

**2019 Non-Member Trustee Election
Application for Trustee Candidacy**



**D A L L A S
POLICE & FIRE
PENSION SYSTEM**



Name:	
Home address:	Employer and address:
Phone:	
E-mail:	

Circle the Appropriate Response:

I am a current or former sworn member of either the City of Dallas Police or Fire Department
Yes No

I am or have been a member of DPFP
Yes No

I am a current City of Dallas Employee
Yes No

I am a retired or former City of Dallas Employee
Yes No

If Yes: Please provide the following:
 Name of each Department that you worked for at the City of Dallas:

The month and year you left the employment of the City of Dallas.

Please submit the following with this application form:

- 1) Current Resume or CV.** Section 3.01(b-1)(1), Article 6243a-1 Texas Statutes, requires that all trustees must have demonstrated financial, accounting, business, investment, budgeting, real estate, or actuarial expertise.
- 2) Potential Conflicts Questionnaire**

Email application form and documents to Milissa Romero at MilissaR@DPFP.org no later than **4:00 p.m. on June 4, 2019.**

The Nominations Committee has tentatively scheduled interviews for June 18th and 19th.
 Please indicate your availability for a 30-minute interview:
 June 18th **Yes or No** June 19th **Yes or No**

Signature: _____ **Date:** _____



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Date: May 9, 2019
To: Prospective Non-member Trustees
Subject: Dallas Police and Fire Pension System Trustee Overview

The Composition for the Board of Trustees is as follows:

- Six trustees selected by the Mayor, in consultation with the City Council.
- Three trustees elected by active members and pensioners from a slate of nominees selected by the Nominations Committee. The Nominations Committee is made up of one representative from each of the 11 police and fire associations named in HB 3158.
- One police representative (active or retired) to be elected by active members.
- One fire representative (active or retired) to be elected by active members.

The initial terms of the three listed under the second bullet above (Non-member trustees) expire on August 31, 2019. We are seeking interest from potential candidates to fill the three Non-member trustee positions for a three-year term beginning September 1, 2019. These three positions will be selected, vetted and nominated by the Nominations Committee and then voted on for approval by the active and retired members of the pension system.

The Board has the responsibility and latitude to adopt many rules regarding the governance and administration of the pension system. However, some requirements are specified in 6243a-1. 6243a-1 requires that all trustees must have demonstrated financial, accounting, business, investment, budgeting, real estate, or actuarial experience. Also, 6243a-1 requires that the Non-member trustee not be an elected official for the City of Dallas, an active member of DPFP or pensioner of DPFP. The Board adopted a Trustee Election Procedure that has been provided as part of the application packet.

A trustee is not required to live in either the City or County of Dallas.

The following information is provided as a high-level overview of the role and commitment of being a trustee for DPFP.

Role and Responsibilities

A trustee is a fiduciary to the pension system. The duties of a fiduciary are governed by a number of state laws as well as federal tax law.

The Board of Trustees is responsible to administer the pension system, which includes investment of funds and payment of benefits. The Board has full power to make rules pertaining to the conduct of its meetings and the operation of the pension system as long as the rules are not inconsistent with the DPFPP pension plan which is found in 6243a-1 or other laws of the state of Texas or the United States, to the extent applicable. To assist in administering the pension system, the Board is required to appoint the Executive Director who is responsible for the day-to-day operations.

Please refer to the Responsibilities and Fiduciary Duties memorandum for additional information.

Time Requirements

The Board is required to meet at least once a month. The regular DPFPP monthly Board meeting is held on the second Thursday of the month at 8:30 am and generally lasts four to five hours. The Board may change the regular meeting date or call special meetings, as necessary. The need for special meetings has been very rare in the past 18 months.

Some trustees also currently serve on committees of the Board. 6243a-1 requires an Investment Advisory Committee, a majority of which may not be trustees. In addition, the Board has an Audit Committee and a Professional Services Committee. The time commitment of a trustee on these committees is minimal. The Board may choose to increase the use of committees and the role of trustees on the committees, which may increase the time commitment of a trustee.

Meeting Attendance Requirements

6243a-1 states that a trustee may be removed if they are absent, without an excuse approved by a majority vote of the Board for more than 40% of the meetings within a calendar year. 6243a-1 allows for Board meetings to be held with trustees attending via telephone conference call or video conference.

Education and Training

Certain training is required by law for all trustees. State law requires new trustees complete online Open Government Training within 90 days of being appointed. The Pension Review Board requires trustees complete the Minimum Educational Training (MET) Program within certain timeframes. 6243a-1 requires additional training not covered by the MET or Open Government training. Much of the training listed can be completed online. In addition, trustees need to ensure they are properly trained to carry out their duties as a trustee. The Board adopted a training and education policy, and annually adopts a budget which includes funds allocated to trustee training.

Compensation

Trustees receive no compensation from DPFP. 6243a-1 allows trustees to be reimbursed for expenses related to serving on the Board.

Potential Conflict Disclosure and Background Check

As part of the initial trustee selection process the Nominations Committee will ask all finalists to complete the Potential Conflicts Questionnaire. The signed Questionnaire is not required until the final selection process, however all applicants will be asked to verbally disclose potential conflicts during the interview process. A list of current DPFP Investment Managers and Other Services Providers has been provided for your information. A background check may be required for the selected candidates prior to being placed on the ballot.

Insurance

Trustees are currently covered under a fiduciary insurance policy. The policy provides coverage for acts taken as a trustee and contains normal exceptions to coverage such as fraudulent or bad faith actions.

Litigation

DPFP is a party to a number of litigation matters. While trustees are for the most part not defendants in their individual capacities, there was a case in the past where trustees were sued in their individual capacities, although the trustees were subsequently dropped from the case. While not likely, this may occur again in which case trustees may be required to spend personal time on such litigation.

Additional Information

Additional information about DPFP is available on the website at www.DPFP.org, including information about the current trustees (Board, Board of Trustees), the Statute 6243a-1 (About Us, Required Information, Regular Plan), Financial and investment information is available under the Financial tab.

Questions

If you have questions about DPFP or what a trustee's role would be, please feel free to contact Kelly Gottschalk, Executive Director, at 214-638-3863.



2019 Non-Member Trustee Election Schedule

Date	Item
April 11	Notify Board about trustee term expirations. Approve draft election schedule.
May 6	Nominations Committee meets to discuss the schedule and the process for vetting and selecting the non-member candidates.
May 9	Email a notice to the City Manager, Police and Fire Department Chiefs and the Association Presidents announcing call for Candidates and Post notice to DPFPP Website.
May 9	Distribute via mail, and email where possible, a notification to Members and Pensioners announcing the Trustee election and call for candidates.
May 9 – June 4	Application packets are available on the DPFPP website. www.DPFPP.org or at the DPFPP office at 4100 Harry Hines Blvd., suite 100.
June 4	Applications for Non-member Trustee candidates due at DPFPP by 4:00 p.m.
June 6	Nominations Committee will review applications of potential candidates.
June 18 – 19	Nominations committee will conduct interviews with potential candidates.
June 21	Nominations Committee selects the slate of Non-member Trustee candidates for the ballot.
June 21-27	Non-Member Trustee applicants will be notified of the Nomination Committees decision.
July 16	Mail voting packets to Members' and Pensioners' home addresses for those who have not elected eCorrespondence.

