

Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago

Ethics Policy

The Trustees that serve as governing board members of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago desire to enhance and promote the professional management of the Fund in order to provide retirement and other benefits to participants and beneficiaries who have served the City of Chicago and its citizens.

Effective April 3, 2009 with the passage of Public Act 96-0006, the General Assembly of Illinois amended the Illinois Pension Code to include additional ethical standards and to make certain provisions of the State Officials and Employees Ethics Act ("State Ethics Act"), 5 ILCS 430 et seq., which established a code of ethical conduct for all state officers, members of the Illinois General Assembly, and state employees, applicable to the Board Members and Employees of public pension funds.

To further these objectives and the provisions of the Illinois Pension Code governing the Fund and the Trustees, all Trustees and Employees of the Fund shall adhere to legal and ethical standards in the fulfillment of their fiduciary responsibilities, and to the following statements of policy:

Definitions.

The definitions used in this Policy are limited to the Policy and shall not be binding on the Fund for any other purpose. Whenever used in this Policy, the following terms shall have the following meanings:

- (a) **"Administrative action"** means any decision on, or any proposal, consideration, enactment or making of any rule or any other official action or non-action involving the expenditure of Fund assets by the Board, the executive director, or by any Employee of the Fund, or any matter which is within the jurisdiction of the Board.
- (b) **"Board"** means the Trustees of the Retirement Board of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.
- (c) **"Board Member"** means an elected, appointed, or ex officio member of the Board.
- (d) **"Compensation"** means money, thing of value or other pecuniary benefit received or to be received in return for, or as reimbursement for, services rendered or to be rendered.
- (e) **"Domestic partner"** means a "qualified domestic partner" as defined in Section 2-152-072 of the Municipal Code of Chicago, as amended.
- (f) **"Economic Interest"** means any interest valued or capable of valuation in monetary terms; provided, that "Economic Interest" is subject to the same exclusions as "Financial Interest."

(g) **“Employee”** means an individual employed by the Fund, whether part-time or full-time, but excludes Board Members and third party vendors of the Fund.

(h) **“Financial Interest”** means (i) any interest as a result of which the owner currently receives or is entitled to receive in the future more than \$2,500.00 per year; (ii) any interest with a cost or present value of \$5,000.00 or more; or (iii) any interest representing more than 10 percent of a corporation, partnership, sole proprietorship, firm, enterprise, franchise, organization, holding company, joint stock company, receivership, trust, or any legal entity organized for profit; provided, however, financial interest shall not include (a) any interest of the spouse or domestic partner of a Board Member or Employee which interest is related to the spouse’s or domestic partner’s independent occupation, profession or employment; (b) any ownership through purchase at fair market value or inheritance of less than one percent of the shares or a corporation, or any corporate subsidiary, parent or affiliate thereof, regardless of the value of or dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; (c) the authorized Compensation paid to a Board Member or Employee for his or her office or employment; (d) any economic benefit provided to participants by virtue of their participation in the Fund in accordance with Article V of the Illinois Pension Code; (e) a time or demand deposit in a financial institution; (f) an endowment or insurance policy or annuity contract purchased from an insurance company.

(i) **“Fund”** means the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago.

(j) **“Gift”** as defined in the State Ethics Act, 5 ILCS 430/1-5, means any gratuity, discount, entertainment, hospitality, loan, forbearance, or other tangible or intangible item having monetary value including, but not limited to, cash, food and drink, and honoraria for speaking engagements related to or attributable to the position of a Board Member or Employee. Honoraria means an honorary payment or reward usually given as compensation for services on which custom or propriety forbids any fixed business price to be set or for which no payment can be enforced at law.

(k) **“Prohibited Source”** as defined in the Illinois Pension Code, 40 ILCS 5/1-125(a), means a person or entity who (i) is seeking official action by the Board or by a Board Member; (ii) does business or seeks to do business with the Board or with a Board Member; (iii) has interests that may be substantially affected by the performance or non-performance of the official duties of the Board Member; or (iv) is registered or required to be registered with the Secretary or State under the Lobbyist Registration Act, except that an entity not otherwise a prohibited source does not become a prohibited source merely because a registered lobbyist is one of its members or serves on its board of directors.

(l) **“Relative”** as defined in the State Ethics Act, 5 ILCS 430/10-15(6), means a person who is related to a Board Member or Employee as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, first cousin, nephew, niece, husband, wife, domestic partner, fiancé, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, and including the father, mother, grandfather, or grandmother of the Board Member or Employee’s spouse, domestic partner, or fiancé.

(m) **“Seeking to do business”** means (1) taking any action to obtain business from the Fund when, if such action were successful, it would result in a person or entity doing business with the Fund; and (2) the business sought has not been awarded to any person or entity.

