

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
CODE OF ETHICS**

General Principles

This Code of Ethics sets forth the basic principles and guidelines for trustees and key employees of the Texas County and District Retirement System (“TCDRS”). In addition to strict compliance with legal requirements, all trustees and key employees are expected to be guided by the basic principles of honesty and fairness in the conduct of TCDRS’s affairs and to comply with the policies contained in this code. It is the policy of TCDRS that a trustee or key employee may not have a direct or indirect interest, including financial and other interests, or engage in a business transaction or professional activity, or incur any obligation of any nature that is in conflict with the proper discharge of the trustee’s or key employee’s duties in the interests of TCDRS.

Specific Policy Statement

Although the general principles outlined above shall apply in the conduct of all TCDRS activities, TCDRS’s trustees and key employees are also bound by the following specific policies.

Definitions

In this code the following definitions apply unless the context requires otherwise:

- (1) “Board” means the Board of Trustees of TCDRS.
- (2) “Code” means this Code of Ethics.
- (3) “Director” means the Director of TCDRS.
- (4) “Trustee” means a member of the Board of Trustees of TCDRS. For purposes of Article III.A hereof, “trustee” includes the spouse, minor children and other dependent relatives of a member of the board.
- (5) “Employee” means a person working for TCDRS in an employer-employee relationship.
- (6) “Investment officer” means the Investment Officer of TCDRS.
- (7) “Key employee” means the director, investment officer and those employees reporting directly to them.
- (8) “Legal Counsel” means the lawyer or firm of lawyers designated from time to time as the Legal Counsel of TCDRS; provided that when the Legal Counsel is a firm of lawyers, one principal within that firm shall be identified to receive all written and oral communications hereunder.

- (9) “Personal securities transactions” means (1) transactions for a trustee’s or key employee’s own account, including IRA’s, and (2) transactions for an account in which a trustee or key employee has indirect beneficial ownership, unless the trustee or key employee has no direct or indirect influence or control over the account. A trustee or key employee has “indirect beneficial ownership” of an account if (i) the trustee or key employee has a beneficial interest (such as a trust of which he or she is an income or principal beneficiary) or (ii) the trustee’s or key employee’s family (including husband, wife, minor children or other dependent relatives) has a beneficial interest. A person has a “beneficial interest” in an account if the person: (i) is an income or principal beneficiary or other equity owner of the account or (ii) receives compensation for managing the account for the benefit of people other than such person or his or her family.
- (10) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.
- (11) “Relative” means a person related in the third degree by consanguinity (blood relative) or the second degree by affinity (marriage) determined in accordance with Texas Government Code 573.02 1-025. Examples of relatives within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece or nephew. A person adopted into a family is considered a relative on the same basis as a natural born family member. Examples of a relative within the second degree by affinity are a spouse, any person related to the spouse within the second degree by consanguinity, or any spouse of such person. A person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.
- (12) “TCDRS” means The Texas County and District Retirement System.

I. General Standards

The following general ethical principles apply to trustees and key employees:

- A. Trustees and key employees may not:
- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the trustee or key employee in the discharge of his or her duties for TCDRS or that the trustee or key employee knows or should know is being offered with the intent to influence the trustee’s or key employee’s conduct on behalf of TCDRS;
 - (2) accept other employment or engage in a business or professional activity that the trustee or key employee might reasonably expect would require or induce the trustee or key employee to disclose confidential information acquired by reason of his or her position with TCDRS;

- (3) accept other employment or compensation that could reasonably be expected to impair the trustee's or key employee's independence of judgment in the performance of his or her duties for TCDRS;
 - (4) make personal investments that could reasonably be expected to create a substantial conflict between the trustee's or key employee's private interest and the interests of TCDRS; or
 - (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the trustee's or key employee's authority or performed the trustee's or key employee's duties at TCDRS in favor of another.
- B. Trustees and key employees must be honest in the exercise of their duties and must not take actions which will discredit TCDRS.
- C. Trustees and key employees should be loyal to the interests of TCDRS to the extent that such loyalty is not in conflict with other duties which legally have priority. Trustees and key employees should avoid personal, employment, or business relationships that create conflicts of interest. Should trustees or key employees become aware of any conflict of interest, they have an affirmative duty to disclose and to cure the conflict in a manner provided for in this code.
- D. Trustees and key employees may not use their relationship with TCDRS to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of TCDRS as a reference or the communication to others of the fact that a relationship with TCDRS exists, provided that no misrepresentation is involved.
- E. A trustee or key employee who is an incumbent, candidate, or potential candidate for an elected office or position may not accept or solicit a contribution for his or her political campaign that the trustee or key employee knows or should know is being offered because of his or her position with TCDRS. Further, if a trustee or key employee has accepted a political contribution from a potential service provider during the time such person was a trustee or key employee, and if such contribution may affect the exercise of his or her best judgment as a trustee or key employee, such trustee or key employee shall have an affirmative duty to disclose such contribution and to absent himself or herself from relevant deliberations and actions relating to TCDRS contracting with such potential service provider.