July 17	Email Non-member Trustee voting packets to Members' and Pensioners' electing eCorrespondence at 8 a.m.
July 17-August 1	Voting begins at 8 a.m. on Wednesday July 17, voting ends at noon on Thursday, August 1.
August 2	Vendor reports election results.
August 2	Executive Director reports election results to Nominations Committee and posts the results on the DFPF website.
August 5	Nominations Committee meets, if a subsequent election is necessary to fill open positions to: <ol style="list-style-type: none"> 1. Select candidate(s) or confirm previously selected backup candidate(s) to be placed on the ballot
August 8	Board of Trustees certify the election results from the election.
August 9	Mail subsequent Non-member Trustee voting packets to Members' and Pensioners' home addresses for those who have not elected eCorrespondence.
August 12	Email subsequent Non-member Trustee voting packets to Members' and Pensioners' electing eCorrespondence at 8 a.m.
August 12 - 22	Subsequent Non-member Trustee election, if necessary. Voting begins at 8 a.m. on Saturday, August 12. Voting ends at noon on Thursday August 22.
August 23	Vendor reports election results.
August 23	Executive Director reports election results to Nominations Committee and posts the results on the DFPF website.
September 1	New Trustee terms begin.
September 12	Board of Trustees certify additional Non-Member Trustee election results.
Definitions:	<p>Nominations Committee: A committee with voting representation from the organizations named in Section 3.011(b)(2) responsible for vetting, selecting and nominating Non-Member Trustee candidates.</p> <p>Non-Member Trustee: Three trustees who cannot be a Member, Pensioner, a current City employee, a person who was formerly a City employee and who has been separated from the City for less than two years prior to becoming a Trustee or a currently elected City official.</p>



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Non-member Trustee Candidate Potential Conflicts Questionnaire

Questionnaire Purpose: This questionnaire is intended to assist the Nominations Committee in their evaluation of candidates to serve as non-member Trustees on the Dallas Police & Fire Pension System (DPFP) Board of Trustees (Board). The information is necessary to protect DPFP's interests through the review of potential conflicts of interest as a factor for consideration.

Disclosure of Relationships: The Board adopted the Board of Trustees and Employees Ethics and Code of Conduct Policy which includes a section on conflicts of interest and prohibited transactions. Section F.3. of the policy addresses disclosure of relationships that predates the relationship with DPFP. The existence of a relationship with a DPFP vendor does not automatically disqualify your ability to serve as a trustee.

All references to Investment and Other Service Provider refer to the listing of DPFP's investment managers, investment consultants, banking relationships and other relationships as detailed in Appendix A.

For the purposes of this questionnaire, "family member" means your immediate family, your parents, your siblings and their immediate families, and your spouse's parents, siblings and their immediate families, provided however that we do not require with respect to any response any inquiry on your part with respect to family members other than your immediate family, your parents or your spouse's parents. All responses with respect to other family members will be assumed to be based on your existing knowledge without any inquiry.

All questions should be answered as of the date you sign this questionnaire. Please answer each item in the questionnaire clearly, truthfully, and comprehensively.

If you need more space to answer any questions, please feel free to attach additional sheets of paper. If you have any questions about this questionnaire, please contact Kelly Gottschalk at 214-638-3863 or kellyg@dpfp.org.

Once you have completed this questionnaire, please sign and date in the space provided and return it to Kelly Gottschalk, Executive Director of the Dallas Police & Fire Pension System. Please retain a copy of the completed questionnaire for your records.

1. Are you or any family member currently, or have you or any family member ever been, an employee, officer, director or affiliate of an Investment or Other Service Provider of DPFP?

Yes _____ No _____

If yes, please describe.

2. Do you, or does any family member of yours, have any current or past business relationship with any DPFP employee?

Yes _____ No _____

If yes, please indicate the other party or parties involved, describe such relationship and attach a copy of any written agreement or understanding, or describe any oral arrangement or understanding.

3. Please report any of the following transactions in which you or a family member had or has a direct or indirect interest: any loan, extension of credit, guaranty, finance, purchase, sale, lease, license, assignment, supply, customer, service, or other contract, arrangement, transaction or relationship in which DPFP or any of its Investment or Other Service Providers is a participant. You do not need to report ordinary course transactions where you or your family member received the same terms as any third party would receive from such Investment or Other Service Provider. If you are an owner, principal, partner, manager, employee, or other professional service provider for any investment banking, law, accounting, consulting or other professional services firm that provides any services to DPFP or any of its Investment or Other Service Providers, please report the details of that relationship if you have any direct or indirect interest in the service agreement or contract.

4. Have you or any family member received, directly or indirectly, any salary payments, loans, or gifts or any free service, discounts, fees, or any other form of compensation from, or participated in any compensation relationship or any other arrangement/investment opportunity with any Investment or Other Service Provider of DPFP? Gifts include anything of value in excess of \$50 per year, but do not include those received in conjunction with ordinary and usual business entertainment (such as an occasional meal, sporting event, theater production or comparable entertainment event) provided that the entertainment is neither so frequent nor so extensive as to raise any question of propriety.

Yes _____ No _____

If yes, please describe.

5. Do you share ownership of any entity listed in Appendix A? Ownership means voting power in a corporation, interest in a partnership, or beneficial interest in a trust. This excludes ownership interests of less than 5%.

Yes _____ No _____

If yes, please describe.

6. Are you or any family member of yours a party to any contract with DFPF, Nominations Committee Member, any DFPF Trustee or employee or any of DFPF's Investment or Other Service Providers which you have not described elsewhere in this questionnaire?

Yes _____ No _____

If yes, please describe.

7. At any time during the last ten years:

- Was a petition under the federal bankruptcy laws or any state insolvency law filed by or against, or was a receiver, fiscal agent or similar officer appointed by a court for the business property of:
 - you;
 - any partnership in which you were a general partner at or within two years before the filing;
 - or
 - any corporation or business association of which you were an executive officer at or within two years before the filing?
- Have you ever been convicted in a criminal proceeding or are you the subject of a pending criminal proceeding (excluding traffic violations and other minor offenses)?
- Have you ever been enjoined (even temporarily) from or otherwise limited from engaging in any type of business practice?

Yes _____ No _____

If yes, please describe.

8. Is there any situation or relationship you are involved in that you believe may reasonably be viewed as a conflict that is not specifically covered by this questionnaire?

Yes _____ No _____

If yes, please describe.

Declaration and Signature

If, at any time any of my answers to this questionnaire or the information I am providing becomes incorrect (for example, due to the passage of time, as a result of subsequent developments or because I realize that I provided an incorrect response), then I will promptly furnish to the Executive Director of DFPF any necessary or appropriate correcting information. Otherwise, the above information continues to be, to the best of my knowledge, complete and correct.

Signature: _____ Date _____

Print name: _____

Appendix A

Investment Managers

AEW Capital Management
Alvarez & Marsal
Ashmore Investment Management Limited
Barings Real Estate Advisors
Bentall Kennedy
Boston Partners
Brandywine Global Investment Management
BTG Pactual Asset Management
Clarion Partners
Forest Investment Associates
Hancock Agricultural Investment Group
Hearthstone, Inc.
Highland Capital Management
Hudson Clean Energy Partners
Income Research & Management
Industry Ventures
JPMorgan Asset Management

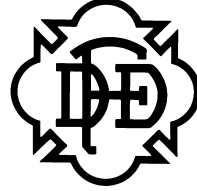
L&B Realty Advisors
Lone Star Investment Advisors
Loomis, Sayles & Company
Manulife
Matthews Southwest
OFI Institutional Asset Management
Pacific Asset Management
RBC Global Asset Management
RED Development, LLC
Riverstone Credit Partners
The Rohatyn Group
Vanguard
Walter Scott & Partners Limited
W.R. Huff Asset Management
Yellowstone Capital Partners

Other Service Providers (material relationships only)

JPMorgan Chase Bank, N.A. – Custodian Bank
Segal Consulting – Actuary
BDO USA, LLP – Auditor
STP Investment Services – Investment Accounting Firm
Duff & Phelps – Valuation Consultant
HillCo Partners, LLC – Legislative Consultants
DLA Piper - Legal
Jackson Walker, LLP - Legal
Haynes and Boone, LLP – Legal
Diamond McCarthy, LLP – Legal
Winstead PC – Legal
Reynolds Frizzell, LLP - Legal
Meketa Investment Group – Investment Consultant
Conway MacKenzie, Inc. – Private Fund Services
Russell Investments Implementation Services – Transition Management
Texas Capital Bank – Banking



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PENSION SYSTEM



MEMORANDUM

Date: May 9, 2019
To: Prospective Trustees
Subject: Responsibilities and Fiduciary Duties of a Trustee

The following are general statutory provisions which inform on the responsibilities and fiduciary duties of a trustee of the Dallas Police and Fire Pension System.

