

**Code of Ethics Frameworks
for
NYSUT Local Leaders, Benefit Fund Trustees and their Employees
Provided by
NYSUT Member Benefits Trust**

This document includes sound ethical practices you may want to consider when overseeing your local association or local association benefit fund's business operations. Similar guidelines, provided to NYSUT Member Benefits Trust by an independent consultant hired by Member Benefits, are currently followed by the Trust's staff and trustees. Feel free to pick and choose practices appropriate for your particular organization.

Note: The first appearance of a term included in the "Definitions" section at the end of this document is in italics.

What is the intended use of this document?

This document provides Code of Ethics Frameworks for the ethical review of a local association's or a benefit fund's business affairs and is intended to keep these organizations free from conflicts of interest. It is intended to serve as a general guide for local leaders, benefit fund *trustees* and their *employees* in evaluating the propriety of certain conduct and in determining what conduct is prohibited. However, this document should not be relied upon as an exclusive or comprehensive list of applicable legal, regulatory or *fiduciary* requirements of conduct.

It does not attempt to specify or replace every possible activity that might be inappropriate or prohibited under federal and state applicable laws and regulations governing not-for-profit or charitable organizations. The standards of conduct set forth are in addition to the standards imposed by any such law, rule or regulation, and should be read, interpreted and enforced in conjunction with other established policies.

In addition, any federal or state law requirements pertaining to the filing of financial *disclosure* forms by local leaders, benefit fund trustees and employees shall continue to apply.

Who should adhere to these sound practices?

The Code of Ethics Frameworks should apply to all local leadership, benefit fund trustees and their hired employees as well as their *Service Providers*.

What are ethical principles?

Local leaders, benefit fund trustees and their employees must recognize that they should maintain the highest standards of ethical conduct, exemplified by adherence to fundamental principles.

Local leaders, benefit fund trustees and employees shall:

- foster an environment of trust, integrity, transparency and accountability in the management and operations of the local association or benefit fund;
- recognize and accept their obligation to honestly and prudently manage the local association or benefit fund for the exclusive benefit of its members, participants and beneficiaries;
- adhere to all policies governing the disclosure of information regarding the relationship between the local association or benefit fund and providers of products or programs, if such products or programs exist;
- at all times be mindful of their duties of care and loyalty to the local association or benefit fund and its members, participants and beneficiaries;
- not use their positions with the local association or benefit fund or knowledge gained from their positions for their personal *benefit*; and
- comply fully with all applicable laws, rules and regulations and shall ensure that appropriate policies, procedures and control systems are in place to assure that the local association or benefit fund complies with all applicable laws, rules and regulations.

What is a conflict of interest?

A conflict of interest arises whenever a local leader, benefit fund trustee or employee has an *interest* with an individual or organization that has or is seeking to enter into a transaction, arrangement or other relationship with the local association or benefit fund, including, without limitation, an endorsement arrangement, or stands to obtain a benefit therefrom. Conflicts of interest or the “appearance” of a conflict of interest should be avoided.

A conflict of interest may also arise as a result of a personal or professional relationship between a local leader, benefit fund trustee or employee and third parties, commonly referred to as a *related-party transaction*. For example, a conflict of interest may arise when a *related party* has an interest in an organization that wishes to do business with the local association or benefit fund. In such cases, the interest of the related party will be imputed to the local leadership, benefit fund trustees or employees and the conflict of interest proscriptions in this Code of Ethics will apply to both.

What type of transactions should be considered prohibited?

A general summary of the restraints upon the conduct of the local leaders, benefit fund trustees and employees include, but are not limited to, the following:

- No local leader, benefit fund trustee or employee, or related party shall solicit or accept *anything of value* from anyone doing business with the local association or benefit fund or seeking to do business with the local association or benefit fund, except that nothing contained in this Code shall prohibit a local leader, benefit fund trustee or employee, or related party from accepting 1) a good or service on terms generally available to members of the public, or 2) a *gift* that is customary on family and social occasions from a *family member* or a person who is a friend under circumstances in which it is clear that the gift is unrelated to the recipient’s status as a local leader, benefit fund trustee or employee;
- No local leader, benefit fund trustee or employee shall use his or her position to obtain a benefit for himself or herself or a related party from the local association or benefit fund

(other than a benefit to which he or she is entitled as a member of the local association or benefit fund pursuant to rules and regulations of the local association or benefit fund applicable to all members);

