of legal compliance and regulation, and may:

- Consult with appropriate legal advisers retained by the Fund to provide counsel on applicable law and regulation.
- Regularly investigate and ensure that the Fund has adopted and updated compliance policies and procedures designed to maintain compliance with those laws and regulations that govern the Fund.

7. **Communicate with and report to the members and beneficiaries, and to designated authorities in a timely, accurate and transparent manner.**

The ethic of an open and transparent Pension Fund is premised on full, fair and timely disclosure of all Fund information not otherwise subject to constraints relating to individual members' personal privacy rights or binding business confidentiality restrictions characteristic of some non-publicly traded investment assets. Developing and maintaining clear, timely, and thorough communication practices is critical to providing high-quality services to the Fund's members and beneficiaries, and allowing for prompt and complete public disclosure.

The Trustees have a responsibility to:

- Ensure that Fund information regularly provided to members and beneficiaries is accurate, pertinent, and complete.
- Not misrepresent or omit material Fund activities in any communications, including oral representations, electronic communications, or written materials (whether publicly disseminated or not).

Among other disclosures, the Trustees have a duty to present performance information that is a fair and accurate representation of the Fund's investment record. The Trustees have a responsibility to comply with the Fund's disclosure policies by causing appropriate requested information to be provided in a timely manner. To be effective, disclosures of information must be made in plain language and in a manner designed to effectively communicate the information to the intended recipients.

Communication with members and beneficiaries on benefit claims or other case-specific matters, however, is generally through designated staff representatives of the Pension Fund rather than individual Trustees. The Trustees, acting as a Board, remain ultimately responsible for ensuring that all communications with members and beneficiaries are timely, relevant, complete, and accurate.

8. **Maintain the confidentiality of Fund, member and beneficiary information consistent with reasonable expectations of individual privacy and business confidentiality.**

Fund Trustees and staff should hold strictly confidential all personal information obtained by them in the performance of their duties and concerning individual members and beneficiaries of the Fund, and take all reasonable measures to preserve such confidentiality. This discretion applies to information related to individual members and beneficiaries, and also to any business information the disclosure of which would compromise the Fund's competitive ability or violate the contractually protected confidentiality of proprietary financial information of its business counter-parties (e.g., detailed security transactions, investment holdings, private equity transactions, and merger and acquisition information).