INTERNAL REVENUE CODE -- Section 401(a)(2)

A trust organized in the United States and forming part of a . . . pension or profit-sharing plan of an employer for the exclusive benefit of its employees or their beneficiaries shall constitute a qualified trust under this section --

(b) if under the trust instrument it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees and beneficiaries under the trust, for any part of the corpus or income to be . . . used for or diverted to, purposes other than the exclusive benefit of his employees or their beneficiaries . . .

TEXAS CONSTITUTION --

ARTICLE XVI, SECTION 67(f)

The board of trustees of a system or program that provides retirement and related disability and death benefits for public officers and employees and that does not participate in a statewide public retirement system shall:

- (1) administer the system or program of benefits;
- (2) hold the assets of the system or program for the exclusive purpose of providing benefits to participants and beneficiaries and defraying reasonable expenses of administering the system or program; and

(3) select legal counsel and an actuary and adopt sound actuarial assumptions to be used by the system or program.

ARTICLE XVI, SECTION 66(d)

(d) On or after the effective date of this section, a change in service or disability retirement benefits or death benefits of a retirement system may not reduce or otherwise impair benefits accrued by a person if the person:

(1) could have terminated employment or has terminated employment before the effective date of the change; and

(2) would have been eligible for those benefits, without accumulating additional service under the retirement system, on any date on or after the effective date of the change had the change not occurred.

(e) Benefits granted to a retiree or other annuitant before the effective date of this section and in effect on that date may not be reduced or otherwise impaired.

(f) The political subdivision or subdivisions and the retirement system that finance benefits under the retirement system are jointly responsible for ensuring that benefits under this section are not reduced or otherwise impaired.

TEXAS STATUTES -- GOVERNMENT CODE

Section 802.101(a) -- The governing body of a public retirement system shall employ an actuary . . . To make a valuation at least once every three years of the assets and liabilities of the system on the basis of assumptions and methods that are reasonable in the aggregate, considering the experience of the program and reasonable expectations, and that, in combination, offer the best estimate of anticipated experience under the plan.

Section 802.102(b) -- The governing body of a public retirement system shall have the accounts of the system audited at least annually . . .

Section 802.106(a) -- When a person becomes a member of a public retirement system, the system shall provide the person;

(1) a summary of the benefits from the retirement system . . .

(2) a summary of procedures for claiming or choosing benefits . . .

Section 802.106(b) -- The public retirement system shall distribute to each active member and retiree a summary of any significant change that . . . affects contributions, benefits or eligibility.

Section 802.106(c) -- the public retirement system shall annually provide to each active member a statement of the member's accumulated contributions and the total accumulated service credit . . . and to each annuitant a statement of the amount of payments made to the annuitant by the system during the preceding 12 months.

Section 802.201 -- The governing body of a public retirement system shall hold or cause to be held in trust the assets appropriated or dedicated to the system, for the benefit of the members and retirees of the system and their beneficiaries.

Section 802.202(a) -- the governing body of a public retirement system is responsible for the management and administration of the funds of the system.

Section 802.202(c) -- the governing body shall determine the procedure it finds most efficient and beneficial for management of the reserve fund of the system. The governing body may directly manage the investments of the system or may choose and contract for professional investment management services.

Section 802.202(d) -- the governing body of public retirement system shall . . . develop and maintain a written investment policy.

Section 802.203(a) -- In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

(1) for the exclusive purpose of:

- (A) providing benefits to participants and their beneficiaries; and
- (B) defraying reasonable expenses of administering the system;

(2) with the care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of like character and like aims;

(3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(4) in accordance with the documents and instruments governing the system . . .

Section 802.203(b) -- In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of participants and beneficiaries of the public retirement system.

Section 802.203(c) -- A trustee is not liable for the acts of omissions of an investment manager appointed under Section 802.204.

Section 802.204. (a) The governing body of a public retirement system may appoint investment managers for the system by contracting for professional investment management services with one or more organizations, which may include a bank if it has a trust department, that are in the business of managing investments.

(b) To be eligible for appointment under this section, an investment manager must be:

(1) registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.);

(2) a bank as defined by that Act; or

(3) an insurance company qualified to perform investment services under the laws of more than one state.

(c) In a contract made under this section, the governing body shall specify any policies, requirements, or restrictions, including criteria for determining the quality of investments and for the use of standard rating services that the governing body adopts for investments of the system.

(d) A political subdivision of which members of the public retirement system are officers or employees may pay all or part of the cost of professional investment management services under a contract under this section. Any cost not paid directly by a political subdivision is payable from funds of the public retirement system.

Section 802.206 -- The governing body of a public retirement system may at any time and shall at frequent intervals monitor the investments made by any investment manager for the system. The governing body may contract for professional evaluation services to fulfill this requirement.

TEXAS STATUTES -- ARTICLE 6243a-1, Texas Civil Statutes (the Dallas Police and Fire Pension Plan)

Section 3.01(a) -- The Pension System shall be administered by the Board. The Board shall execute its fiduciary duty to hold and administer the assets of the fund for the exclusive benefit of members and their beneficiaries under Section 802.203, Government Code, Section 67(f), Article XVI, Texas Constitution, and any other applicable law, in a manner that ensures the sustainability of the Pension System for purposes of providing current and future benefits to members and their beneficiaries. (Underlined portion added by HB 3158, effective 9/1/17)

Section 3.01 (j-4) -- The Board has full discretion and authority to construe and interpret the combined pension plan and to do all acts necessary to carry out the purpose of the combined pension plan. A decision of the Board is final and binding on all affected parties.

Section 3.01(l) – The Board has the responsibility for the administration of the Pension System and shall order payment from the fund in accordance with the terms of the

appropriate plans within the Pension System. Money from the fund may not be paid except on the order of the Board.

Section 3.01(m) -- The Board has full power to invest the assets of the Fund in accordance with Section 4.07 of this article.

Section 3.04 -- The Board has the authority to appoint an Executive Director to assist the Board with administering the pension system and ensure that records are kept of the proceedings of the board.

Section 4.07 (c) – The Board has the ultimate authority for the investment of funds.

Section 4.07 (e) -- The Board, in exercising its control, may at any time, and shall at frequent intervals, monitor the investments made by any investment manager and shall enforce full compliance with the requirements of the Board.