- No local leader, benefit fund trustee or employee shall solicit or accept employment from anyone doing business or seeking to do business with the local association or benefit fund, unless the local leader, benefit fund trustee or employee completely withdraws from the local association or benefit fund activity regarding the party offering employment;
- No local leader, benefit fund trustee or employee shall be paid or accept from any party *compensation* for personal services rendered in connection with a matter before, or expected to come before, the local association or benefit fund;
- No local leader, benefit fund trustee or employee, or related party shall sell goods or services to the local association or benefit fund;
- No local leader, benefit fund trustee or employee, or related party shall hold or benefit from a contract with, authorized by, or approved by, the local association or benefit fund (except that a leader, trustee or employee who is a participant in the local association or benefit fund may receive a benefit provided or endorsed by the local association or benefit fund for which he or she is eligible under the terms generally applicable to participants);
- No local leader, benefit fund trustee or employee shall vote, authorize, recommend or in any other way use his or her position to secure approval of a contract with the local association or benefit fund (including employment or personal services) in which the local leader, benefit fund trustee or employee, a related party, or anyone with whom the local leader, trustee or trust employee has a business or employment relationship, (including a related-party transaction) or has an interest;
- No local leader, benefit fund trustee or employee shall disclose any confidential information concerning the local association or benefit fund or its service providers that is obtained as a result of the performance of his or her duties and that is not otherwise available to the public or use such information to advance any direct or indirect financial or other private interest or any other person or firm;
- No local leader, benefit fund trustee or employee shall use any property or resources of the local association or benefit fund for personal gain. For purposes of this Code, property or resources shall include physical assets such as equipment, furniture, supplies and facilities; computer hardware and software; financial resources; human resources such as staff time; and intangible assets such as good will; and
- No local leader, benefit fund trustee or employee shall fail to adhere to all local association or benefit fund policies governing the disclosure of information regarding the relationship between the local association or benefit fund and providers of products or programs.

How should you conduct business with your Service Providers?

Service providers may be different for local associations and benefit funds. Local associations may contract for services with banks, printing companies, copier companies, real estate entities, caterers, etc. In addition to the aforementioned services, benefit coverage, such as insurance or financial services that are offered to members and that charge participants fees for these services would also be considered service providers.

It is recommended that no Service Provider shall:

- Receive as compensation for business with the local association or benefit fund anything other than direct, hard-dollar compensation from the local association or benefit fund for actual services provided; and
- Provide a gift to a local leader, benefit fund trustee or employee, or related person.

It is also recommended that Service Providers be required to disclose to the local association or benefit fund, among other things, the following information:

- Any finder's fees, commissions or similar payments, made by or on behalf of the Service Provider to anyone as consideration for the placement of business with the local association or benefit fund (other than commissions paid to an employee of the Service Provider as an element of such employee's regular compensation);
- Any travel or other expenses paid for or otherwise provided to local leaders, benefit fund trustees or employees;
- Any other direct or indirect benefit(s) provided by the Service Provider or a Service Provider's related party to a local leader, benefit fund trustee or employee (other than a benefit generally available to members of the general public); and
- Any other actual or perceived conflicts of interest not previously identified.

Please be aware that we are not recommending that local leaders, benefit fund trustees or employees be prohibited from attending an event sponsored or underwritten by a Service Provider or prospective Service Provider at or in connection with a conference or convention of NYSUT or a regional body within NYSUT (local association) provided that such event is generally open to all NYSUT members or members from your local association attending the conference or convention. For example, if you were attending a NYSUT Regional Workshop and a vendor providing a NYSUT Member Benefits Trust-endorsed program was hosting an event, you should feel comfortable in attending. If a vendor of your local association's benefit fund were to host a reception for the entire local association's membership at an annual membership meeting, you should feel comfortable in attending. You should not feel comfortable attending a special event that a vendor is hosting to attract new business.

What should be done if you become aware of a conflict of interest?

Local leaders, benefit fund trustees and employees who become aware that they have a conflict of interest have a duty not only to disclose that conflict to the leadership of their organization, but to cure it, if a cure is required. A person normally cures a conflict of interest by either promptly eliminating the conflict or refraining from taking action on a particular local association or benefit fund matter as to which a conflict exists, provided that, in the case of refraining from acting:

- The person may be and is effectively separated from influencing the local association or benefit fund action taken;
- The action may properly be taken by others; and
- The nature of the conflict is not such that the person must regularly and consistently withdraw from decisions that are normally his or her responsibility with respect to the local association or benefit fund.

