

# STATE OF MICHIGAN INVESTMENT BOARD MEMBER ETHICS RULES AND POLICY

Adopted by the State of Michigan Investment Board

*November 27, 2018*

## **I. PURPOSE**

The State of Michigan Investment Board (the “Board”) serves as the fiduciary over the assets of the State of Michigan Retirement System (“SMRS”), holding ultimate responsibility for managing and investing its assets. Each appointee to the Board (a “Member”) must uphold the fiduciary duties expected of a retirement board member, meeting all attendant legal, ethical, and moral obligations while holding the interests of the members of the retirement system above all else. The concepts and rules discussed in this Member Ethics Rules and Policy (the “Ethics Policy”) will direct the manner in which each Member shall conduct themselves in order to fulfill their duties pursuant to the Public Employee Retirement System Investment Act, 1965 Public Act 314 and Executive Order 2018-10 (the “Order”).

## **II. ETHICS AND STANDARDS OF CONDUCT**

1. Members’ loyalty must be to the participants and beneficiaries of SMRS and not to the source of their appointment. In doing so, Members shall use proper care, due diligence, and exercise independent professional judgment.
2. All participants and beneficiaries of SMRS are to be treated equally and fairly. A Member’s duty is to the participants and beneficiaries of SMRS as a group, and not to industry firms, individuals, groups of individuals, or a Member’s employer. Members must discharge their duties solely in the interest of the participants and beneficiaries of SMRS. Investment decisions are to be guided by the purpose of providing benefits to the participants and beneficiaries of SMRS.
3. Members shall meet the prudence standard in the discharge of their duties, meaning that each will act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.
4. Members must avoid all conflicts of interest with respect to their fiduciary responsibilities. A conflict of interest is understood to be a situation where a relationship exists that could diminish independence of judgment in the performance of all duties as a fiduciary over retirement system assets.
  - a. There must be no self-dealing or conduct of any private business or personal services between any Member, SMRS, the Michigan Department of Treasury’s Bureau of Investments (“BOI”) or BOI employees.
  - b. No Member shall receive any gain or profit from any funds or transaction of

SMRS, except benefits from an interest in investments common to all members, if entitled thereto.

- c. Members shall not use their positions to unduly influence the Board, the SMRS, the BOI, or its employees, in order to obtain employment at the BOI for themselves, family members, or close associates. In furtherance of this prohibition, and pursuant to the Order, a Board member and their immediately family member shall not:
  - i. be or become employed by a service provider to the SMRS or the BOI;
  - ii. endorse, oblige, or provide surety, for any money loaned to or borrowed from the SMRS; or
  - iii. borrow any of the money or other assets of the SMRS.
- d. Members shall disclose in writing (i) any outside business or financial interest that creates a conflict with respect to the impartial discharge of such Member's official responsibilities and duties, or (ii) any circumstance which would result in such Member being in violation of this Ethics Policy, the Order, or their official responsibilities or duties.
- e. No cash, cash equivalents, or securities of any value may ever be accepted.
- f. Members must make a timely, full, and fair disclosure to the Board of all matters that may impair their independence and objectivity or interfere with their respective duties to the SMRS. This includes, but is not limited to, a duty to disclose any contacts or requests made by third parties, whether acted upon or not, that were designed or may appear to influence the individual Members' obligations under this Ethics Policy.
- g. No Member shall accept any unsolicited gift, favor, or business or solicit or arrange for receipt of any such gift, favor, or business, for themselves or for any other person from any actual, prospective, or potential service provider of any kind to the SMRS.
  - i. No Board member shall accept or receive any gift or favor through an intermediary, if he or she knows, or has reason to know, that the gift has originated from a source that would make the gift prohibited under this Ethics Policy.
  - ii. Any gift, the receipt of which is prohibited by this Ethics Policy, shall be returned to its source immediately and reported to the Board.
- 5. Members have an obligation and duty to be knowledgeable of and understand their obligations with respect to applicable state and federal laws, rules, regulations, expectations and other matters relating to their duties so that they continually work

towards the SMRS' objectives.

6. Members shall be automatically removed from the Board for any of the following:
  - a. The Member has been indicted or charged with, convicted of, pleaded guilty or nolo contendere to, or forfeited bail concerning a felony, or a misdemeanor involving fraud, theft, or dishonesty under the laws of any jurisdiction in the United States;
  - b. The individual has had a judgment entered against him or her by a court of competent jurisdiction in a civil matter involving a breach of fiduciary duties; or
  - c. The individual has been the subject of an adverse action by the Securities and Exchange Commission which resulted in any settlement, sanction, payment of a fine, injunction, or other negative finding, whether individually, or as a partner, principal member, managing director, or other position of leadership of any entity subject to such penalty or finding.
7. Members shall conduct themselves with integrity and act in a professional and ethical manner. Members shall maintain the high ethical and moral character, both professionally and personally, such that their conduct shall not reflect negatively upon the Board, the SMRS or its participants, or the BOI.
8. Members shall not give, disclose, or provide access to any confidential information owned, obtained, or developed by the Board, the SMRS, the BOI or employees of the BOI.
9. Members shall avoid breaches of their duty (through negligence or intentional action or omission), unauthorized communications with individuals seeking to influence the Board, and unauthorized communications with individuals who may receive personal gains as a result of Board actions.
10. Members recognize that all SMRS business transactions are to be based on integrity, competence, and financial merit and benefit to SMRS participants and beneficiaries, and not on personal relationships.
11. Members shall not use their positions to influence SMRS, the BOI, or BOI employees to obtain business for their employer, themselves, immediate family members, or close associates, either directly or indirectly.
12. No individual Member shall use undue influence or give orders to the State Treasurer, as chairperson of the Board, or any BOI employee. This does not prohibit an individual Board member from offering his or her opinion, based upon his or her expertise and/or experience.
  - a. Members' interaction with the State Treasurer or BOI employees must recognize the lack of authority in any individual Board member or group of Members not constituting a quorum.