Article 1 CODE OF CONDUCT

Fiduciary duty.

Board Members and Employees shall at all times in the performance of their duties owe a fiduciary duty to the Fund and its participants.

Offering, receiving and soliciting Gifts or favors.

(a) No Board Member or Employee shall intentionally solicit or accept any Gift from any Prohibited Source.

(b) The restriction in (a) does not apply to the following in accordance with the State Ethics Act, 5 ILCS 430/10-15:

- (i) Opportunities, benefits and services that are available on the same conditions as for the general public.
- (ii) Anything for which the Board Member or Employee pays the market value.
- (iii) Any (1) contribution that is lawfully made under the Election Code, 10 ILCS 5/1-1 et seq., as amended, or under the State Ethics Act or (2) activities associated with a fundraising event in support of a political organization or candidate.
- (iv) Solicitation or acceptance of educational materials.
- (v) A Gift from a Relative.
- (vi) Anything provided by an individual as the basis of a personal friendship unless the Board Member or Employee has reason to believe that under the circumstances, the Gift was provided because of the official position or employment of the Board Member or Employee and not because of the personal friendship. In determining whether a Gift is provided on the basis of personal friendship, the Board Member or Employee shall consider the circumstances under which the Gift was offered, such as:
 - a. the history of the relationship between the individual giving the Gift and the recipient of the Gift, including any previous exchange of Gifts between those individuals;
 - b. whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift personally paid for the Gift or sought a tax deduction or business reimbursement for the Gift; and

- c. whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift also at the same time gave the same or similar Gifts to other Board Members or Employees.
- (vii) Food or refreshments not exceeding \$75 per person in value on a single calendar day; provided that the food or refreshments are (1) consumed on the premises from which they were purchased or prepared or (2) catered. For the purposes of this Section, “catered” means food or refreshments that are purchased ready to eat and delivered by any means.
 - (viii) Food, refreshments, lodging, transportation, and other benefits resulting from the outside business or employment activities (or outside activities that are not connected to the duties of the Board Member or Employee) of the Board Member or Employee, or the spouse of the Board Member or Employee, if the benefits have not been offered or enhanced because of the official position or employment of the Board Member or Employee, and are customarily provided to others in similar circumstances.
 - (ix) Intra-governmental and inter-governmental Gifts. For the purpose of this Policy, “intra-governmental Gift” means any Gift given to a Board Member or Employee of the Fund from another Board Member or Employee of the Fund; and “inter-governmental Gift” means any Gift given to a Board Member or Employee of the Fund by a Board Member or employee of another City of Chicago agency or department, of a State of Illinois agency, of a federal agency, or any governmental entity.
 - (x) Bequests, inheritances, and other transfers at death.
 - (xi) Any item or items from any one prohibited source during any calendar year having a cumulative total value of less than \$100.00.

Each of the exceptions listed in this section (b) is mutually exclusive and independent of one another.

(c) A Board Member or Employee does not violate this Policy if the Board Member or Employee promptly takes reasonable action to return the prohibited Gift to its source or gives the Gift or an amount equal to its value to an appropriate charity that is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as now or hereafter amended, renumbered, or succeeded, per the State Ethics Act, 5 ILCS 430/10-30.

(d) Gifts which have a value of greater than \$100 (or a series of Gifts with an aggregate value of greater than \$100 from one Prohibited Source during any twelve month period) received by any Board Member or Employee from a Prohibited Source shall be disclosed to the Fund’s executive director by the recipient within ten business days of receipt. The disclosure shall include the name and title of the recipient; the name, address, occupation and employer of the donor; a description of the Gift and its value; and the intended use or actual disposition of the Gift, in accordance with this Policy.

(e) Nothing in this Policy shall prohibit any Board Member or Employee, or his or her spouse, domestic partner or minor child, from accepting a Gift in accordance with this Policy on the Fund's behalf; provided, however, the person accepting the Gift shall promptly report receipt of the Gift to the Board of Trustees and to the executive director, who shall add it to the inventory of Fund property.

(f) Pursuant to the Illinois Pension Code, 40 ILCS 5/1-125(e), a violation of this provision is a Class A misdemeanor.

Solicitation or receipt of money for advice or assistance.

No Board Member or Employee, or the spouse, domestic partner or minor child of any of them, shall solicit or accept any money or other thing of value including, but not limited to, Gifts, favors, services or promises of future employment, in return for advice or assistance on matters concerning the operation or business of the Fund; provided, however, that nothing in this Policy shall prevent a Board Member or Employee or the spouse or domestic partner of a Board Member or Employee from accepting Compensation for services wholly unrelated to the Board Member's or Employee's duties and responsibilities to the Fund and rendered as part of his or her non-Fund employment, occupation or profession.