Josh Mond
General Counsel



D A L L A S
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PENSION SYSTEM



**BOARD OF TRUSTEES AND EMPLOYEES
ETHICS AND CODE OF CONDUCT
POLICY**

As Amended Through January 11, 2018

BOARD OF TRUSTEES AND EMPLOYEES ETHICS AND CODE OF CONDUCT POLICY

Adopted January 11, 1996
As amended through January 11, 2018

A. Purpose

The Board of Trustees (“Board”) of the Dallas Police and Fire Pension System (“DPFP” or the “System”) is obligated to administer its pension system as a trust fund solely in the interest of members and beneficiaries. In performance of this obligation, the Board is required to administer DPFP in accordance with Chapter 802, Title 8 of the Texas Government Code and other applicable state and federal laws and regulations. In furtherance of these obligations, the Board adopts the following Ethics and Code of Conduct Policy (this “Policy”), which shall be applicable to all System Representatives. By adopting this Policy, all System Representatives agree to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, members and beneficiaries of the System, current and prospective Consultants and Vendors, DPFP staff, and fellow System Representatives.

B. Definitions

1. **Benefit** – anything reasonably regarded as economic gain or advantage, including benefit to any other person in whose welfare the beneficiary is interested, or anything expressly included as a benefit by applicable law.
2. **Consultants** – independent contractors (whether individuals, partnerships, corporations or other organizations) which provide legal, economic, investment, actuarial or other advice to the Trustees or staff to be used in the performance of fiduciary functions. Any limitations or obligations under this Policy apply to the individuals involved with the System and the contracting organization, if any.
3. **Fiduciary** – any person who (1) exercises any discretionary control over the management of DPFP or any authority or control over the management or disposition of its assets, (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of DPFP or has any authority or discretionary responsibility to do so, (3) has any discretionary authority or discretionary responsibility in the administration of DPFP, or (4) has been designated by the Trustees as a fiduciary in the performance of certain duties for DPFP.
4. **Gift** – anything of tangible value given without adequate consideration, which shall include, but not be limited to, any payment of cash, or receipt of goods or services, or anything expressly included as a gift by applicable law.

B. Definitions (continued)

5. **Key Staff** – The Executive Director, Chief Investment Officer, Chief Financial Officer, and General Counsel of the System. For purposes of this Policy, the Executive Director may designate one or more other DFPF employees as Key Staff as reasonably determined by the Executive Director.
6. **Permitted Benefit or Gift** - A Benefit or Gift that (A) is food, lodging, transportation, or entertainment and is accepted as a guest, (B) has a value of less than \$50 (including taxes), (C) is an honorarium speaking at a conference or event that only includes meals, lodging and transportation, or (D) is deemed a Permitted Benefit or Gift by the Board pursuant to Section F.3. A Benefit or Gift is accepted as a guest if the person or representative of the entity providing the Benefit or Gift is present. Disclosure and related reporting requirements under Chapter 176, Tex. Local Gov't Code (“Chapter 176”), may apply to a Permitted Benefit or Gift, with specific dollar limitations applying for lodging, transportation, or entertainment, including lodging, transportation, or entertainment that is accepted as a guest.
7. **System Representative** –Trustees, Investment Advisory Committee members of the System, and Key Staff.
8. **Third Party** - means and includes a person or entity that is seeking action, opportunity or a specific outcome from DFPF regarding a DFPF matter. The Third Party may be seeking the action, opportunity or outcome for his or her or its own behalf or the third party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.
9. **Trustee** –Members of the Board of Trustees of DFPF and persons who are candidates for the position of a Trustee.
10. **Undue Influence** - the employment of any improper or wrongful pressure, scheme or threat by which one’s will is overcome, and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.
11. **Vendors** – independent contractors, whether individuals, partnerships, corporations or other organizations, which perform services for DFPF for direct or indirect compensation. Services include, but are not limited to, custodianship of funds, management of investments, maintenance of official records and provision of professional advice.

C. Standards of Conduct

The following legal standards of conduct apply to all System Representatives.

A System Representative shall not:

1. solicit, accept or agree to accept any Benefit or Gift that the System Representative knows or should know is being offered with the intent to influence the System Representative's official conduct.
2. solicit, accept, or agree to accept any Benefit or Gift for having exercised the System Representative's official powers or performed the System Representative's official duties in favor of another.
3. solicit, accept, or agree to accept a Benefit or Gift that is not a Permitted Benefit or Gift from a person the System Representative knows is interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the System Representative's discretion.
4. accept other employment or compensation or engage in a business or professional activity that could reasonably be expected to impair the System Representative's independence of judgment in the performance of the System Representative's official duties or that might reasonably be expected to require or induce the System Representative to disclose confidential information acquired by reason of the official position.
5. make personal investments that could reasonably be expected to create a substantial conflict between the System Representative's private interest and the public interest (this does not include investments in publicly traded index funds or mutual funds where the System Representative has no control over the selection of holdings).
6. use official position for financial gain, obtaining privileges, or avoiding consequence of illegal acts.
7. have any direct or indirect pecuniary interest in a contract entered into by DPFPP other than an interest incidental to the System Representative's membership in a large class such as that of participants in DPFPP (this does not include investments in publicly traded index funds or mutual funds where the System Representative has no control over the selection of holdings).

D. Fiduciary Duties

1. Under Texas State statutes and applicable federal law and regulations, the System is a trust fund to be administered solely in the interest of the members and beneficiaries thereof for the exclusive purpose of providing benefits to members and beneficiaries and to defray reasonable expenses of DPF.
2. In the performance of these duties, all Fiduciaries are subject to the "prudent person" rule which requires that they exercise their duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims. Further, all Fiduciaries shall maintain high ethical and moral character both professionally and personally, including interactions with other Trustees and DPF staff, such that the conduct of all Fiduciaries shall not reflect negatively upon the Board or DPF.
3. In making or participating in decisions, Fiduciaries shall give appropriate consideration to those facts and circumstances reasonably available to the Fiduciary which are relevant to the particular decision and shall refrain from considering facts or circumstances which are not relevant to the decision.
4. Investment decisions of Fiduciaries must be made in accordance with the approved Investment Policy Statement of the System.
5. As a Fiduciary, each Trustee shall adhere to the following:
 - A. A Trustee's loyalty must be to the members and beneficiaries of the System and not to the source of his or her appointment. A Trustee must exercise care and caution always to place the interest of members and beneficiaries ahead of the Trustee's own interest.
 - B. All members and beneficiaries of DPF are to be treated fairly and impartially. A Trustee's duty is to the members and beneficiaries of DPF as a whole and not to individuals or groups of individuals within DPF.
 - C. Trustees must possess the ability and willingness to dedicate the time required to satisfy the duties of serving as a Fiduciary. This includes but is not limited to possessing a complete understanding of the obligations and duty to act in accordance with plan documents, as well as having a substantive base of knowledge that contributes to sufficient analysis of recommendations by DPF staff and other professionals and fulfillment of fiduciary obligations. A Trustee is responsible for preparing himself or herself for Board work, including committee meetings.

D. Fiduciary Duties (continued)

- D. A Trustee shall treat executive session and closed meeting information as confidential.
 - E. A Trustee shall not give, disclose or provide access to any confidential information owned, obtained, or developed by DPFPP.
 - F. Trustees should delegate duties, when appropriate, and prudently select, instruct, and monitor all Vendors, Consultants, DPFPP staff, and agents to whom they delegate such duties.
6. No Trustee shall knowingly or negligently participate in the breach of fiduciary duty by another fiduciary, participate in concealing such breach, or knowingly or negligently permit such breach to occur or continue.

