



# Conflict of Interest Policy

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## I. Purpose

The Conflict of Interest Policy provides ACERA Trustees and Staff with guidelines for carrying out their fiduciary duties and mitigating the risk of an actual or perceived conflict of interest. For purposes of this policy, a conflict of interest is defined as any matter that could reasonably be expected to interfere with the obligation of Trustees and Staff to discharge their duty to the system solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries.

## II. Definitions

- A. The Board hereby incorporates by reference into this Policy the terms and definitions contained in the Political Reform Act of 1974 (“Act”); the regulations of the Fair Political Practices Commission (“FPPC”) (2 Cal. Code of Regs. §§18110 et seq.); and Government Code §§1090, 1091, and 1091.5; and any amendments to these laws.
- B. Officials Who Manage Public Investments. The persons holding the positions listed below manage public investments and will file a statement of economic interests pursuant to Government Code §87200:
  - 1. Each ACERA Trustee and Alternate Trustee
  - 2. Chief Executive Officer
  - 3. Chief Investment Officer
- C. Designated Employees. Pursuant to Government Code §82019, the persons holding the following positions are Designated Employees who make or participate in the making of decisions which may foreseeably have a material effect on financial interests:
  - 1. Assistant Chief Executive Officers
  - 2. Fiscal Services Officer

3. Chief Counsel
  4. Benefits Manager
  5. Associate Counsel
  6. Human Resources Officer
  7. Project & Information Services Manager
  8. Chief of Internal Audit
  9. Senior Investment Officer
  10. Investment Officer
  11. Consultants
- D. Disclosure Categories. Designated employees are required to make full disclosure meaning they are required to disclose all investments, interests in real property, sources of income and business positions.
- E. Consultants. Only those consultants who perform one or more of the following functions shall be required to complete and file Conflict of Interest/Form 700 Statement of Economic Interests with the Legal Department:
1. Make a governmental decision;
  2. Serve in Staff capacity and participate in making a governmental decision; or
  3. Serve in Staff capacity and perform the same or substantially all the same duties that would otherwise be performed by an individual holding a designated position in the agency's Conflict of Interest Code.
- F. Behested Payments. For purposes of this Policy, a behested payment is defined as donations made to a non-profit or charitable organization at the direct request or solicitation of a Trustee.

A more detailed description of the designated employees and disclosure categories can be found in 2 Cal. Code of Regs. §§18700 through 18740.

### III. Assumptions

- A. With respect to ACERA activities, the duty of an ACERA Trustee or Staff member to ACERA's participants and beneficiaries shall take precedence over any other duty.
- B. A perceived conflict of interest can pose as great a risk to ACERA as an actual conflict of interest. Accordingly, perceived conflicts should be treated as actual conflicts of interest under this policy.
- C. Safeguarding the trust of plan beneficiaries is paramount. Conflicts of interest, bribes, gifts, or favors that elevate private gains over the duty of Trustees and Staff to ACERA and beneficiaries are unacceptable.
- D. It is not possible to identify and address in a policy all of the methods by which Trustees or Staff may manage beneficiaries' assets in ways that benefit them or third parties rather than beneficiaries. A policy therefore should consist of general guidelines and principles that will provide Trustees and Staff with direction in most situations that arise.
- E. In situations where the law or policy is not clear, the best interests of beneficiaries must be served. Trustees and Staff shall act in good faith and exercise sound judgment.
- F. When interacting with existing or potential service providers, there is a need for Trustees and Staff to establish and maintain an independent relationship to ensure that Trustees and Staff can remain objective when conducting the affairs of ACERA.

### IV. Policy Guidelines

- A. Board Trustees and Staff of ACERA:
  - i. Gifts:
    - a. Shall not accept or solicit any gift, favor, behested payment (as defined in subsection (2) below) or service, except as provided herein, that may reasonably tend to influence or be perceived to influence the individual in the discharge of his or her official duties or that the individual knows, or should know, is being offered with the intent to influence the individual's official conduct.

- b. Can accept gifts if Trustees and Staff adhere to the applicable FPPC laws and legislation regarding disclosure requirements, gift value limits, etc. so long as the gift is not in violation of the previous paragraph or the applicable laws and regulations.
2. Behested Payments:

Shall not directly request or solicit behested payments on behalf of any non-profit or charitable organization from any person or entity that is doing business directly with ACERA, if the Trustee is either a Board member of the non-profit or charity or participates in collecting charitable contributions for the non-profit or charity.
3. Shall not accept other employment or engage in a business or professional activity that the individual might reasonably expect would require or induce him or her to disclose confidential information acquired by reason of his or her official position.
4. Shall not engage in or accept other employment or compensation that could reasonably be expected to adversely impact the individual's independence of judgment and duty of loyalty in the performance of his or her official duties.
5. 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 the beneficiaries and plan participants.
6. Shall not intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the individual's official powers or for having performed his or her official duties in favor of another.
7. Shall not transact any business in the individual's official capacity with any entity or person in which he or she has an economic interest.
8. Shall not appear before the Board while acting as an advocate for himself or herself or any other person, group, or entity, without fully disclosing his or her relationship and excusing himself or herself from the Board deliberations and voting.
9. Shall not represent any business entity before the Board or senior management in return for any form of compensation.
10. Shall not represent, directly or indirectly, any business entity or individuals in any

action or proceeding against the interests of ACERA, or in any litigation in which the Plan is a party.

