

BOARD OF TRUSTEES CODE OF ETHICS AND CONDUCT

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BOARD OF TRUSTEES CODE OF ETHICS AND CONDUCT

I. PURPOSE

The VRS Board is the trustee of the funds of the plans that it administers and, as such, it is obligated to discharge all of its duties solely in the interest of the beneficiaries, members, and participants of all of said plans.

In addition, the Board is charged with oversight responsibility for several other plans and, as to these, the Board has fiduciary obligations.

In furtherance of these duties and obligations, the Board of Trustees hereby adopts this Code of Ethics and Conduct, which is established to define the ethical and behavioral guidelines within which all members of the Board of Trustees are expected to conduct themselves while serving as members of the Board.

Adherence to this Code will allow the Trustees to pursue the mandates of their Governance Policy, foster harmonious relations between Board members, and facilitate mutual respect and public confidence.

II. FIDUCIARY DUTIES

By virtue of the authority given to the VRS Board to exercise control over the disposition of the assets and funds described in section II of the Board of Trustees' Governance Policy, each member of the Board is a fiduciary and, as such, owes a special duty to VRS and to its members, beneficiaries, and participants.

As a fiduciary, each VRS Board Member shall adhere to the following:

- A. A Board member's loyalty must be to the members, beneficiaries, and participants of the VRS systems and plans, and not to the source of his or her appointment.
- B. All members, beneficiaries, and participants of VRS are to be treated equally and fairly. A Board member's duty is to the members, beneficiaries, and participants of VRS as a group, and not to individuals or groups of individuals.
- C. A Board member shall discharge his or her duties solely in the interest of the members, participants, and beneficiaries for the exclusive purpose of providing benefits to the members, participants, and beneficiaries.

- D. A Board member shall discharge his or her duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- E. A Board member has a duty to be informed so as to be familiar with applicable state and federal laws and other matters relating to his or her duties as a VRS Board member.
- F. Board members shall strive to understand and work towards VRS objectives.
- G. A Board member is responsible for preparing him or herself for Board work, shall attend and actively participate in meetings of the Board, shall attend and actively participate in meetings of any committee(s) of which he or she is a member, and shall strive to maintain a continuing awareness of the actions and activities of the Board and its committees.
- H. A Board member is obligated to take advantage of educational opportunities so as to be properly informed.
- I. A Board member shall seek out and avail him or herself of expert assistance in matters where he or she lacks familiarity with the issues at hand.
- J. A Board member should monitor the activities of those employed directly by the Board (i.e., the Director, the Chief Investment Officer, and the Audit Director).

III. CODE OF ETHICS

Each Board member shall subscribe and conform to the following code of ethics:

- A. Board members shall conduct themselves with integrity and act in a professional and ethical manner in their dealings with fellow Board members, the Director, the Chief Investment Officer, the Audit Director, members of all Board Advisory Committees, consultants, advisors, VRS employees, and the public.
- B. Board members shall maintain high ethical and moral character, both professionally and personally, such that their conduct shall not reflect negatively upon the Board of Trustees or upon VRS.
- C. Board members shall act with competence, and shall strive to maintain and improve their competence and that of their fellow Board members.
- D. Board members shall use proper care and exercise independent professional judgment.

- E. Board members shall treat executive session and closed meeting information as confidential.
- F. Board members shall not give, disclose or provide access to any confidential information owned, obtained, or developed by VRS.
- G. Board members must avoid any conflict of interest or appearance of conflict of interest with respect to their fiduciary responsibility. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member.
 - 1. There must be no self-dealing or conduct of any private business or personal services between any Board member and VRS except as procedurally controlled to assure openness, competitive opportunity and equal access to inside information.
 - 2. No Board member shall receive any gain or profit from any funds or transaction of VRS, except benefits from interest in investments common to all members, if entitled thereto.
 - 3. Board members must not use their positions to obtain advantage for themselves, family members, or close associates, nor shall they demonstrate abuses of authority.
 - 4. A Board member shall not vote or seek to affect the outcome of a vote on an issue about which he or she has an unavoidable conflict of interest.
- H. Board members shall take affirmative steps to avoid breaches of duty (through negligence or intentional action or omission), unauthorized communication with individuals seeking to influence the Board, and unauthorized communications with individuals who may receive personal gains as a result of Board actions.
- I. Board members recognize that all VRS business transactions are to be based on integrity, competence, and financial merit and benefit to VRS members, participants, and beneficiaries, and not on personal relationships.
- J. Board members shall disclose in writing any outside business or financial interest that could influence the impartial discharge of their official responsibilities and duties.

