

**MERCED EMPLOYEES' RETIREMENT ASSOCIATION
RESOLUTION NO. 2007-03
PERTAINING TO Conflict of Interest and Board Governance**

WHEREAS, the Merced County Employees' Retirement Association ("MCERA") is an independent fiduciary board whose members function as pension trustees under the authority of the County Employees Retirement Law of 1937 (Government Code Title 3, Division 4, Sections 31450-31899.10), governed by the principles of Article 16, Section 17 of the California Constitution ("Proposition 162").

WHEREAS, MCERA was established July 1, 1950, as an organization that was created to administer retirement benefits; and,

WHEREAS, the actions of MCERA affect County officials, employee members, retired members and government sponsors; and,

WHEREAS, the Board desires that the Conflict of Interest Board Governance Policy be formally recognized as an MCERA Board of Retirement Resolution.

NOW THEREFORE, IT IS HEREBY RESOLVED by the Board of Retirement of MCERA that in furtherance of its duties as fiduciaries and Trustees responsible for MCERA, the following Board Governance Policy is adopted as follows:

FIDUCIARY DUTIES:

- A) Irrespective of their other capacities, Trustees shall discharge their duties with respect to the retirement system solely in the interests of, and for the exclusive purposes of, providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system, with the duty to the participants and beneficiaries taking precedence over any other duty.
- B) Trustees shall execute their duties as set forth in the County Employees' Retirement Law of 1937, as amended, with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- C) The members of the retirement board shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.
- D) Trustees shall avoid activities which may impair the ability to exercise independent judgment in the discharge of official duties.

BOARD MEETING:

- A) Each member to the MCERA Board shall diligently attend to the business of the Board on which he or she serves, and shall not leave to the other members of the Board control over the administration of the affairs of such Board.
- B) In recognition of their fiduciary duty, which supersedes all other duties (with respect to the operation of the Plan), all Board members shall prepare for, attend and participate in all Board meetings unless unable to do so because of compelling reasons. Generally, scheduling conflicts is not compelling reasons excusing Board members attendance. Board members should schedule vacations and personal business to accommodate Board meetings and, where conflicts arise, provide sufficient notice so that Board meetings could be rescheduled if necessary. Wherever possible, the Board shall accommodate the calendars of individual Board members when scheduling special Board meetings.
- C) Board members shall listen courteously to all discussions at meetings and avoid interrupting other speakers, including other Board members, staff or committee members, except as may be permitted by established Rules of Order.
- D) Trustees shall abide by the provisions of Government Code Section 54963, which prohibits the disclosure of confidential information acquired during authorized closed sessions. No one shall obtain or use any confidential information for personal reasons or for private gain for one's self or for another.
- E) Violation of this Code of Conduct is grounds to remove the offender from the position of Chair or Vice-Chair of the Retirement Board or from any Retirement Board Committee, or from any other assignment on behalf of the Retirement Board, and may also subject the offender to censorship by the Retirement Board.

CONFLICT:

- A) Trustees shall abide by the provisions of California Government Code Sections 1090 et seq., which prohibit Board Members from being financially interested, directly, or indirectly, in any contract made by the Board.
- B) Trustees shall be accountable for recognizing a potential or actual conflict of interest and for disqualifying themselves from making, participating in, or attempting to influence Board decisions which may affect any of their financial interests or those of a family member.
- C) Trustees shall not 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 there from.

- E) Trustees and designated staff shall comply with the gift limitation provisions and the prohibition on acceptance of honoraria under California Government Code Sections 89500 et seq.
- F) As part of their fiduciary responsibilities and conduct, Trustees shall act in a professional and appropriate manner at all times. Accordingly, Trustees shall never misuse or abuse their influence. Engagement in any criminal activity is prohibited and grounds for dismissal, subject to applicable law. Safeguarding the trust of fund beneficiaries is paramount. Conflicts of interest, gifts, favors, payments, or other forms of compensation, which subordinate the responsibilities of Trustees owed to MCERA in favor of private gains, are unacceptable.
- G) In those situations where the law is not clear, the best interests of the fund beneficiaries must be served. Conscience is critical. Good ends never justify immoral means.
- H) Trustees shall provide fair and equal treatment for all persons and matters coming before the Board or any Board committee.
- I) In the conduct of Trustee business, Trustees shall refrain from abusive or disruptive conduct, personal charges or verbal attacks upon the character, motives, ethics, or morals of others. Moreover, Trustees have an obligation to report to the appropriate authority or venue any activities of others that they believe may be inappropriate in the conduct of MCERA affairs.
- J) No Board member shall receive special consideration, treatment or advantage from the Retirement Board or Retirement Board staff beyond that which is available to every other individual.
- K) Trustees should direct questions on plan benefits to the Retirement Administrator. Trustees shall not provide specific advice or counsel to plan members with respect to the rights or benefits to which a plan member may be entitled.
- L) Board members shall not individually direct the work of Board staff or Counsel, unless authorized by the Board, nor shall any attempt to influence the content of reports from staff or consultants.
- M) No Trustee shall use his or her official position to secure a special privilege or exemption for him or herself, or on the behalf of others.
- N) No Trustee shall obtain or use for personal reasons or for private gain any confidential information acquired as a result of his or her position as a Trustee.

D) No Trustee shall engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible or in conflict with his or her duties as a member of the Board, nor represent themselves as a MCERA representative at any events or functions unless their attendance is approved by the MCERA Board or they have been designated to act on behalf of the Board.

E) Each member of the MCERA Board shall comply with California Government Code Section 87100 that prohibits a MCERA Board member from attempting in any way to influence a MCERA decision in which the Board member has a financial interest. An MCERA Board member is deemed to have a financial interest if all of the following are present:

- 1) It is reasonably foreseeable that the decision will have a financial effect;
- 2) The anticipated financial effect is on a financial interest of the Board member;
- 3) The anticipated financial effect is material; and
- 4) The decision's financial effect on the Board member's financial interest is Distinguishable from its effect on the public generally.

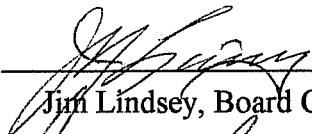
RESOLVED, that this Resolution is PASSED AND APPROVED by Board of Retirement of the Merced County Employees' Retirement Association on the 9 day of November, 2007 and shall be effective on the 9 day of November 2007.

AYES: Baker, Kinchloe, Busby, Adams, Gilsdorf, Rodriguez, and Ness

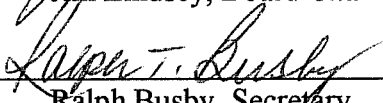
NOES:

ABSTAIN:

ABSENT: Lindsey and Crookham

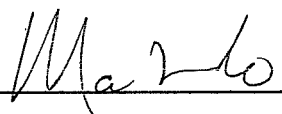


Jim Lindsey, Board Chair



Ralph Busby, Secretary

I hereby certify that on the 9 day of November 2007, the Board of Retirement of MercedCounty Employees' Retirement Association made and adopted this Resolution.



Maria L. Arevalo, MCERA Plan Administrator