



## Ethics

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Reviewed by: Staff

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Proposed new Title, Chapter, and Section of Administrative Rule: **To be determined by Board Counsel.**

**PUBLIC SCHOOL TEACHERS' PENSION  
AND RETIREMENT FUND OF CHICAGO  
CODE OF CONDUCT- ETHICS POLICY**

The Board of Trustees hereby adopts this Code of Conduct-Ethics Policy ("Policy") in furtherance of the objective of acting solely in the interests of the Fund's Members and Beneficiaries and to affirm their commitment to the highest fiduciary standards.

**PRINCIPLES**

1. To the extent applicable, Trustees and employees are subject to the Illinois Pension Code (40 ILCS 5/1 et. seq.), the Illinois Governmental Ethics Act (5 ILCS 420/1 et. seq.), and the State Officials and Employees Ethics Act (5 ILCS 430/1 et. seq.). Trustees and employees shall also comply with the Fund's By-laws and Rules ("By-laws") and Administrative Rules and Regulations ("Rules").

2. Pursuant to section 5 ILCS 430/20-23 of the State Officials and Employees Ethics Act, the Chief Legal Officer shall serve as the Ethics Officer for the Fund.

3. Trustees and employees shall act with honor and integrity in administering the Fund.

4. Trustees and employees shall not knowingly make any false statement or falsify, or permit to be falsified, any record of the Fund.

5. Trustees and employees shall act in good faith and in the best interest of Members and Beneficiaries.

6. Trustees and employees shall act with prudence and reasonable care.

7. Trustees and employees shall act with skill, competence, and diligence.

8. Trustees shall deal fairly, objectively, and impartially with all Members and Beneficiaries. Trustees and employees shall develop and maintain their skills and competence through continuing education, participation in staff and Trustee training, and participation in professional associations in order to familiarize themselves with their duties and obligations and to keep abreast of developments.

9. Trustees and employees shall respect and protect privileged information to which they have access by virtue of their roles as Trustees or as employees.

10. Trustees and employees shall not engage in "Prohibited Transactions" as defined in the Illinois Pension Code.

11. Trustees and employees shall discharge their duties without favor to any person or party and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.

12. Trustees and employees shall not, directly or indirectly, seek or accept personal gain as the result of any action taken, or omitted, by or on behalf of the Fund.

13. Trustees, employees, and their respective spouses shall not knowingly have any direct interest in the income, gains, or profits of any investment made on behalf of the Fund; nor shall such persons receive any pay or emolument for services in connection with any investment or become an endorser, surety, or in any manner an obligor for money loaned to or borrowed from the Fund.

14. Trustees shall recuse themselves whenever a matter comes before the

Board of Trustees as to which a conflict, a potential conflict, or the appearance of a conflict of interest may exist, unless, after full disclosure at a Board of Trustees' meeting of the facts underlying the appearance of a conflict, the Board of Trustees determines that no conflict or potential conflict exists. A Trustee shall not vote on matters as to which a conflict or potential conflict of interest exists.

15. An employee shall inform the Board of Trustees and the Executive Director in writing and then recuse herself/himself from any role in, or consideration of, a matter whenever any matter comes before the employee as to which a conflict, a potential conflict, or the appearance of a conflict of interest may exist, unless, after full disclosure at a Board of Trustees' meeting of the facts underlying the appearance of a conflict, the Board of Trustees determines that no conflict or potential conflict exists.

16. No Person, including a Trustee or an employee, or entity shall retain any person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of the Fund for compensation, contingent in whole or in part upon the decision or procurement.

17. Trustees and employees shall comply with applicable portions of the Fund's Employee Handbook or Trustees' Handbook, as amended from time to time.

### **CONFLICT OF INTEREST**

18. A conflict of interest is a tension between one's private interests and one's public and/or fiduciary duties or the appearance of such tension. There are many nuances when determining whether a conflict of interest exists; however, the core of a conflict of interest is whether the situation could reasonably result in impaired judgment or involve the potential for personal gain in a procurement or

contracting decision or action. All employees and vendors must disclose in writing all potential conflicts of interest to the Executive Director, who shall disclose to the Board in writing all actual conflicts of interest. The Executive Director and/or Trustees must disclose in writing all potential conflicts of interest to the Board as a whole.

19. Except as provided herein, and subject to applicable State laws, a Trustee or employee shall not accept either directly or indirectly any item of value from:

- (a) a person required to be registered under the Illinois Lobbyist Registration Act (“Lobbyist”);
- (b) any person or entity which is doing business with the Fund or which has an interest that is substantially affected by Fund business (hereinafter a “Provider”);
- (c) any person or entity which is “seeking to do business” with the Fund within the next twelve (12) months, i.e., the person or entity takes an action to obtain Fund business when, if such action were successful, it would result in the person or entity doing business with the Fund within the next 12 months and the contract or business sought has not been awarded to any person or entity, or the person or entity has an interest that may be substantially affected by Fund business (hereinafter “Prospective Provider”); and
- (d) a Lobbyist’s, Provider’s or Prospective Provider’s spouse, or immediate family member residing with such Lobbyist, Provider or Prospective Provider.
- (e) Individuals described in (a) to (d) are collectively referred to as Prohibited Sources. Such Prohibited Sources include, but are not limited to, investment

managers, consultants, professional service providers, brokers, or vendors.

20. Notwithstanding any other provision of this Policy, a Trustee or an employee, the definition of which shall include the Trustee's or employee's spouse and any immediate family member residing with such Trustee or employee, shall not accept food and/or refreshments of any value or any Gift from any Prohibited Source after a RFP or RFI has been approved relating to the Prohibited Source's business interest with the Fund or when the Trustee or employee knows such RFP or RFI will be the subject of Board action.

