



CONFLICT OF INTEREST

I. BACKGROUND

Consistent with the Internal Revenue Code (§401(a)(2)), the California Constitution (Article 16, Section 17(b)) requires that the administration of the retirement plan be for the exclusive benefit of the members and beneficiaries of the retirement system.

The members of the retirement Board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries.... A retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty.

Pursuant to Government Code sections 87300, et seq, SCERA is required to establish a Conflict of Interest Code, which focuses primarily on disclosure of financial interests of individuals holding designated positions. A copy of the SCERA Conflict of Interest Code is attached to this Policy.

To address other situations in which conflicts of interest may arise in the context of a public retirement system, SCERA establishes this Conflict of Interest Policy.

II. PURPOSE

This Policy is intended to provide Trustees and staff with guidelines and certain requirements for successfully fulfilling their fiduciary duties and mitigating the actual or perceived conflicts of interest concerning Board operations and governance. The Policy represents Trustees' recognition of their primary fiduciary obligation to the members and beneficiaries of the plan. The Policy reinforces loyalty to the interests of the members and beneficiaries. The Policy assists in identifying and, to the extent possible, avoiding situations that might compromise or appear to compromise the Board's primary fiduciary role.

III. PRINCIPLES

- A. It is not possible to identify and address all methods by which Trustees or staff could manage the assets of a plan in a manner that benefits themselves or related parties, rather than plan members. A conflicts policy must therefore consist of general principles and guidelines to manage the many complicated situations that can arise.
- B. With respect to SCERA activities, the duty of a SCERA Trustee or staff member to SCERA's members and beneficiaries shall take precedence over any other duty.

- C. An issue that may be perceived to create a conflict of interest can pose as great a risk to SCERA as an actual conflict of interest. Accordingly, reasonably perceived conflicts should be treated as actual conflicts of interest.
- D. Safeguarding the trust of plan members and beneficiaries is paramount. Conflicts of interest, bribes, gifts or favors that subordinate that trust to private gains are unacceptable.
- E. In situations where the law or policy is not clear, the best interests of the members and beneficiaries must be served. Trustees and staff should err on the side of good judgment, and are encouraged to discuss the matter with legal counsel as early as possible.
- F. When interacting with existing or potential service providers, Trustees and staff need to establish and maintain an independent relationship to ensure that Trustees and staff can remain objective when conducting the affairs of SCERA.

IV. REQUIREMENTS

While it is not possible in this context to list all legal and ethical requirements that apply to Trustees and staff, the list below covers some significant matters.

SCERA Trustees and staff:

- A. Shall not accept or solicit any gift, favor, or service that may tend to influence or reasonably be perceived to influence the individual in the discharge of official duties or that the individual knows, or should know, is being offered with the intent to influence the individual's official conduct. When Trustees and staff accept gifts, they must comply with applicable laws regarding gifts, including gift disclosure and gift value limits. During a Board initiated "black-out" period pursuant to the Board Communications Policy, no Trustee or staff may accept any gift, favor or service from any affected potential candidate firm under consideration in a search process or current service provider on a "watch status" (or any agent of such a firm or service provider);
- B. Shall not accept other employment or engage in a business or professional activity that the individual might reasonably expect would require or induce the individual to disclose confidential information acquired by reason of the individual's official position;
- C. Shall not accept other employment or compensation that could reasonably be expected to impair the individual's independent judgment in performing the individual's duties;
- D. Shall not make personal investments that could reasonably be expected to create a substantial conflict between the individual's private interests and the interests of SCERA and its members and beneficiaries;

- E. Shall not intentionally or knowingly solicit, accept, or agree to accept any benefit for exercising the individual's official powers or for performing their official duties in favor of another;
- F. Shall not transact any business or influence the transaction of business in the individual's official capacity with any entity or person in which the individual has an economic interest privately;
- G. Shall not use one's official position to secure a special privilege or exemption for oneself or others;
- H. Shall not intentionally or knowingly disclose any confidential information gained by one's position concerning the property, operations, policies or affairs of SCERA, or use confidential information for monetary gain.

V. STATUTORY PROHIBITIONS UNDER THE COUNTY EMPLOYEES RETIREMENT LAW (SECTION 31528)

- A. Neither the Trustees nor the employees of the Board:
 - 1. Shall become an endorser, surety, or obligor on, or have any personal interest, direct or indirect, in the making of any investment for the Board, or in the gains or profits accruing from those investments or directly or indirectly borrow or use any SCERA funds, except to make current and necessary payments authorized by the Board.
 - 2. Shall directly or indirectly sell or provide any investment product that would be considered an asset of the fund, to any County Employees Retirement Law retirement system.

- B. Former Trustees and former Retirement Administrator:

For two years after serving on or for the Board shall not receive compensation from a third party, except the county, for appearing before or communicating with a current Trustee or SCERA staff for the purpose of influencing the Board to take any action involving the issuance, amendment, awarding, or revocation of a permit, license, grant, contract, or sale or purchase of goods or property.

