

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ("MCERA")
INVESTMENT CODE OF CONDUCT AND INSIDER TRADING POLICY**

APPROVED: October 8, 2008

I. Purpose.

The Securities and Exchange Commission (the "SEC") issued a Report of Investigation in 2008 admonishing public pension funds to provide internal training on, and to adopt and follow clear policies regarding, insider trading. In response to that SEC guidance and to further its own goal of upholding its high standards of ethics and conduct, the Board of Retirement of MCERA (the "Board") hereby adopts this Insider Trading Policy that applies equally to employees of MCERA, Board trustees and MCERA consultants (collectively, the "covered persons").

The term "insider trading" is not defined by the securities laws, but it is generally understood that applicable law prohibits (1) trading by an insider while in possession of material nonpublic information; (2) trading by a non-insider while in possession of material nonpublic information where the information was disclosed to the non-insider in violation of an insider's duty to maintain the information confidential; and (3) communicating material nonpublic information to others. The definition of "securities" is intended to be broad and includes stock, preferred stock, warrants, convertible debentures and exchange-traded derivative securities, in addition to other types of investments.

Any trading in securities by any covered person in violation of this policy may result in sanctions that may, depending on the nature and severity of the violation, result in termination of employment or engagement with MCERA, and/or penalties and/or sanctions imposed by others.

II. Policy Statement.

No covered person who has any material nonpublic information relating to any publicly traded company or other entity with which MCERA invests or does business directly or indirectly, which by way of example may include customers, partners, or suppliers, may buy or sell securities of such company or pass the information to others or otherwise attempt to take advantage of and/or otherwise benefit from the material, nonpublic information. All memoranda, correspondence and other documents that contain nonpublic information must be kept in a secure place where others do not have access to such information. Unless expressly approved by MCERA's Board, even if a covered person is not in possession of insider information, it is the policy of MCERA that no covered person may buy or sell or recommend to any other person to buy or sell securities of any publicly traded company or other entity in which MCERA, in the exercise of its own investment discretion, has, within the thirty days prior or subsequently, expressly authorized the purchase or sale of securities in the same issuer or entity. This prohibition shall not be construed to apply to securities purchased or sold on behalf of MCERA by entities to whom MCERA's Board has delegated discretionary investment authority. Inadvertent violations of this policy will be addressed on individual bases, and will be addressed according to the nature and severity of the violation.

III. Guidelines.

Who is an Insider

A covered person is considered to be an insider. A person can be a temporary insider if he or she enters into a special confidential relationship in the conduct of MCERA's business and, as a result, is given access to information not available to the public. Examples of a temporary insider are MCERA's lawyers, auditors, actuary and consultants and the employees of these organizations.

Penalties for Insider Trading

The SEC imposes penalties on persons who trade on inside information or tip information to others, including, but not necessarily limited to, the following:

For individuals who trade on inside information or tip information to others:

- Imprisonment;
- Civil penalties of up to the greater \$1,000,000 (for control persons only) **or** three times the profit gained or loss avoided; and
- Criminal fines of up to \$5 million.

In addition to the penalties listed above, for a public pension fund or other third parties (such as a consultant's firm) (as well as certain supervisors) that fails to take appropriate steps to prevent illegal trading:

- A civil penalty of the greater of \$25 million or three times the profit gained or loss avoided as a result of the employee's violation.

In addition, MCERA's Board may impose any penalties permitted by law on covered persons, including, without limitation, termination of a contract, for failing to comply with this policy.

Material information

Material information is any information that a reasonable investor would consider important in deciding to buy, hold or sell securities or that could reasonably be expected to affect the price of the company's securities. It can be positive or negative information, and can relate either to MCERA itself, or to any publicly traded company or other entity in which MCERA invests or with which it does business directly or indirectly. Some examples may include:

- Projections of future earnings or losses;
- The proposed acquisition of a company or business, or sale of a company or any

- assets;
- New equity or debt offerings;
- Significant new products or discoveries, or grants or allowances of patents;
- A stock split or change in dividend policy;
- Significant price changes;
- Significant product defects or modifications;
- The gain or loss of a significant product sale, customer or collaborator,
- Significant regulatory actions concerning new or proposed products;
- Results of product trials;
- Financial problems or plans to file bankruptcy;
- Changes in senior management;
- Plans to raise additional capital through stock sales or otherwise; and
- Significant litigation exposure due to actual or threatened litigation.