E. Conflicts of Interest and Prohibited Transactions

- 1. Certain transactions by System Representatives of DPFPP are strictly prohibited, specifically:
 - A. Compensation from any person in connection with any action involving assets of DPFPP.
 - B. Participation in a decision or action involving any asset or benefit for personal interest.
 - C. The purchase, sale, exchange or leasing of property with DPFPP if that System Representative holds an interest in the property.
 - D. The purchase, sale or exchange of any direct investment with DPFPP if that System Representative holds an interest in the investment.
 - E. Causing the Fund to engage in any of the prohibited transactions described herein with any immediate relative or business associate of the System Representative, any other Trustee, employee, custodian, or counsel to DPFPP, any other Fiduciary, any person providing services to DPFPP, any employee organization whose members are covered by DPFPP, or the City of Dallas and its officers, officials and employees.

E. Conflicts of Interest and Prohibited Transactions (continued)

2. In addition, any goods, services, or facilities furnished by DPFPP to any person shall be used for the exclusive benefit of DPFPP unless reasonable consideration is received by the System for the use of the goods, services, or facilities.
3. Black-Out List for Investment Entities
 - A. For purposes of this subsection, “Investment Entity” means an investment firm, partnership, fund, advisor, consultant, placement agent or owner of property that is being considered for purchase.
 - B. The Chief Investment Officer shall maintain and periodically update as
 - C. appropriate a list (the “Black-out List”) of Investment Entities that meet any of the following criteria:
 - i. The Investment Entity is under consideration by DPFPP staff for a recommendation to the Board or the Board’s Investment Advisory Committee on a mandate, commitment, increased allocation or any retention for investment-related services (exclusive of rebalancing);
 - ii. The Investment Entity is under consideration by the DPFPP staff for a recommendation to the Board or the Investment Advisory Committee to decrease the allocation to the Investment Entity (exclusive of rebalancing) or to discontinue use of the Investment Entity, provided, however, this shall not include any Investment Entity where the assets managed by the Investment Entity that are being considered to be reduced in whole or in part are contained within an asset class where the actual assets held by DPFPP are higher than the target allocation for such asset class in the Investment Policy Statement; or
 - iii. The Investment Entity is in negotiations with DPFPP for contractual terms after a conditional selection has been made.
 - D. During the first half of each month, the Chief Investment Officer shall supply the current Black-out List to Trustees and any DPFPP employees that, in the Chief Investment Officer’s opinion, might potentially be affected by this section (the “Affected Employees”). Additionally, prior to departure for DPFPP-related travel, Trustees and Affected Employees shall be issued the most current Black-out List.

E. Conflicts of Interest and Prohibited Transactions (continued)

- E. Notwithstanding any other DPFPP policies, including those in this Policy concerning Benefits or Gifts, while an Investment Entity's name appears on the Black-out List, Trustees and Affected Employees and their immediate relatives shall not accept payment, reimbursement, complimentary admission or similar extension or subsidy for food, lodging, travel or entertainment, including any Permitted Benefit or Gift, from any person or entity identified or affiliated with said Investment Entity, including, without limitation, any placement agent of an Investment Entity (an "Investment Entity Representative"), except for:
- i. food and beverages that would be typically or conventionally provided by a business host in connection with a business meeting and that are provided by the host at its place of business during a due diligence visit;
 - ii. food and beverages provided at regularly scheduled Investment Entity annual meetings or advisory committee meetings; and
 - iii. food and beverages provided at educational conferences where such food and beverages may be sponsored by an Investment Entity, but are available to all conference attendees.
- F. Trustees shall not reciprocate communications from an Investment Entity Representative about the Investment Entity outside of committee or Board meetings ("ex-parte communications").
4. A System Representative shall report to the Executive Director any business relationship with a current or prospective Vendor on a signed document upon establishment of such relationship if the System Representative knows or should know that the person or entity is a current or prospective Vendor for DPFPP.¹ Upon receipt of such information, the Executive Director will as promptly as practicable report apprise the Board of the facts involved.
 5. A Trustee shall not lobby against legislative proposals pertaining to DPFPP pension issues and benefits that have been duly approved by the Board or an authorized committee of the Board.
 6. A System Representative shall not disclose any information deemed confidential by DPFPP.

¹ Chapter 176, Texas Local Gov't Code.

E. Conflicts of Interest and Prohibited Transactions (continued)

7. Other than as a member or beneficiary of DPF, a System Representative may have no conflict of interest during such System Representative's tenure with DPF and for one year after tenure ends, such that System Representative shall comply with the provisions of this Policy during such System Representative's tenure, and a System Representative shall not, during such System Representative's tenure with DPF and for one year after such tenure ends, represent any Third Party in any formal or informal appearance before the Board or DPF staff. DPF will not enter into or renew an existing contract with any Vendor during the one year period after the System Representative's tenure with DPF if such Vendor employs or is represented by the System Representative unless the Board determines that such a restriction would not be in DPF's best interest
8. Nothing in this Section shall exempt any System Representative from applicable provisions of any other laws. The standards of conduct set forth in this Section are in addition to those prescribed elsewhere in this Policy and in applicable laws and rules.

F. Gifts, Travel and Expenses

1. System Representatives shall not solicit any Benefit or Gift, including a Permitted Benefit or Gift, from any source which is a current or prospective Vendor of DPF. All Trustees and Key Staff of DPF shall exercise care in accepting any Permitted Benefit or Gift from any source, particularly those sources which are current or prospective Vendors of the System.
2. System Representatives shall not accept from a Vendor or prospective Vendor a Benefit or Gift that is not a Permitted Benefit or Gift. Any Benefit or Gift to a System Representative that is not a Permitted Benefit or Gift shall be returned to its source whenever possible or donated to a suitable charitable organization upon its receipt.
3. If a System Representative has a relationship with a Vendor or prospective Vendor (the "Prior Relationship") which predates the System Representative's relationship with DPF, then the System Representative may disclose to the Board the Prior Relationship and Benefits or Gifts previously received from the Vendor or prospective Vendor (the "Prior Benefits or Gifts") due to the Prior Relationship. The Board may determine that future Benefits or Gifts received by the System Representative that are similar to the Prior Benefits or Gifts are the result of the continuation of the Prior Relationship and shall be deemed a Permitted Benefit or Gift and no further reporting obligation shall be required. If the Board has deemed a Benefit or Gift from a vendor or prospective

F. Gifts, Travel and Expenses (continued)

- Vendor a Permitted Benefit or Gift due to a Prior Relationship as described in the sentence above, a System Representative shall report to the Board any Benefit or Gift received from such Vendor or prospective Vendor which would not reasonably be considered similar to the Prior Benefits or Gifts. The Board may require recusal of a System Representative from discussion of any matter that directly or indirectly involves a Vendor or prospective Vendor with whom such System Representative has a Prior Relationship.
4. No System Representative shall receive any Permitted Benefit or Gift through an intermediary, if the person knows, or has reason to know, that the Permitted Benefit or Gift has originated from another source.
 5. In no event shall any System Representative accept a Permitted Benefit or Gift if the source of the Permitted Benefit or Gift is not identified. If the source of any Permitted Benefit or Gift cannot be ascertained, the Permitted Benefit or Gift shall be donated to a suitable charitable organization.
 6. Under no circumstances shall a System Representative accept a cash Gift.
 7. In no event shall any System Representative accept any expenses related to travel, other than working meals or ground transportation, the purpose of which is to determine the selection of new Vendors or to determine the assignment of continuing or additional business to existing Vendors.

