

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM

CODE OF CONDUCT

I. PURPOSE

Given the important responsibilities in administering a public pension plan, the Trustees, both individually and collectively, must maintain the highest standard of fiduciary care and loyalty to avoid erosion of the trust of the System members and the public. This Code of Conduct provides guidelines for Trustees while State law contains specific requirements and limits.

II. DEFINITIONS

1. *Conflict of Interest* is defined as any matter that could impinge upon, complicate, or interfere with a Trustee's discharge of his or her duty solely in the interests of, and for the exclusive purpose of providing benefits and related services to, System members and their beneficiaries
2. *Financial interests* shall be defined in the same manner as they are defined in the Political Reform Act of 1974 (California Government Code 81000 et seq). Section 1090 of the Government Code also deals with prohibited financial interests in contracts entered into by the System.
3. *Interests of members and beneficiaries* shall mean the best financial interests of System members with respect to the security and the effective administration of their promised retirement benefits and the assets that secure those benefits.
4. *Related party* means a person who is:
 - a) The spouse, domestic partner or child of a System Trustee;
 - b) A brother, sister or child or other descendant of a System Trustee or the spouse or domestic partner of any of them;
 - c) A parent of a System Trustee, or of a spouse or domestic partner of a System Trustee;
 - d) An entity in which a person referred to in any of paragraphs a) through c) has a substantial investment;
 - e) A corporation that is directly or indirectly controlled by a System Trustee;
 - f) A partner who has a substantial investment in a partnership in which a System Trustee has a substantial investment.
5. The *Rule of Necessity* permits members to vote who would otherwise be disqualified due to a conflict. Every effort must be made to find an alternative to acting under the Rule (e.g. finding another Trustee to act on the matter). The Rule

should only be invoked by a disqualified member as a last resort, with concurrence of the Board's legal counsel, and the facts creating the conflict must be disclosed in the public meeting prior to voting. Not all conflicts can be cured by invoking the Rule of Necessity.

III. PRINCIPLES

1. This Code cannot address all of the circumstances in which Trustees could benefit themselves or related parties, rather than the System members. This Code of Conduct must therefore consist of general principles that will provide Trustees with guidelines for managing the many complicated situations that arise in administering a public retirement system.
2. Trustees pursue a wide scope of activities and interests in their daily lives. In addition, some Trustees may also serve in other public capacities within or outside the County of Santa Barbara. Furthermore, the universe of public pension plan governance is characterized by a host of competing interests, both public and private, that may challenge the Board in its fiduciary role with respect to the exclusive interest of System members.
3. Safeguarding the trust for the benefit of System members is paramount. Undisclosed conflicts of interest, including gifts, favors, or other inducements or considerations that may tend to subordinate the exercise of Trustees' discretion to interests other than the interests of the System members and their beneficiaries are *unacceptable*, may result in individual civil or criminal liability and may render void any underlying action taken by the Board.
4. In situations where the law or this policy are not clear, any doubt shall be resolved in a manner that abates or mitigates any actual conflict of interest and furthers the members' sense of faith in the integrity of the administration of the System by the Trustees and staff.
5. Trustees require independence and objectivity when interacting with existing or potential service providers to the System.
6. Trustees must be aware that the mere appearance of a conflict of interest as defined in II.1 above, or conduct that may be legal but appears to conflict with the interest of the members and beneficiaries of the System, can erode confidence in the System and its administration and should be avoided.