Use or disclosure of confidential information.

No current or former Board Member or Employee shall use or disclose, other than in the performance of his or her Fund related duties and responsibilities, or as may be required by law, confidential information gained in the course of or by reason of his or her position or employment. For purposes of this section, "confidential information" means any information that may not be obtained pursuant to the Illinois Freedom of Information Act, 5 ILCS 140/1 et seq., as amended.

Conflicts of interest; appearance of impropriety.

(a) No Board Member or Employee shall make or participate in the making of any decision relating to the Fund or its assets with respect to any matter in which he or she has any Economic Interest, Financial Interest or business relationship distinguishable from that of the general public.

(b) To avoid even an appearance of impropriety, any Board Member who has a business relationship with a person or entity with a matter pending before the Fund shall publicly disclose the nature of such business relationship on the record at a regularly scheduled meeting of the Board of Trustees and shall also notify the executive director of such relationship in writing as soon as the business relationship arises. The Board of Trustees shall make such disclosures available for public inspection and copying. The Board Member shall abstain from voting on any matter in which he or she has a Financial or Economic Interest but shall be counted present for purposes of a quorum. The obligation to report a potential conflict or interest under this subsection arises as soon as the Board Member is or should be aware of such potential conflict. For purposes of this subsection only: (i) "matter pending before the Fund" shall refer to Fund

action involving the grant of disability benefits, award of investment management business, any contractual matters involving expenditure of Fund assets; and (ii) “business relationship” shall refer to any contractual or other private business dealing of a Board Member, or his or her spouse or domestic partner, or of any entity in which a Board Member or his or her spouse or domestic partner has a Financial or Economic Interest, with a person or entity which entitles a Board Member or his or her spouse or domestic partner to compensation or payment in the amount of \$2,500 or more in a calendar year; provided, however, that “contractual or other private business dealing” shall not include any employment relationship of a Board Member's spouse or domestic partner with an entity when such spouse or domestic partner has no discretion concerning or input relating to the relationship between that entity and the Fund.

(c) Any Board Member or Employee who has a Financial or Economic Interest in any entity seeking to do business with the Fund or with respect to any matter pending before the Fund shall disclose the nature of such interest to the Board of Trustees. The obligation to disclose under this subsection arises as soon as the Board Member or Employee is or should be aware of the pendency of the matter.

Representation of other persons.

No Board Member or Employee may represent, or have an Economic Interest in the representation of, any person, in any judicial or quasi-judicial proceeding before the Fund, any administrative agency or any court in which the Fund is a party and that person's interest is adverse to that of the Fund.

Prohibited conduct.

No Board Member or Employee or the spouse or domestic partner of such Board Member or Employee, or any entity in which such Board Member or Employee or his or her spouse or domestic partner has a Financial Interest, shall apply for, solicit, accept or receive a loan of any amount from any person who is either doing business or seeking to do business with the Fund; provided, however, that nothing in this section prohibits application for, solicitation for, acceptance of or receipt of a loan from a financial lending institution, if the loan is negotiated at arm's length and is made at a market rate in the ordinary course of the lender's business. This subsection shall not apply to an entity in which the only financial interest of the Board Member or Employee is his or her spouse or domestic partner's independent occupation, profession or employment.

No Monetary Gain on Investments.

No Board Member or Employee, or any spouse or domestic partner of such Board Member or Employee, shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of the Fund, nor receive any pay or emolument for services in connection with any investment. No Board Member or Employee shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from any retirement system or pension fund created under the Illinois Pension Code or the Illinois State Board of Investment. For the purposes of this provision, an annuity otherwise provided in accordance with the Illinois Pension Code or any income, gains, or profits related to any non-controlling interest in any public securities, mutual fund, insurance contract, annuity, trust or other passive investment shall not be considered monetary gain on investments.

Pursuant to the Illinois Pension Code, 40 ILCS 5/1-130, a violation of this provision is a Class 3 Felony.

Fraud.

No Board Member or Employee shall knowingly make any false statement(s) or falsify or permit to be falsified any record of the Fund in an attempt to defraud the Fund.

Pursuant to the Illinois Pension Code, 40 ILCS 5/1-135, a violation of this provision is a Class 3 Felony.

Contingent and Placement Fees Prohibited.

No Board Member or Employee shall retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of a retirement system, pension fund, or investment board of the Illinois Pension Code for compensation, contingent in whole or in part upon the decision or procurement.