IV. STANDARDS OF CONDUCT

- A. Board members shall refrain from engaging in conduct that would discredit and/or compromise the integrity of the Board and/or VRS.

- B. Board members must avoid any conflict of interest with respect to their fiduciary responsibilities.
1. Board members will not use their positions to obtain employment at VRS for themselves, family members, or close associates.
 2. Any individual who has served or is serving on the Board or on the Investment Advisory Committee will not be eligible to apply for or be offered a position of employment at VRS and may not be considered by VRS for any position of employment at VRS until five years after the termination of his or her service on the Board or on the Investment Advisory Committee, whichever is applicable.
 3. If the Board is to decide upon an issue about which a member has an unavoidable conflict of interest, that member shall abstain from the vote on said issue. The Board member may or may not participate in the discussion concerning the issue, as shall be determined by a vote of the Board after disclosure by the member of the conflict of interest.
- C. The Board may give orders and directions to the Director, the Chief Investment Officer, and the Audit Director, but not to other employees of VRS. The Board shall not instruct the Director or the Chief Investment Officer with respect to specific operational decisions or with respect to the day-to-day operation of VRS.
- D. No individual member of the Board shall give orders or directions to any employee of VRS. This does not prohibit an individual Board member from offering his or her opinion, based upon his or her expertise and/or experience, when an employee of VRS solicits such opinion.
1. Board members' interaction with the Director, the Chief Investment Officer, and/or the Audit Director must recognize the lack of authority in any individual Board member or group of Board members except when such interaction is within the context of a standing or advisory committee meeting.
 2. Individual Board members are not to become involved in operational management.
 3. Board members' interaction with the public, press or other entities must recognize the same limitation and the similar inability of any Board member or Board members to speak for the Board other than as set forth in the Board Policies and Procedures.
- E. Individual Board members shall refer all proposals or other communications regarding potential or existing investments or other contracts or services directly to the Chief Investment Officer or the Director, as appropriate.

- F. Whenever the Board, the Director, or the Chief Investment Officer is involved in the selection or employment of advisors, managers, consultants, contractors, or vendors, individual Board members shall not communicate with regard to that contract with any person who may be under consideration in such a selection or hiring process prior to the actual selection or hiring.
- G. Every Board member shall know and comply with all applicable provisions of the State and Local Government Conflict of Interests Act (Code of Virginia, §§2.2-3100, et. seq.) governing generally prohibited conduct and shall refrain from all such conduct as is proscribed therein.
- H. As a condition to becoming a member of the Board and, annually thereafter on or before January 15, every Board member will file a disclosure statement of all economic and personal interests in and involvement with other organizations, vendors, or any other associations of the member and his or her immediate family that might produce a conflict with the Board member's fiduciary duties to VRS.
- I. No Trustee shall participate in the breach of this Code of Ethics and Conduct by another Trustee, participate in concealing such breach, or knowingly or negligently permit such breach to occur.

V. GIFTS

- A. No Board member, while acting in his or her capacity as a Trustee of the Virginia Retirement System, shall solicit or arrange a gift or favor for him or herself or for any other person from any actual, prospective, or potential outside investment manager, vendor, or consultant of VRS, from any investment fund in which VRS is an investor, is considering becoming an investor, or may at some time consider becoming an investor, or from any affiliate of any such person.
- B. No Board member shall accept any unsolicited gift or favor from any actual, prospective, or potential outside investment manager, vendor, or consultant of VRS, from any investment fund in which VRS is an investor, is considering becoming an investor, or may at some time consider becoming an investor, or from any affiliate of any such person unless it is a token, educational, promotional or advertising item of nominal value (i.e., estimated market value of less than one hundred dollars), and does not compromise, or appear to compromise, the independence or judgment of the Board member.
- C. No Board member shall accept or receive any gift 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 policy.