A local leader, benefit fund trustee or employee who cannot or does not wish to eliminate the conflict or refrain from taking action should either terminate the outside interest or activity

generating the conflict or, in an extreme case when that is not practical or the person declines to do so, terminate the relationship with the local association or benefit fund as quickly as is responsibly and legally possible.

A local leader, benefit fund trustee or employee who knows or reasonably suspects that a violation of this Code of Ethics has occurred should report the matter to the leadership of the organization. The local association or benefit fund is not allowed to discriminate or retaliate against any person who, in good faith, reports possible violations of this Code. Local leaders, benefit fund trustees and employees shall be afforded whatever legal protections are available to them under the New York State Whistleblower Law or any applicable collective bargaining agreement.

Should a formal Code of Ethics Policy be adopted by your organization? Should leadership and employees be trained?

In an effort to educate new local leaders, benefit fund trustees and employees regarding their ethical obligations and to assist fiduciaries in their fiduciary responsibilities, we encourage local associations and benefit funds to consider a written policy be put in place and that new local leadership, benefit fund trustees and employees be trained on the Code of Ethics Policy upon appointment. A copy of the organization's Code of Ethics guidelines should be distributed at that time. Feel free to use this document as the framework to develop a Code of Ethics Policy for your organization's use. At a minimum, it is highly recommended that your organization's leadership read through this document and adopt some of the sound ethical practices listed.

Definitions

For purposes of this Code of Ethics Frameworks document, the following definitions shall apply:

- *Anything of Value*: anything of monetary value, including, but not limited to, money, gifts, food or beverages, social event tickets and expenses, travel expenses, golf outings, consulting fees, compensation, employment, or a discount or rebate that is not available to the general public. For purposes of this definition, *Anything of Value* shall not include non-cash gifts with a value of \$10 or less (e.g., booth giveaways).
- *Benefit*: anything reasonably regarded as economic gain or advantage, including a benefit to a *related party*, as defined herein.
- *Compensation*: direct and indirect remuneration, as well as gifts or favors, that is not insubstantial.
- *Disclosure*: a description of the facts comprising a real or apparent conflict.
- *Employee*: an individual employed by a local association or benefit fund.
- *Family Member*: any child, stepchild, foster child, grandchild, parent, stepparent, grandparent, spouse, brother, sister, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and any member of the household, regardless of relation.
- *Fiduciary*: any person who 1) exercises discretionary control over the administration, operations or management of the local association or benefit fund and its assets; 2) renders

investment advice to the local association or benefit fund for a fee or other compensation, direct or indirect, with respect to any money or other property of the local association or benefit fund, or has any authority or discretionary responsibility to do so; or 3) has been designated by the local association or benefit fund as a fiduciary in connection with the performance of fiduciary duties on behalf of the local association or benefit fund.

- *Gift*: the provision of *anything of value*, as defined herein, to a local leader, benefit fund trustee or employee for which the local leader, benefit fund trustee or employee did not provide goods or services of equal or greater value.
- *Interest*: an interest that exists if a person has, directly or indirectly, through business, investment or a *related party* as defined herein; 1) an ownership or investment interest in any entity (other than an investment in a public company where the combined interest of the local leader, benefit fund trustee or employee and his or her *related party* is less than 10 percent); 2) a position as officer, director or partner, whether compensated or uncompensated; or 3) a compensation arrangement, as either a contractor or employee.
- *Related Party*: a *family member*, as defined herein, and any organization in which any such local leader, benefit fund trustee or employee or *family member* is an owner, partner, officer, director or shareholder (other than a public company as to which the combined interests of the local leader, benefit fund trustee or employee and his or her *family members* is less than 10 percent).
- *Related-Party Transaction*: any relationship between the local leader, benefit fund trustee or employee pursuant to which the local association or benefit fund is to pay the *related party*, as defined herein, compensation for services, materials or products, or the *related party* is to enter into an endorsement relationship with the local association or benefit fund.
- *Service Provider*: includes, but is not limited to, professional advisers or contractors, banks, printers, repair/maintenance companies, insurance companies, financial advisers, or any person, corporation, service provider or other party that is doing or seeking to do business with, or which has interests before, the local association or benefit fund.
- *Trustee*: a person designated by the appropriate appointing authority and serving in a fiduciary capacity.