II. Conflict of Interest

- A. *Definition:* A conflict of interest exists for a trustee or key employee whenever the trustee or key employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the trustee's or key employee's independence of judgment in the performance of the trustee's or key employee's responsibilities to TCDRS. For example, a person's independence of judgment is diminished when the person is in a position to take action or not take

action with respect to TCDRS or its business and such act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of TCDRS.

B. *Duty to Cure*: Trustees and key employees who become aware, or reasonably should have become aware, of a conflict of interest have a duty to cure it. A person normally cures a conflict of interest by promptly eliminating it. If a trustee or key employee may prudently withdraw from action on a particular matter in which a conflict exists, he or she may cure the conflict in that manner provided that:

- (1) the person may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others; and
- (3) the nature of the conflict is not such that the person must regularly and consistently withdraw from decisions which are normally his or her responsibility with respect to TCDRS.

Trustees must disclose any conflicts of interest regarding matters which are before the board, absent themselves from any relevant deliberations, and not vote on the matter. Key employees must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the board, after consultation with the Legal Counsel, expressly waives this prohibition. The disclosure of a conflict of interest or waiver of a conflict of interest must be entered into the minutes of the meeting of the board.

A trustee who is required by this code to absent himself or herself from relevant deliberations and voting with respect to a matter, or a key employee who is required by this code to refrain from giving advice or making decisions about a matter, may be required to disclose additional relevant information with respect to such matter. More specifically, if such trustee or key employee has material information, including information regarding potential service providers, that would be necessary for the other trustees or key employees to make an appropriate and prudent decision about such matter, then the trustee or key employee must also promptly inform the deciding trustees and/or key employees of that information.

A person who cannot or does not wish to eliminate or cure the conflict of interest must terminate his or her relationship with TCDRS as quickly as responsibly and legally possible.

III. Prohibited Transactions and Interests

A. *Investments.*

Trustees or key employees may buy or sell a publicly traded security of an issuer which is held by TCDRS, but may not engage in a personal securities transaction when the trustees or key employees have actual knowledge that TCDRS is trading such securities. TCDRS is trading securities of an issuer when a buy/sell order has been placed by a TCDRS internal portfolio manager for execution.

B. *Trustees and Key Employees.* No trustee or key employee may:

- (1) participate in a matter before TCDRS which involves a business, contract, property or investment held by such person if it is reasonably foreseeable that TCDRS action on the matter would confer a benefit to such person by or through the business, contract, property or investment;
- (2) recommend or cause discretionary TCDRS business to be transacted with or for the benefit of a relative;
- (3) under any circumstances accept offers by reason of their position with TCDRS to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks or other financial institutions with which TCDRS has a business relationship, unless such entities are normally engaged in such lending in the usual course of their business, and then only on customary terms offered to others under similar circumstances to finance proper and usual activities;
- (5) represent any person in any action or proceeding before or involving the interests of TCDRS except as a duly authorized representative or agent of TCDRS;
- (6) use TCDRS information, resources, or facilities, nor use information or resources paid for by TCDRS, for personal gain or the gain of anyone other than TCDRS; or
- (7) take action personally or on behalf of TCDRS which will result in a reasonably foreseeable conflict of interest. Should there be action which a trustee or key employee believes to be in the best interest of TCDRS but which could foreseeably result in a conflict of interest, the trustee or key employee must disclose such fact to the chair of the board prior to taking such action.

- C. No key employee may engage in outside employment, business, or other activities which detract from the ability to fulfill the full-time responsibilities to TCDRS;
- D. *Former Trustees and Key Employees.*
 - (1) Former trustees or key employees may not make any communication to or appearance before a present trustee or employee before the first anniversary, in the case of former key employees, and the second anniversary, in the case of former trustees, of the date the former trustee or employee ceased to be a trustee or employee if the communication is made (a) with the intent to influence and (b) on behalf of any person in connection with any matter on which the former trustee or employee seeks action by TCDRS. If a trustee or key employee knowingly communicates with a former trustee or key employee in violation of this prohibition, the trustee or employee will be subject to disciplinary action.
 - (2) Former trustees or key employees may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former trustee or key employee participated during the period of his service or employment, either through personal involvement or because the matter was within the trustee's or key employee's official responsibility.
 - (3) For purposes of this Article III. D, "person" means an individual or business entity, not including any governmental body or nonprofit agency.