Nonpublic information

Information is considered to be nonpublic until it has been communicated to the marketplace. Since the markets require some time to process new information, for purposes of this policy, information becomes public 48 hours after the company has disclosed the information by issuance of a press release to the news services or by an appropriate disclosure filing with the SEC. Any decision regarding when information about a company will be publicly released belongs solely to senior management of that company. No covered person should ever disclose nonpublic material information about a company to the public.

Prohibition on "tipping"

Covered persons are responsible for ensuring that every person who lives in their household, including any adult relatives or other unrelated persons, complies with this policy. The SEC and the courts often view people in the same household as a "unit" and impose penalties accordingly. In addition, any covered person who possesses material nonpublic information about a company is an "insider" for as long as the information is not publicly known and must not pass that information on to others intentionally or unintentionally ("tipping").

Importantly, trading in securities by anyone who receives any material nonpublic information (including information in the form of a recommendation to buy or sell securities, even if the exact nonpublic information is not disclosed) from a covered person, including such person's relatives, friends, or acquaintances, can result in liability for the covered person, the tippee and for MCERA. This is true whether information is passed with the hopes that others will trade, whether information is inadvertently shared in social conversation, or whether such other persons were believed to be under an obligation of confidence to the "tipper." It does not matter if the covered person benefits personally from the trading.

Examples of violations

Attached hereto and incorporated herein by this reference are examples of insider trading and other violations of this Investment Code of Conduct and Insider Trading Policy.

IV. Policy Review.

The Board shall review this Investment Code of Conduct and Insider Trading Policy at least every three years to assure its efficacy and relevance. This Policy may be amended from time to time by majority vote of the Board.

V. Retirement Administrator's Certificate.

I, Charnel K. Benner, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the adoption of this Policy.

Dated: October 8, 2008

Charnel K. Benner
Retirement Administrator

EXAMPLES OF INSIDER TRADING AND OTHER VIOLATIONS OF INVESTMENT CODE OF CONDUCT

1. Trading By Insider

An MCERA Board member learns that the MCERA's money managers are planning to sell off over \$100 million of holdings in a small pool of micro-cap stocks in favor of repositioning the investment portfolio toward large-cap stocks. Prior to the public announcement of such investment concentration changes, the Board member buys put options in several of the micro-cap companies, anticipating that the sale of MCERA's holdings will cause those stocks to drop in value. The member of the Board, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The member of the Board also is subject to, among other things, criminal prosecution, including up to \$1,000,000 in additional fines and 25 years in jail.

2. Trading By Tippee

A member of MCERA's Board tells a friend that MCERA is about to publicly announce that it has entered into an agreement to purchase an office building from Corporation X, a small publicly-traded company, for \$25 million. This is a small transaction for MCERA, but a significant transaction for Corporation X. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The member of the Board is jointly liable with his friend for all of the friend's profits and each is liable for all penalties of up to three times the amount of the friend's profits. In addition, the member of the Board and his friend are subject to, among other things, criminal prosecution, as described above.

3. Misappropriation

A consultant working with MCERA is given access to sensitive financial materials during the course of her job. Through review of these materials, she learns that MCERA has entered into an agreement to purchase an office building worth \$25 million, currently owned by Corporation X, a small publicly-traded company. This is a small transaction for MCERA, but a significant transaction for Corporation X. She then buys stock in Corporation X prior to announcement of the deal. The consultant, an insider, has misappropriated material non-public information, and is liable for all profits as well as penalties of up to three times the amount of all profits. In addition, the consultant is subject to, among other things, criminal prosecution, as described above.

4. Other Trading in Violation of Investment Code of Conduct

MCERA's agenda packet is distributed on 11/1/08 and publicly announces that MCERA's Board will, at its 11/8/08 meeting, consider entering into an agreement to purchase an office building from Company X, a limited partnership. On 11/5/08, an MCERA's Board member invests in Company X. MCERA's Board votes on 11/8/08 to purchase said building. While perhaps not violative of the federal securities laws, MCERA's Board member has violated the Investment Code of Conduct and may also have violated conflict of interest prohibitions of California law in Government Code sections 87100, et seq. and 1090.