IV. POLICY GUIDELINES

1. A Trustee shall not:
 - A. Accept any gift, favor, or service for himself or herself, a Related Party, or for any entity he or she may represent in other capacities, that relates to his or her official duties as a Trustee of the Santa Barbara County Employees' Retirement System except in accordance with applicable law and the Trustee Travel Policy.
 - B. Accept employment or any other forms of compensation that could reasonably be expected to impair the Trustee's independence of judgment in the performance of his or her official System duties without full public disclosure of such employment or compensation and with prior approval by the Retirement Board. Approval by the Board shall only be granted after consulting with the Board's legal counsel.
 - C. Make personal investment decisions that could reasonably be expected to create a conflict between the Trustee's interests and the interests of the System;
 - D. Intentionally or knowingly solicit, accept, or agree to accept any individual benefit in return for having exercised his or her official powers or for having performed his or her official duties in favor of himself or herself or a related party;
 - E. Transact any business as a Trustee with any entity or person in which he or she has any financial interest, unless upon advice of the Board's counsel, it is determined that the interest is such that it does not disqualify the Trustee from participation under the Political Reform Act or Government Code Sections 1090 et seq. The financial interest shall be publicly disclosed;
 - F. Appear before the Board while acting as an advocate for himself or herself or any other person, group, or entity, without fully disclosing the relationship and excusing himself or herself from the Board deliberations and voting;
 - G. Represent, appear before the Board, or appear before System management with respect to the financial interests of the Trustee, a related party, or any other entity, agency, business or individual whose financial interests could conflict with the interests of System members and beneficiaries, or the interests of the System itself, whether for any form of compensation or not, unless upon advice of the Board's counsel, it is determined that the interest is such that it does not disqualify the Trustee from participation

under the Political Reform Act or Government Code Sections 1090 et seq. In accordance with Government Code Section 87105 any trustee with a disqualifying financial interest in a matter before the Board shall (1) publicly identify the financial interest that gives rise to the conflict of interest or potential conflict of interest in detail sufficient to be understood by the public, except that disclosure of the exact street address of a residence is not required, (2) recuse himself or herself from discussing and voting on the matter, or otherwise acting in violation of Section 87100, (3) leave the room until after the discussion, vote, and any other disposition of the matter is concluded, unless the matter has been placed on the portion of the agenda reserved for uncontested matters, and (4) the trustee may speak on the issue during the time that the general public speaks on the issue;

- H. Use his or her System Trusteeship to secure a special privilege, exemption or favor or benefit for himself, herself, Related Parties or others;
 - I. Use his or her System Trusteeship to secure confidential System information for any purpose other than the exercise of official duties as a System Trustee;
 - J. Disclose any confidential information to which the Trustee is privy by virtue of his or her Trusteeship concerning members or beneficiaries or the property or interests of the System;
 - K. Solicit any gift, funds, favor, or service from System service providers for his or her own benefit or the benefit of a Related Party, another person or entity.
2. Trustees who are a party in a legal action against the System shall excuse themselves from both Board deliberations and actions bearing upon the pending legal proceedings, and shall not discuss the matter with the other Trustees. Trustees who are in a class of members or retirees that may be affected by a legal action against the System, but are otherwise not a party to the legal action and do not have any contact with the parties bringing the legal action against the System may participate in the Board's deliberations and actions upon public disclosure of their standing in the class, provided that the Board's counsel advises that the financial interest of the Trustee is not disqualifying. The affected Trustees shall not divulge information regarding the Board's legal strategy or positions in the case.
3. Trustees, when interacting with potential service providers, shall comply with all applicable rules and regulations with respect to the acceptance and reporting of gifts, including meals, beverages or entertainment.

4. Notwithstanding anything contained herein, as part of the due diligence process involving the System's service providers, the CEO may institute an evaluation period, during which time staff and Trustees shall not accept meals or other gifts otherwise permitted in the Trustee Travel Policy from a service provider or prospective service provider, and during which staff and Trustees shall not have communications with a service provider or prospective service provider other than as set forth in the Board's Service Provider Selection Policy.
5. Notwithstanding any exceptions provided in this policy, Trustees and System staff shall adhere to applicable law, the Santa Barbara County Business Expense Policy, and the Board's Conflict of Interest Code regarding disclosures, gift value limitations, conflict of interest, required disclosure of financial interests, including donations or campaign contributions.
6. When a conflict of interest exists, each affected Trustee agrees to fully disclose such conflict and to excuse himself or herself from participation in Board deliberations and actions on such matter, except when it is absolutely necessary for that Trustee to participate based upon the Rule of Necessity.

V. Policy Review

This Policy shall be reviewed by the Retirement Board at least every 3 years to ensure that it remains relevant and appropriate.

VII. Amendment History

This Policy was adopted by the Retirement Board on October 24, 2001, and revised April 13, 2005, November 19, 2008, October 26, 2011, April 23, 2014 and reviewed May 24, 2017.