IV. Confidential Information

- A. Trustees and key employees may not disclose confidential information, except when duly authorized personnel determine such disclosure is either permitted or required by law. Confidential information must be used by trustees and key employees for TCDRS purposes and not for their own personal gain or for the gain of third parties.
- B. Information derived from a relationship with TCDRS which might reflect favorably or adversely upon the value of any investment or contemplated investment may not be used by trustees and key employees in any manner for the purpose of personal advantage or to provide advantage to others.

V. Nepotism

- A. The trustees and key employees may not cause TCDRS to employ a person who is a relative of a trustee. This does not prevent the continued employment of a person who has already been working for TCDRS for thirty consecutive days prior to the date of the related trustee's appointment.
- B. The trustees and key employees may not cause TCDRS to employ a person who is a relative of (1) a key employee, (2) a consultant, or (3) any owners or officers of

consultants. This does not prohibit the continued employment of a person who has already been working for TCDRS for thirty consecutive days at the time of the selection of a new employee or consultant. Nor does this prevent the continued employment of persons who have been working for TCDRS for thirty days prior to becoming relatives.

- C. No key employee may exercise discretionary authority to hire, evaluate or promote a relative. No key employee may supervise a relative, either directly or indirectly. As used herein, “supervise” means to oversee with the powers of direction and decision-making the implementation of one’s own or another’s intentions. Supervision normally involves assigning duties, overseeing and evaluating work, and approving leave.

VI. Decision-Making Based on Merit

TCDRS business transactions are to be based on professional integrity and competence, financial merit and benefit to TCDRS and, whenever required or prudent, on a competitive basis. Trustees and key employees may not base any TCDRS business decisions on family or personal relationships.

VII. Observance of TCDRS Controls and Policies

Trustees and key employees will observe the accounting and operating controls established by law and TCDRS policies, including restrictions and prohibitions on the use of TCDRS property for personal or other non-TCDRS purposes.

VIII. Gifts and Entertainment

- A. A trustee or key employee is prohibited from soliciting or accepting a gift because of or through use of the key employee’s or trustee’s position with TCDRS if the gift is from a person other than an employee or a trustee and the key employee or trustee knows or should have known that the gift would not have been solicited, offered, or given had the key employee or trustee not held his or her position as a key employee or trustee. This prohibition applies not only to gifts solicited or given for the personal benefit of the trustee or key employee but also to gifts to third parties.
- B. The prohibitions in this article do not apply to the following gifts, provided that acceptance of such gifts violates no law:
 - (1) gifts given on special occasions between key employees, employees, and/or trustees;
 - (2) books, pamphlets, articles or other such materials which contain information directly related to the job duties of an key employee or trustee and are accepted by the key employee or trustee on behalf of TCDRS for use in performing his or her job duties;

- (3) gifts from relatives of key employees or trustees which are based solely on a personal relationship between the trustee or key employee and his or her relative;
 - (4) business meals and receptions when the donor or a representative of the donor is present;
 - (5) ground transportation in connection with business meetings, meals, or receptions;
 - (6) seminar or conference fees when the seminar relates to the trustee's or key employee's job duties and is sponsored by TCDRS's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by TCDRS;
 - (7) items with a value of less than \$50, excluding cash or negotiable instruments, and other gifts of nominal value. Examples of gifts of nominal value are (a) modest items of food and refreshments on infrequent occasions and (b) unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, pencils, and other items of nominal intrinsic value.
- C. Attendance by trustees or key employees at seminars or conferences sponsored and paid for by TCDRS's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by TCDRS that involve entertainment or recreation may in some cases be in the best interest of TCDRS. Nevertheless, in order for trustees or key employees to accept entertainment or recreation associated with a conference or seminar, an officer or employee of the consultant, prospective consultant, or other person or entity must be present at the activity.
- D. Under no circumstances may trustees or key employees accept a gift if the source of the gift is not identified or if the trustee or key employee knows or has reason to know that the gift is being offered through an intermediary.
- E. If a prohibited gift is received by a trustee or key employee, he or she should return the gift to its source. If that is not possible or feasible, the gift should be donated to charity.

IX. Financial Disclosure

Trustees and the director must file financial disclosure statements with the Texas Ethics Commission, in the form and within the time prescribed by law for such disclosure statements.

X. Compliance and Enforcement

- A. The board will enforce this code with respect to key employees.

- B. The full range of disciplinary options under TCDRS personnel policies and practices may be used with respect to key employees who violate this code, up to and including termination.
- C. The board is responsible for the enforcement of this code with respect to violations by individual trustees through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.
- D. Trustees or key employees with knowledge of a violation of this code must report such violation to the Legal Counsel. No retaliatory action will be taken against the reporting person for any such report involving another person made in good faith.

XI. Ethical Standards for Employees

The director and investment officer will ensure that all employees under his or her respective control and supervision are subject to and comply with ethical standards that are consistent with this code. Such standards shall be provided in writing and set forth in the personnel policies of TCDRS.