VI. PROCESS IF A CONFLICT OF INTEREST EXISTS

When a real or perceived conflict of interest exists, Trustees and staff shall fully disclose the conflict and abstain from voting/participation in discussion of the matter, except if the Trustee's participation is legally required for the decision as allowed by the rule of necessity.

VII. BIENNIAL ETHICS TRAINING

Under Government Code Section 53234 et seq., all local agency officials, including SCERA Trustees, must receive at least two hours of training in general ethics principles and ethics law relevant to his or her public service every two years. New Trustees shall attend ethics training no later than one year from the first day of service with SCERA.

VIII. REVIEW

The Board shall review this policy at least every two years to ensure that it remains relevant and appropriate.

IX. HISTORY

The Board adopted this policy on 1/20/2011.

Reviewed and revised on 1/16/2014 and 3/24/2016.

CONFLICT OF INTEREST CODE



Sonoma County Employees'
Retirement Association

- I. The terms of 2 Cal. Code of Regs. Section 18730 (the standard code) and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the attached Appendix A, Appendix B, and Appendix C in which trustees, employees and consultants are designated and disclosure categories are set forth, constitute the Sonoma County Employees' Retirement Association (SCERA) Conflict of Interest Code (Code), and

- II. Pursuant to Section 4 of the standard code, designated employees shall file statements of economic interest with the SCERA Retirement Administrator. Any SCERA trustees, employees or consultants already required to file a disclosure statement (Form 700) pursuant to Government Code Section 87200, et seq. are identified in Appendix C and no additional disclosure is required by this Code. Officials designated in Appendix C shall file their original disclosure statements with the SCERA Retirement Administrator, who shall make and retain a copy, and forward the original to the Fair Political Practices Commission or to the appropriate agency pursuant to 2 Cal. Code of Regs. Section 18753(d) at the discretion of the Fair Political Practices Commission.

(Conflict of Interest Code amended August 16, 2012 to incorporate the effect of Government Code Sections 87302 and 87314 and the resultant Appendix C)

(Conflict of Interest Code amended February 21, 2013 to recognize the discretion of the Fair Political Practices Commission to direct the appropriate agency for filing under 2 Cal. Code of Regs. Section 18753(d))

APPENDIX A

Designated Positions	Disclosure Categories
Retirement Accounting Manager	1, 2, 3, 4
Department Information Systems Manager	1, 2, 3, 4
Retirement Benefits Services Manager	1, 2, 3, 4

(Conflict of Interest Code amended September 18, 2008 to include Retirement Investment Officer, Retirement Accounting Manager and Department Information Systems Coordinator)

(Conflict of Interest Code amended August 16, 2012 to delete positions identified in Appendix C as being required to filed Form 700 disclosures as Agency Positions that Manage Public Investments for Purposes of Section 87200 of the Government Code)

(Conflict of Interest Code amended November 17, 2016 to include Retirement Benefits Services Manager)

APPENDIX B

DESCRIPTION OF FINANCIAL DISCLOSURE CATEGORIES¹

Category 1: Investments in any business, entity, or real estate venture of the type in which the Retirement Board is legally authorized to invest, or in any type of entity that provides services or supplies of the type used by the Retirement Office (currently Schedules A-1 &/or A-2 of Form 700).

Category 2: Interests in Real Property that could be affected by any decision made or participated in by the designated individual (currently Schedules B &/or C of Form 700). If the designated individual is a trustee or SCERA employee, disclosure is only required on real property located in the County of Sonoma.

Category 3: Income from any source of the type in which the Retirement Board is legally authorized to invest, or from any person or entity that provides services or supplies of the type used by the Retirement Office (currently Schedules C, D, E, &/or F of Form 700).

Category 4: Any Position Held as a director, officer, partner, trustee, or any position of management in any business entity that offers or holds investments of the type in which the Retirement Board is legally authorized to invest, or in any type of entity that provides services or supplies of the type used by the Retirement Office (currently Schedule C of Form 700).

¹ Only investments in and sources of income from business entities, and sources of income, which do business in the geographic area of SCERA, or real property interests located in the County of Sonoma need to be reported.

APPENDIX C

AGENCY POSITIONS THAT MANAGE PUBLIC INVESTMENTS FOR PURPOSES OF SECTION 87200 OF THE GOVERNMENT CODE.

Trustees

Retirement Administrator

Assistant Retirement Administrator

Chief Retirement Investment Officer

Senior Retirement Investment Officer

Retirement Investment Officer

Retirement Investment Analyst

Chief Retirement Counsel

Consultants

(Conflict of Interest Code amended March 15, 2012 to include Appendix C)

(Conflict of Interest Code amended August 16, 2012 to add Senior Retirement Investment Officer, Retirement Investment Analyst and Consultants to Appendix C)

(Conflict of Interest Code amended January 28, 2016 to add Chief Retirement Counsel to Appendix C)

(Conflict of Interest Code amended June 30, 2016 to add Chief Retirement Investment Officer to Appendix C)