G. Examples of Situations That Involve a Permitted Benefit or Gift²

1. Permitted Benefit or Gift or No Benefit or Gift Provided (and Reporting Required in Certain Situations)
 - A. A Vendor (not currently in a search) invites a System Representative to attend a sporting event at no cost to the System Representative. The Vendor and the System Representative both attend the event. Because the Vendor accompanies the System Representative to this event, the event is a Permitted Benefit or Gift. However, for purposes of Chapter 176, whether the event has to be reported depends on the whether the value of the sporting event and the value of any Gift, including transportation, lodging or entertainment received by the System Representative from the Vendor in the applicable 12-month period (as described in Chapter 176) would, in the aggregate, exceed \$100.

² In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).

G. Examples of Situations That Involve a Permitted Benefit or Gift³ (continued)

- B. A Vendor (not currently in a search) invites several System Representatives to a dinner at a restaurant. The Vendor and the System Representatives attend the dinner. Because the Vendor accompanies the System Representatives to the dinner, the dinner is a Permitted Benefit or Gift.
- C. While attending a conference, a System Representative attends a reception sponsored and attended by Vendors (none of which currently are in a search). Because the reception is widely attended and the Vendors are present, the reception is a Permitted Benefit or Gift.
- D. While attending a conference, a System Representative and all other attendees of the conference receive a bag with various items and the aggregate value of the items is under \$50 (including taxes). Because the value of the gift bag is under \$50, the gift bag is a Permitted Benefit or Gift. Whether these items must be reported under Chapter 176 depends on whether the items are from a specific Vendor or prospective Vendor and whether that Vendor has provided other gifts within the applicable 12-month period (as described by Chapter 176) that would, in the aggregate, exceed \$100.
- E. A System Representative realizes that seven months ago, he participated in a golf outing valued at \$175 as a guest of a company who had representatives at the golf outing. The company, however, now enters into a contract with DPF in the current month. The System Representative did not know at the time of the golf outing that the company or DPF was considering entering into the contract. Because representatives of the company were in attendance at the golf outing, the outing was a Permitted Benefit or Gift, even though the outing was over \$50. However, because the golf outing was valued at over \$100, it must be reported under Chapter 176 because the System Representative received a Gift from the Vendor during the 12-month period preceding the date that he became aware that a contract with the Vendor had been executed.
- F. A System Representative and her spouse attend a professional basketball game as guests of a company with representatives of the company present. The value of the tickets is over \$100. Six months later, the System Representative becomes aware that DPF and the company are considering entering into a contract, even though no contract is being entered into at such time. Because the basketball

³ In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).

G. Examples of Situations That Involve a Permitted Benefit or Gift⁴ (continued)

game was attended by a representative of the company, the basketball game was a Permitted Benefit or Gift, even though the value was over \$50. However, because the tickets were valued at over \$100, it must be reported under Chapter 176 because the System Representative received a Gift from the Vendor during the 12-month period preceding the date that she became aware that DPFP and the Company were considering entering into a contract.

- G. While attending a conference, a System Representative and all other attendees of the conference receive an item such as a shirt/sweater or briefcase type bag with the Vendor's name on it. Because items with Vendors' logos and/or company name generally are advertising and do not have retail value, no Benefit or Gift is provided.
 - H. A System Representative attends a conference as a speaker and in return the conference pays for transportation, meals and lodging. This is a permitted honorarium, and no Benefit or Gift is provided. Whether the honorarium must be reported under Chapter 176, depends on whether the transportation, meals and lodging are from a current or prospective Vendor and whether that Vendor has provided other gifts within the applicable 12-month period (as described in Chapter 176) that would, in the aggregate, exceed \$100.
2. Benefit or Gift Provided that is Not Permitted
- A. A Vendor (not currently in a search) invites a System Representative to attend a sporting event at no cost to the System Representative, but does not plan on attending the event. Because the Vendor does not attend the event with the System Representative, a Benefit or Gift is provided that is not permitted.
 - B. A System Representative, while attending a conference, wins a raffle sponsored by the conference. The prize is \$25 cash. The System Representative may not accept the cash, as it is a Benefit or Gift that is expressly prohibited under Section F.5.
 - C. A System Representative, during the Christmas Holidays, receives a pen and pencil set from a Vendor. The value of the set is obviously over \$50 (including taxes). Because the value of the pen and pencil set is over \$50, the pen and pencil set is a Gift that is not permitted and should be returned to the Vendor, or if return is not possible, donated to a charitable organization.

⁴ In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).

H. Undue Influence

1. Trustees recognize that, by virtue of their position of authority with the System, may have Undue Influence on DFPF staff or Consultants when communicating directly with such staff or Consultants.
2. Individual Trustees shall refer all proposals or other communications regarding potential or existing investments or other contracts or services, or matters involving general System operations, directly to the Executive Director or his or her designee and shall not communicate as to such matters with other DFPF staff or Consultants.
3. Any communication regarding a potential investment transaction, other contract, or System operations initiated by a Trustee with either DFPF staff or a Consultant in which the Trustee is advocating for a specified outcome must be documented by the employee or Consultant and reported to the Executive Director. The Executive Director will notify the Chairman of such communications for appropriate action.

I. General Provisions

1. Nothing in this policy shall excuse any Trustee, officer, or employee from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties, including but not limited to Chapters 171 and 176, Tex. Local Gov't Code, as amended (Attachment III), and the Securities and Exchange Commission "Pay to Play" Regulations, Rule 206(4)-5.⁵
2. Violation of this Policy by a Vendor will result in corrective action, up to and including termination of contract or relationship with DFPF, discipline, or initiation of removal action pursuant to any and all applicable laws. Enforcement of this Policy with respect to Trustees is provided in Section J.

J. Enforcement

1. It is the duty of all System Representatives to be aware of all provisions of this document and to abide by the letter and the spirit of this Policy.
2. If the Executive Director is notified in writing of an alleged violation of this Policy, the Executive Director shall promptly notify the Chairman of the alleged violation. If the

⁵ <http://www.sec.gov/rules/final/2010/ia-3043.pdf>.

J. Enforcement (continued)

- violation is alleged against a Trustee, the Chairman is authorized to call an ad hoc committee of four (4) Trustees who are not the subject of the allegation to review the alleged violation and make recommendations to the Board for resolution of the matter. If the Chairman is a subject of the alleged violation, the Executive Director shall promptly notify the Vice Chairman of the alleged violation. The Vice Chairman is authorized to call an ad hoc committee of four (4) Trustees who are not the subject of the allegation to review the alleged violation and make recommendations to the Board for resolution of the matter.
3. The Board shall have final decision-making authority with respect to Trustee violations of this Policy. The Executive Director shall have final decision-making authority with respect to staff violations of this Policy.
 - A. Available decisions for Trustee violations of this Policy are:
 - i. Require that the Trustee file disclosure or conflicts report(s) within a specified time period.
 - ii. Require that the Trustee attend approved specialized training within a specified time period.
 - iii. Removal of the Trustee from any Committee Chairman role for a specified time period.
 - iv. Removal of the Trustee from any Committee membership for a specified time period.
 - v. Censure of the Trustee.
 - vi. Bring suit against the Trustee for breach of fiduciary duty.
 - B. A decision under this Section is binding on the Trustee.

K. Compliance

Trustees and Key Staff are required to file an annual form with the System acknowledging that they have read, understand and will comply with the provisions of this Policy.

L. Effective Date

APPROVED on January 11, 2018 by the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

William F. Quinn
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

Attachment I

The fiduciary responsibilities of a Trustee of a Public Retirement System in the state of Texas under Texas Government Code, Title 8, Section 802.203.

Sec. 802.203. FIDUCIARY RESPONSIBILITY. (a) In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

- (1) for the exclusive purposes of:
 - (A) providing benefits to participants and their beneficiaries; and
 - (B) defraying reasonable expenses of administering the system;
- (2) with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims;
- (3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (4) in accordance with the documents and instruments governing the system to the extent that the documents and instruments are consistent with this subchapter.