- D. In no event shall a Board member accept a gift if the source of the gift is not identified. If the source of any gift cannot be ascertained, the gift shall be donated to a suitable charitable organization.
- E. No Board member shall accept any complimentary work or analysis or other "favor" offered or performed by a current, prospective, or potential contractor or vendor of VRS that is intended to benefit personally the involved Board member if such work, analysis, or other "favor" is offered to or performed for such Board member because of his or her capacity as a Trustee of the Virginia Retirement System.
- F. Solicitation or encouragement by a Board member of entertainment, including but not limited to meals, refreshment, or entry fees from a current, prospective, or potential contractor or vendor of VRS is prohibited. Habitual acceptance of such meals, refreshment, or entertainment is strongly discouraged.
- G. No cash, cash equivalents or securities of any value may ever be accepted.
- H. Any gift, the receipt of which is prohibited by this policy, shall be returned to its source immediately.
- I. If a gift is returned to the sender or donated to a suitable charity immediately upon its receipt, then reporting of the gift is unnecessary.

VI. SPONSORED TRAVEL

- A. Members of the Board, the Director, the Chief Investment Officer, and the Audit Director, acting in their capacities as such, may accept sponsored travel to give a speech, participate in a panel or seminar, or provide a similar service at a professional or educational conference, convention, or seminar when their participation is requested due to their experience, expertise or opinions related to the performance of their duties for VRS provided that:
 - 1. The source of the funds is not a person or entity that is in a business relationship with VRS, has ever been in a business relationship with VRS, and/or potentially may enter into a business relationship with VRS at any time in the near or distant future;
 - 2. The speech, seminar, or other forum for which the sponsored travel has been offered will not be publicized, promoted, or represented in any way as being sponsored by a person or entity that is in a business relationship with VRS, has ever been in a business relationship with VRS, and/or potentially may enter into a business relationship with VRS at any time in the near or distant future;
 - 3. The sponsored travel is specifically approved as herein provided; and

4. The Board maintains a public record of all such sponsored travel, as set forth herein.
- B. For the purposes of this policy:
1. “*Sponsored travel*” shall mean payment of travel and related expenses by a source other than VRS or the person(s) traveling on behalf of VRS.
 2. “*Source of funds*” shall be the person or entity directly providing the reimbursement to VRS and not others who may pay dues or otherwise provide funding to that person or entity.
- C. Approval of sponsored travel shall be sought, obtained, and recorded as follows:
1. A written request to accept sponsored travel shall include (a) a description of the event to be attended; (b) identification of the person or entity that has offered to pay the expenses; (c) a description of the expenses that will be covered or reimbursed; and (d) the names of the persons to whom the request has been submitted.
 2. A Board member seeking approval of sponsored travel shall submit the request to the Board Chairperson and either the Director or the Chief Investment Officer. If the Board Chairperson is seeking approval, the request shall be submitted to any Board member and either the Director or the Chief Investment Officer. If the Director, Chief Investment Officer or Audit Director are seeking approval, the request shall be submitted to the Board Chairperson and one other member of the Board.
 3. The persons to whom the request has been submitted shall approve or disapprove the request within three (3) business days of having received it.
- D. Records of all sponsored travel shall be maintained as follows:
1. A report of all sponsored travel, including a copy of the original request and an itemization of all expenses paid for shall be submitted, along with all other reports of travel, for review by the Audit and Compliance Committee;
 2. The Audit and Compliance Committee shall report to the Board on all sponsored travel, which report shall be maintained in the minutes of Board.
- E. The Director, Chief Investment Officer, and Audit Director may, in their discretion, and pursuant to the duties and responsibilities delegated to them, adopt this policy for application to travel by members of their staff and/or otherwise amend the policies and procedures for travel and reimbursement as they pertain to VRS staff.

VII. ALL VRS RELATED TRAVEL

No spouse, family member, or other invitee of a Board member traveling on behalf of VRS may accompany the Board member unless the spouse, family member, invitee, or the Board member pays for all additional or incremental costs and expenses associated with such attendance.

VIII. GENERAL PROVISIONS

- A. Nothing in this policy shall excuse any Board member from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties.
- B. Any breach of this Code of Conduct, Ethics, and Standards shall be referred to the Administration and Personnel Committee, which shall investigate, as necessary, and report its findings to the Board together with a recommended course of action.
- C. All Board members will sign an affirmation pledging to uphold both the letter and the spirit of this Code of Conduct and Ethics.