11. Shall not use one's official position to secure a special privilege or exemption for oneself or others that could be perceived as or is an actual conflict of interest under the intent of this policy.
  12. Shall not use one's official position to secure confidential ACERA information for any purpose other than the exercise of official duties.
  13. Shall not intentionally or knowingly disclose any confidential information gained by one's position concerning the property, operations, policies, or affairs of ACERA, or use confidential information for pecuniary gain.
- B. When the ACERA Board is in, or about to enter into, the process of selecting a vendor, the Board, Staff and individual Trustees shall not accept social invitations, gifts, favors or services from vendors, nor solicit any behested payments, as defined in Section A.2., above, where it is reasonably foreseeable that the vendor is, or may reasonably be expected to be a candidate in the selection process.
- C. When a real or perceived conflict of interest exists, as defined herein, Trustees and Staff shall fully disclose said conflict and abstain from participating in Board deliberations concerning the matter and abstain from voting on the matter, except to the extent their participation is legally required for the decision to be made as allowed by 2 Cal. Code of Code of Regs. §18705 (i.e., rule of necessity).
- D. In order to facilitate compliance with the provisions of this policy, Trustees and Staff, may pay for their own meals, beverages, or entertainment when interacting with existing or potential service providers, and in turn shall be reimbursed for said expenditures by ACERA. Receipts shall be obtained when ordinarily given and claims shall be submitted to the Chief Executive Officer for reimbursement.
- E. The ACERA Legal Department will maintain and provide to the Board Trustees, contemporaneous with the Form 700 materials, an annual report, listing the individuals and entities with whom ACERA is contracting for services, so as to assist the Trustees and Staff with disclosure and/or recusal obligations relating to their own economic interests,

including those of their immediate family members.

V. Conflict of Interest/Form 700 Statement of Economic Interests

A. Trustees and Designated Employees shall complete and file conflict of interest/Statement of Economic Interests - Form 700 with the Legal Department as follows:

1. Initial Statements. Each person already in a position when it is designated by an amendment to the Conflict of Interest Code for ACERA shall file an initial statement within 30 days after the effective date of the amendment.
2. Assuming Office Statements. All persons assuming designated positions after the effective date of the Conflict of Interest Code for ACERA shall file statements within 30 days after assuming the designated positions.
3. Annual Statements. All officials who manage public investments shall file statements no later than March 1. All Designated Employees shall file statements no later than April 1.
4. Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.

B. Contents of and Period Covered by Statements of Economic Interests.

1. Contents of Initial Statements. Initial statements shall disclose any reportable investments, interests in real property and business positions held on the effective date of the Conflict of Interest Code for ACERA and income received during the 12 months prior to the effective date of the Conflict of Interest Code for ACERA.
2. Contents of Assuming Office Statements. Assuming office statements shall disclose any reportable investments, interests in real property and business positions held on the date of assuming office and income received during the 12 months prior to the date of assuming office or the date of being appointed or nominated, respectively.
3. Contents of Annual Statements. Annual statements shall disclose any reportable investments, interests in real property, income and business positions held or received during the previous calendar year provided, however, that the period covered by an employee's first annual statement shall begin on the effective date of

the Conflict of Interest Code for ACERA or the date of assuming office whichever is later.

4. Contents of Leaving Office Statements. Leaving office statements shall disclose reportable investments, interests in real property, income and business positions held or received during the period between the closing date of the last statement filed and the date of leaving office.

#### VI. Biennial Ethics Training

Under Government Code §53234 et seq., all Board Trustees, including ACERA Trustees, must receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years. Each Trustee shall attend ethics training at least once every two (2) years as required by Government Code §53235.1. New Trustees shall attend ethics training no later than one year from the first day of service with ACERA. The ACERA Legal Department will maintain records indicating the date ethics training was completed and the entity that provided the training.

#### VII. Policy Review

The Governance Committee shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

#### VIII. Policy History

- A. The Board reviewed and affirmed this policy, with revisions, on November 21, 2019<sup>1</sup>.

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<sup>1</sup> The Board adopted this policy on November 18, 1999. Previous amendment dates all with revisions: August 15, 2002; August 16, 2007; June 17, 2010; September 19, 2013; June 18, 2015; November 17, 2016; December 20, 2018.