21. (a) A Trustee or employee, the definition of which shall include the Trustee's or the employee's spouse and any immediate family member residing with such Trustee or employee, may accept food and/or refreshments not exceeding \$75 (per Trustee or employee) in value on a single calendar day from a Prohibited Source, provided that the food and/or refreshments are consumed on the premises from which they were purchased or prepared or catered.

(b) In addition to the requirements of Paragraph 18 (a), a Trustee or employee, the definition of which shall include the Trustee's or the employee's spouse and any immediate family member residing with such Trustee or employee, may not accept food and/or refreshments exceeding \$250 (per Trustee or employee) in value in a single calendar year from a Prospective Provider, and subject to (c) below, provided that the food and/or refreshments are consumed on the premises from which they were purchased or prepared or catered.

(c) A Trustee or employee shall report to the Executive Director within 10 business days all food and refreshments covered by (b) above, except for "insubstantial" meals

and refreshments, i.e. any food or refreshments valued at \$10 or less do not need to be reported or included in determining whether the \$250 limit has been met.

22. (a) "Gifts", as defined in 5 ILCS 430/1-5, include, but are not limited to, any gratuity, cash, honoraria, discount, entertainment, hospitality, loan, forbearance, or other tangible or intangible item having monetary value. Such gifts may not be accepted by a Trustee or employee, the definition of which shall include the Trustee's or the employee's spouse and any immediate family member residing with such Trustee or employee, from a Prospective Provider or a Prospective Provider's spouse or immediate family member residing with such Prospective Provider.

(b) A Trustee or employee, the definition of which shall include the Trustee's or the employee's spouse and any immediate family member residing with such Trustee or employee, may only accept such gifts having a cumulative value of \$100 (per Trustee or employee) per calendar year and only from a Provider or a Provider's spouse or immediate family member residing with such Provider.

23. The limitations on the receipt of items of value, food and/or refreshments, or Gifts as set forth in this Policy shall not apply to items of value, food and/or refreshments, or Gifts received by a Trustee or employee as a result of a familial, personal, outside business, or social relationship existing independent of the Fund's affairs that a Trustee or employee may have with a Prohibited Source, unless the Trustee or employee has reason to believe that, under the circumstances, the item of value, food and/or refreshments, or Gift was provided or enhanced because of the Trustee's or employee's position and not because of the personal, business, or social relationship existing independent of the Fund's affairs. In determining whether

the item of value, food and/or refreshments, or Gift was provided because of the Trustee's or employee's position and not because of the personal, business, or social relationship existing independent of the Fund's affairs, the Trustee or employee shall consider the circumstances under which the item of value, food and/or refreshments, or Gift was offered, such as:

- (a) the history of the relationship with the individual giving the item of value, food and/or refreshments, or Gift, including any previous similar exchange between the individual and the Trustee or employee;
- (b) whether, to the knowledge of the Trustee or employee, the individual providing the item of value, food and/or refreshments, or Gift personally paid for it or sought a tax deduction or business reimbursement;
- (c) whether, to the knowledge of the Trustee or employee, the individual providing the item of value, food and/or refreshments, or Gift provided the same or similar items of value, food and/or refreshments, or Gifts to other Trustees or employees.

24. A Trustee or employee shall neither solicit nor accept anything of value, including, but not limited to, a Gift, favor, or promise of future employment, based upon any mutual understanding, either explicit or implicit, that the votes, official actions, decisions or judgments of any Trustee or employee, concerning the business of the Fund would be influenced thereby.

25. If an investment manager, broker, or vendor is on the Fund's written "watch" list, and notwithstanding any other provision of this Policy or State law, a Trustee or employee shall not accept any food and/or refreshments, Gift, or social



engagement from that investment manager, broker, or vendor. The Executive Director shall issue any such watch list and provide Trustees, employees, investment managers, brokers, and vendors with a copy of the list.

26. A Trustee may not solicit any gift of property from a Prohibited Source to a Trustee's school or attendance center. If a Trustee is employed at a school or attendance center which is the recipient of a gift of property donated by a Prohibited Source, and if the Trustee is aware of the gift, the Trustee shall report such gift of property to the Board of Trustees within 14 days of the date that the gift is made.

### **DISCLOSURE OF ECONOMIC INTERESTS**

27. All Trustees and employees who are required to file a verified statement of economic interest, pursuant to the Illinois Governmental Ethics Act, shall timely file such statement.

### **ENFORCEMENT**

28. Any Trustee or employee found to have violated any of the provisions of this Policy or to have furnished false or misleading information to the Board of Trustees regarding compliance with this Policy shall be subject to the following sanctions:

- (a) Any employee found in material violation of any of the provisions of this Policy shall be subject to employment sanctions, up to and including discharge, in accordance with the Fund's Employee Handbook.
- (b) Any Trustee found to be in material violation of any of the provisions of this Policy shall be subject to the following sanctions, as determined to be appropriate by the Board of Trustees:

1. Public censure;
2. Requested resignation;
3. Litigation by the Board of Trustees seeking to remove the Trustee for breach of fiduciary duty;
4. Any additional appropriate sanctions in accordance with the applicable provisions of the Illinois Pension Code or other State law, including, if applicable, referral to the State's Attorney of Cook County or to the Illinois Attorney General's office for investigation.

29. All Fund contracts with investment managers/consultants and professional service vendors shall include a provision requiring compliance with this Policy. The contract with any investment manager/consultant or professional service vendor who violates a material provision of this Policy shall be voidable by the Fund.

30. Nothing in this Policy shall preclude the Fund from bringing a lawsuit for an accounting for any pecuniary benefit received by any person in violation of this Policy or of law, or to recover damages for violation of this Policy or of law.

Dated: January 19, 2017