- b. Members' interaction with the public, industry representatives, press, or other entities must recognize and acknowledge the same limitations in this section and the similar inability of any Board member to speak independently for the Board, the SMRS, or the BOI or its employees.
- 13. Members shall not individually meet with any manager, broker, consultant, investment manager, or other provider of investment related services that has, or reasonably may be in a position to have, business with the Board or the BOI for the purpose of discussing matters related to official Board or BOI business without approval of a majority of members of the Board. However, the State Treasurer, as chairperson, shall be permitted to meet with service providers or potential service providers.
- 14. Members shall not breach the confidential nature of the selection or hiring process of advisors, investment managers, consultants, contractors, or vendors by communicating with any person in the industry or firm who may be under consideration in such a selection or hiring process, prior to the actual selection or hiring of such service provider.
- 15. A Member shall be considered in direct breach of their duties and this Ethics Policy if that member participates in a breach of this Ethics Policy with another Member, or if a Member aids in the concealment of another Member's breach, or knowingly or negligently permits such a breach to occur.
- 16. Members agree to maintain compliance with all applicable federal and state rules and regulations related to the investment of funds held by SMRS, including but not limited to reporting requirements and Securities and Exchange Commission Rule 206(4)-5 ("Pay to Play" Prohibitions).
- 17. Nothing in this Ethics Policy shall excuse any Board member from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties.
- 18. No Member, acting in his or her capacity as a member of the Board, may travel individually on behalf of the Board, SMRS, or the BOI or receive any reimbursement by the Board, SMRS, or the BOI for travel-related costs in violation of this Ethics Policy, the Order and other applicable law, or the Investment Policy Statement; provided, however, that Members may receive reasonable reimbursement for all actual necessary travel and expenses incurred to attend official Board meetings. The State Treasurer is permitted to travel, and receive reimbursement for such, only to the extent permitted by the Order and Investment Policy Statement. Members shall not accept any sponsored travel by a current, prospective, or potential service provider of any kind on behalf of the Board, SMRS, or the BOI. "Sponsored travel" means the payment of travel and related expenses by a source other than the Board, SMRS, or the BOI.
- 19. Any breach of this Ethics Policy may be referred to the Michigan Department of

Attorney General, which may investigate, as necessary, and report its findings to the State Treasurer together with a recommended course of action. Members who are found guilty of a breach of public trust or a violation of this Ethics Policy shall not be able to rely on indemnification provided in the Investment Policy Statement and shall reimburse the Board, SMRS, or the BOI for any costs incurred in association with such breach.

20. All Members will sign an affirmation pledging to uphold this Ethics Policy.

Executed copies of this Ethics Policy shall be posted to the Department of Treasury's website in an effort to promote transparency with the participants and beneficiaries of SMRS.

Approved and implemented by official resolution of the Board.



---

Nick A. Khouri, State Treasurer of the State of Michigan,  
as Chairperson of the State of Michigan Investment Board

I, the undersigned Member, certify that I:

- a. have received and reviewed a copy of this Ethics Policy;
- b. fully understand the extent of my duties and obligations to the SMRS; and
- c. shall at all times uphold this Ethics Policy, which failure to do so will result in my removal as a Member.

  
Rachael Eubanks

1/23/19  
Date

I, the undersigned Member, certify that I:

- a. have received and reviewed a copy of this Ethics Policy;
- b. fully understand the extent of my duties and obligations to the SMRS; and
- c. shall at all times uphold this Ethics Policy, which failure to do so will result in my removal as a Member.



\_\_\_\_\_  
Jennifer Flood, State Budget Director

11/30/23

\_\_\_\_\_  
Date

I, the undersigned Member, certify that I:

- a. have received and reviewed a copy of this Ethics Policy;
- b. fully understand the extent of my duties and obligations to the SMRS; and
- c. shall at all times uphold this Ethics Policy, which failure to do so will result in my removal as a Member.

Reginald G. Sanders

November 27, 2018  
Date



I, the undersigned Member, certify that I:

- a. have received and reviewed a copy of this Ethics Policy;
- b. fully understand the extent of my duties and obligations to the SMRS; and
- c. shall at all times uphold this Ethics Policy, which failure to do so will result in my removal as a Member.

Dina L. Richard

11/27/18

Date

I, the undersigned Member, certify that I:

- a. have received and reviewed a copy of this Ethics Policy;
- b. fully understand the extent of my duties and obligations to the SMRS; and
- c. shall at all times uphold this Ethics Policy, which failure to do so will result in my removal as a Member.



Denise Ilitch

1-15-2024

Date