Pursuant to the Illinois Pension Code, 40 ILCS 5/1-145, any person who violates this provision is guilty of a business offense and shall be fined not more than \$10,000. Any person convicted of a violation of this provision is prohibited for a period of three years from conducting such activities.

Approval of Travel or Educational Mission.

Periodic travel by a Board Member, an ex officio Board Member representative, and an Employee is necessary for Fund business and operations. The Fund will pay for expenses necessarily incurred by a Board Member, an ex officio Board Member representative, or an Employee carrying out his or her fiduciary duties. The expenses for travel or educational missions of a Board Member (pursuant to the Illinois Pension Code, 40 ILCS 5/1-150), an ex officio Board Member representative, and an Employee must be approved *in advance* by a majority of the Board.

It shall be the policy of the Board, consistent with the State Ethics Act, that Board Members, ex officio Board Member representatives, and Employees not solicit nor accept Gifts, including the payment of travel or educational missions, from any Prohibited Source.

Prohibited Transactions.

(a) A Board Member, Employee, or other fiduciary of the Fund shall not cause the Fund to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:

- (i) Sale or exchange, or leasing of any property from the Fund to a party in interest for less than adequate consideration, or from a party in interest to the Fund for more than adequate consideration.
- (ii) Lending of money or other extension of credit from the Fund to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to the Fund with the provision of excessive security or an unreasonably high rate of interest.
- (iii) Furnishing of goods, services or facilities from the Fund to a party in interest for less than adequate consideration, or from a party in interest to the Fund for more than adequate consideration.
- (iv) Transfer to, or use by or for the benefit of, a party in interest of any assets of the Fund for less than adequate consideration.

(b) A Board Member, Employee, or other fiduciary of the Fund shall not:

- (i) Deal with the assets of the Fund in his or her interest or for his or her own account;
- (ii) In his or her individual capacity or any other capacity act in any transaction involving the Fund on behalf of a party whose interests are adverse to the interests of the Fund or the interests of its participants or beneficiaries; or
- (iii) Receive any consideration for his or her own personal account from any party dealing with the Fund in connection with a transaction involving the assets of the Fund.

(c) Nothing in this provision shall be construed to prohibit any Board Member or Employee from:

- (i) Receiving any benefit to which he or she may be entitled to as a participant or beneficiary in the Fund;
- (ii) Receiving any reimbursement of expenses properly and actually incurred in the performance of his or her duties with the Fund; or
- (iii) Serving as a Board Member in addition to being an officer, employee, agent or other representative of a party in interest.

(d) A Board Member, Employee, or consultant with respect to the Fund shall not knowingly cause or advise the Fund to engage in an investment transaction with an investment adviser when the Board Member, Employee, or consultant, or their spouse or domestic partner (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with the investment advisor that would result in a pecuniary benefit to the Board Member, Employee, or consultant or spouse or domestic partner of such Board Member, Employee, or consultant as a result of the investment transaction. For purposes of this subsection (d), a consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of that consulting firm. Pursuant to the Illinois Pension Code, 40 ILCS 5/1-110(e), a violation of this subsection (d) is a Class 4 felony.

Article 2 ETHICS TRAINING

Pursuant to the Illinois Pension Code, 40 ILCS 5/1-113.18, all Board Members must attend ethics training of at least eight hours per year. The training required includes training on ethics, fiduciary duty, and investment issues and any other curriculum that the Board establishes as being important for the administration of the Fund. The Board must annually certify its Board Members' compliance with the ethics training requirements.

Article 3 FINANCIAL DISCLOSURE

On or before May of each year, each Board Member shall file verified written statements of economic interests as required by the Illinois Governmental Ethics Act, 5 ILCS 420/4A-101 et seq., as amended.

Article 4 PENALTIES FOR VIOLATION

Sanctions.

Any Employee found to have violated any of the provisions of this Policy, or to have furnished false or misleading information to the Board, shall be subject to employment sanctions, including discharge, in accordance with procedures under which the employee may otherwise be disciplined.

Certain actions in violation of this Policy may subject a Board Member or Employee to criminal penalties.

Invalid actions.

All Fund contracts shall include a provision requiring compliance with this Policy. Any contracts negotiated, entered into, or performed in violation of any of the provisions of this Policy shall be voidable as to the Fund.

Other remedies.

Nothing in this Policy shall preclude the Fund from maintaining an action for an accounting for any pecuniary benefit received by any person in violation of this chapter or other law, or to recover damages for violation of this Policy.

Effective Date: November 16, 2004, revised December 17, 2010.

Carmen Iacullo
President

Nicole Hayes
Secretary

Stephanie Neely
Treasurer

Gene Saffold
Trustee

Steven J. Lux
Trustee

Kenneth Cannata
Trustee

William Irving
Trustee

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