(b) In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of the participants and beneficiaries of the public retirement system.

(c) A Trustee is not liable for the acts or omissions of an investment manager appointed under Section 802.204, nor is a Trustee obligated to invest or otherwise manage any asset of the system subject to management by the investment manager.

(d) An investment manager appointed under Section 802.204 shall acknowledge in writing the manager's fiduciary responsibilities to the fund the manager is appointed to serve.

(e) The investment standards provided by Subsection (a) and the policies, requirements, and restrictions adopted under Section 802.204(c) are the only standards, policies, or requirements for, or restrictions on, the investment of funds of a public retirement system by an investment manager or by a governing body during a 90-day interim between professional investment management services. Any other standard, policy, requirement, or restriction provided by law is suspended and not applicable during a time, and for 90 days after a time, in which an investment manager is responsible for investment of a reserve fund. If an investment manager has not begun managing investments of a reserve fund before the 91st day after the date of termination of the services of a previous investment manager, the standards, policies, requirements, and restrictions otherwise provided by law are applicable until the date professional investment management services are resumed.

Attachment II

Chapters 171 and 176 of the Texas Local Government Code

CHAPTER 171. REGULATION OF CONFLICTS OF INTEREST OF OFFICERS OF MUNICIPALITIES, COUNTIES, AND CERTAIN OTHER LOCAL GOVERNMENTS

Sec. 171.001. DEFINITIONS. In this chapter:

(1) "Local public official" means a member of the governing body or another officer, whether elected, appointed, paid, or unpaid, of any district (including a school district), county, municipality, precinct, central appraisal district, transit authority or district, or other local governmental entity who exercises responsibilities beyond those that are advisory in nature.

(2) "Business entity" means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, or any other entity recognized by law.

Sec. 171.002. SUBSTANTIAL INTEREST IN BUSINESS ENTITY. (a) For purposes of this chapter, a person has a substantial interest in a business entity if:

(1) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or

(2) funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.

(b) A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more.

(c) A local public official is considered to have a substantial interest under this section if a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter [573](#), Government Code, has a substantial interest under this section.

Sec. 171.0025. APPLICATION OF CHAPTER TO MEMBER OF HIGHER EDUCATION AUTHORITY. This chapter does not apply to a board member of a higher education authority created under Chapter [53](#), Education Code, unless a vote, act, or other participation by the board member in the affairs of the higher education authority would provide a financial benefit to a financial institution, school, college, or university that is:

(1) a source of income to the board member; or

(2) a business entity in which the board member has an interest distinguishable from a financial benefit available to any other similar financial institution or other school, college, or university whose students are eligible for a student loan available under Chapter [53](#), Education Code.

Sec. 171.003. PROHIBITED ACTS; PENALTY. (a) A local public official commits an offense if the official knowingly:

- (1) violates Section [171.004](#);
 - (2) acts as surety for a business entity that has work, business, or a contract with the governmental entity; or
 - (3) acts as surety on any official bond required of an officer of the governmental entity.
- (b) An offense under this section is a Class A misdemeanor.

Sec. 171.004. AFFIDAVIT AND ABSTENTION FROM VOTING REQUIRED. (a) If a local public official has a substantial interest in a business entity or in real property, the official shall file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter if:

- (1) in the case of a substantial interest in a business entity the action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or
- (2) in the case of a substantial interest in real property, it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.

(b) The affidavit must be filed with the official record keeper of the governmental entity.

(c) If a local public official is required to file and does file an affidavit under Subsection (a), the official is not required to abstain from further participation in the matter requiring the affidavit if a majority of the members of the governmental entity of which the official is a member is composed of persons who are likewise required to file and who do file affidavits of similar interests on the same official action.

Sec. 171.005. VOTING ON BUDGET. (a) The governing body of a governmental entity shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a member of the governing body has a substantial interest.

(b) Except as provided by Section [171.004](#)(c), the affected member may not participate in that separate vote. The member may vote on a final budget if:

- (1) the member has complied with this chapter; and
- (2) the matter in which the member is concerned has been resolved.

Sec. 171.006. EFFECT OF VIOLATION OF CHAPTER. The finding by a court of a violation under this chapter does not render an action of the governing body voidable unless the measure that was the subject of an action involving a conflict of interest would not have passed the governing body without the vote of the person who violated the chapter.

Sec. 171.007. COMMON LAW PREEMPTED; CUMULATIVE OF MUNICIPAL PROVISIONS. (a) This chapter preempts the common law of conflict of interests as applied to local public officials.

(b) This chapter is cumulative of municipal charter provisions and municipal ordinances defining and prohibiting conflicts of interests.

Sec. 171.009. SERVICE ON BOARD OF CORPORATION FOR NO COMPENSATION. It shall be lawful for a local public official to serve as a member of the board of directors of private, nonprofit corporations when such officials receive no compensation or other remuneration from the nonprofit corporation or other nonprofit entity.

Sec. 171.010. PRACTICE OF LAW. (a) For purposes of this chapter, a county judge or county commissioner engaged in the private practice of law has a substantial interest in a business entity if the official has entered a court appearance or signed court pleadings in a matter relating to that business entity.

(b) A county judge or county commissioner that has a substantial interest in a business entity as described by Subsection (a) must comply with this chapter.

(c) A judge of a constitutional county court may not enter a court appearance or sign court pleadings as an attorney in any matter before:

(1) the court over which the judge presides; or

(2) any court in this state over which the judge's court exercises appellate jurisdiction.

(d) Upon compliance with this chapter, a county judge or commissioner may practice law in the courts located in the county where the county judge or commissioner serves.

CHAPTER 176. DISCLOSURE OF CERTAIN RELATIONSHIPS WITH LOCAL GOVERNMENT OFFICERS; PROVIDING PUBLIC ACCESS TO CERTAIN INFORMATION

Sec. 176.001. DEFINITIONS. In this chapter:

(1) "Agent" means a third party who undertakes to transact some business or manage some affair for another person by the authority or on account of the other person. The term includes an employee.

(1-a) "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

(A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;

(B) a transaction conducted at a price and subject to terms available to the public; or

(C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

(1-b) "Charter school" means an open-enrollment charter school operating under Subchapter D, Chapter [12](#), Education Code.

(1-c) "Commission" means the Texas Ethics Commission.

(1-d) "Contract" means a written agreement for the sale or purchase of real property, goods, or services.

(2) "Family member" means a person related to another person within the first degree by consanguinity or affinity, as described by Subchapter B, Chapter [573](#), Government Code.

(2-a) "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter [573](#), Government Code.

(2-b) "Gift" means a benefit offered by a person, including food, lodging, transportation, and entertainment accepted as a guest. The term does not include a benefit offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient.

(2-c) "Goods" means personal property.

(2-d) "Investment income" means dividends, capital gains, or interest income generated from:

(A) a personal or business:

(i) checking or savings account;

(ii) share draft or share account; or

(iii) other similar account;

(B) a personal or business investment; or

(C) a personal or business loan.

(3) "Local governmental entity" means a county, municipality, school district, charter school, junior college district, water district created under Subchapter B, Chapter [49](#), Water Code, or other political subdivision of this state or a local government corporation, board, commission, district, or authority to which a member is appointed by the commissioners court of a county, the mayor of a municipality, or the governing body of a municipality. The term does not include an association, corporation, or organization of governmental entities organized to provide to its members education, assistance, products, or services or to represent its members before the legislative, administrative, or judicial branches of the state or federal government.

(4) "Local government officer" means:

(A) a member of the governing body of a local governmental entity;

(B) a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or

(C) an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor.

(5) "Records administrator" means the director, county clerk, municipal secretary, superintendent, or other person responsible for maintaining the records of the local governmental entity or another person designated by the local governmental entity to maintain statements and questionnaires filed under this chapter and perform related functions.

(6) "Services" means skilled or unskilled labor or professional services, as defined by Section [2254.002](#), Government Code.

(7) "Vendor" means a person who enters or seeks to enter into a contract with a local governmental entity. The term includes an agent of a vendor. The term includes an officer or employee of a state agency when that individual is acting in a private capacity to enter into a contract. The term does not include a state agency except for Texas Correctional Industries.

Sec. 176.002. APPLICABILITY TO VENDORS AND OTHER PERSONS. (a) This chapter applies to a person who is:

(1) a vendor; or

(2) a local government officer of a local governmental entity.

(b) A person is not subject to the disclosure requirements of this chapter if the person is:

(1) a state, a political subdivision of a state, the federal government, or a foreign government; or

(2) an employee or agent of an entity described by Subdivision (1), acting in the employee's or agent's official capacity.

Sec. 176.003. CONFLICTS DISCLOSURE STATEMENT REQUIRED. (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(1) the vendor enters into a contract with the local governmental entity or the local governmental entity is considering entering into a contract with the vendor; and

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor; or

(C) has a family relationship with the local government officer.

(a-1) A local government officer is not required to file a conflicts disclosure statement in relation to a gift accepted by the officer or a family member of the officer if the gift is:

(1) a political contribution as defined by Title 15, Election Code; or

(2) food accepted as a guest.

(a-2) A local government officer is not required to file a conflicts disclosure statement under Subsection (a) if the local governmental entity or vendor described by that subsection is an administrative agency created under Section [791.013](#), Government Code.

(b) A local government officer shall file the conflicts disclosure statement with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement under Subsection (a).

(c) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(1), eff. September 1, 2015.

(d) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(1), eff. September 1, 2015.

(e) The commission shall adopt the conflicts disclosure statement for local government officers for use under this section. The conflicts disclosure statement must include:

(1) a requirement that each local government officer disclose:

(A) an employment or other business relationship described by Subsection (a)(2)(A), including the nature and extent of the relationship; and

(B) gifts accepted by the local government officer and any family member of the officer from a vendor during the 12-month period described by Subsection (a)(2)(B) if the aggregate value of the gifts accepted by the officer or a family member from that vendor exceeds \$100;

(2) an acknowledgment from the local government officer that:

(A) the disclosure applies to each family member of the officer; and

(B) the statement covers the 12-month period described by Subsection (a)(2)(B); and

(3) the signature of the local government officer acknowledging that the statement is made under oath under penalty of perjury.

Sec. 176.006. DISCLOSURE REQUIREMENTS FOR VENDORS AND OTHER PERSONS; QUESTIONNAIRE. (a)

A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section [176.003](#)(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section [176.003\(a\)\(2\)\(B\)](#), excluding any gift described by Section [176.003\(a-1\)](#); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

(b) The commission shall adopt a conflict of interest questionnaire for use under this section that requires disclosure of a vendor's business and family relationships with a local governmental entity.

(c) The questionnaire adopted under Subsection (b) must require, for the local governmental entity with respect to which the questionnaire is filed, that the vendor filing the questionnaire:

(1) describe each employment or business and family relationship the vendor has with each local government officer of the local governmental entity;

(2) identify each employment or business relationship described by Subdivision (1) with respect to which the local government officer receives, or is likely to receive, taxable income, other than investment income, from the vendor;

(3) identify each employment or business relationship described by Subdivision (1) with respect to which the vendor receives, or is likely to receive, taxable income, other than investment income, that:

(A) is received from, or at the direction of, a local government officer of the local governmental entity; and

(B) is not received from the local governmental entity; and

(4) describe each employment or business relationship with a corporation or other business entity with respect to which a local government officer of the local governmental entity:

(A) serves as an officer or director; or

(B) holds an ownership interest of one percent or more.

- (d) A vendor shall file an updated completed questionnaire with the appropriate records administrator not later than the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in the questionnaire incomplete or inaccurate.
- (e) A person who is both a local government officer and a vendor of a local governmental entity is required to file the questionnaire required by Subsection (a)(1) only if the person:
 - (1) enters or seeks to enter into a contract with the local governmental entity; or
 - (2) is an agent of a person who enters or seeks to enter into a contract with the local governmental entity.
- (f) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.
- (g) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.
- (h) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.
- (i) The validity of a contract between a vendor and a local governmental entity is not affected solely because the vendor fails to comply with this section.

Sec. 176.0065. MAINTENANCE OF RECORDS. A records administrator shall:

- (1) maintain a list of local government officers of the local governmental entity and shall make that list available to the public and any vendor who may be required to file a conflict of interest questionnaire under Section [176.006](#); and
- (2) maintain the statements and questionnaires that are required to be filed under this chapter in accordance with the local governmental entity's records retention schedule.

Sec. 176.008. ELECTRONIC FILING. The requirements of this chapter, including signature requirements, may be satisfied by electronic filing in a form approved by the commission.

Sec. 176.009. POSTING ON INTERNET. (a) A local governmental entity that maintains an Internet website shall provide access to the statements and to questionnaires required to be filed under this chapter on that website. This subsection does not require a local governmental entity to maintain an Internet website.

(b) Repealed by Acts 2013, 83rd Leg., R.S., Ch. 847, Sec. 3(b), eff. January 1, 2014.

Sec. 176.010. REQUIREMENTS CUMULATIVE. The requirements of this chapter are in addition to any other disclosure required by law.

Sec. 176.012. APPLICATION OF PUBLIC INFORMATION LAW. This chapter does not require a local governmental entity to disclose any information that is excepted from disclosure by Chapter [552](#), Government Code.

Sec. 176.013. ENFORCEMENT. (a) A local government officer commits an offense under this chapter if the officer:

(1) is required to file a conflicts disclosure statement under Section [176.003](#); and

(2) knowingly fails to file the required conflicts disclosure statement with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement.

(b) A vendor commits an offense under this chapter if the vendor:

(1) is required to file a conflict of interest questionnaire under Section [176.006](#); and

(2) either:

(A) knowingly fails to file the required questionnaire with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the vendor becomes aware of the facts that require the filing of the questionnaire; or

(B) knowingly fails to file an updated questionnaire with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in a questionnaire previously filed by the vendor incomplete or inaccurate.

(c) An offense under this chapter is:

(1) a Class C misdemeanor if the contract amount is less than \$1 million or if there is no contract amount for the contract;

(2) a Class B misdemeanor if the contract amount is at least \$1 million but less than \$5 million; or

(3) a Class A misdemeanor if the contract amount is at least \$5 million.

(d) A local governmental entity may reprimand, suspend, or terminate the employment of an employee who knowingly fails to comply with a requirement adopted under this chapter.

(e) The governing body of a local governmental entity may, at its discretion, declare a contract void if the governing body determines that a vendor failed to file a conflict of interest questionnaire required by Section [176.006](#).

(f) It is an exception to the application of Subsection (a) that the local government officer filed the required conflicts disclosure statement not later than the seventh business day after the date the officer received notice from the local governmental entity of the alleged violation.

(g) It is an exception to the application of Subsection (b) that the vendor filed the required questionnaire not later than the seventh business day after the date the vendor received notice from the local governmental entity of the alleged violation.