



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Richard Doyle
City Attorney

SUBJECT: PUBLIC MEMBER APPLICANT
FOR FEDERATED CITY
EMPLOYEES' RETIREMENT
PLAN BOARD

DATE: March 2, 2018

BACKGROUND

This Office routinely reviews applications for appointment to City boards and commissions for conflicts of interest, appearance of bias and incompatible office. The applications generally do not provide complete information; however, they do occasionally disclose potential conflicts of interest or incompatible offices. The purpose of this memorandum is to summarize our review of the application submitted by an individual who will be considered by the City Council for a public member trustee position on the Federated City Employees' Retirement Plan's Board.

BOARD DUTIES

In order to analyze potential conflicts, it is necessary to consider the duties of the particular board or commission for which the applicants are seeking appointment. The Board of Trustees of the Federated City Employees Retirement Plan is established under the Municipal Code to manage, administer and control the plan. The Board's scope of authority and duties include determining employee eligibility for benefits, establishing contribution rates for employees and the City based on actuarial valuations, commenting on ordinances that propose modifications to the retirement plan and investing retirement funds. The Board is expressly authorized to secure the following types of contractual services:

1. Actuarial service
2. Auditing services
3. Investment management services
4. Investment performance evaluation services
5. Proxy voting services
6. Legal services
7. Other consulting services as the Board deems necessary to carry out its duties and responsibilities under the retirement plan.

SUBSTANCE OF CONFLICTS REVIEW

Incompatible Office

The doctrine of incompatible offices is contained in Government Code section 1099. To fall within the Doctrine of Incompatible Offices, two elements must be present.

- Hold two public offices simultaneously, and
- A potential conflict or overlap in the functions or responsibilities of the two offices must exist.

Appearance of Bias

There may be facts which would not amount to a legal conflict of interest, but which could require a Board trustee to recuse him or herself from a Board vote or discussion, because of an appearance of bias on the part of the Board. City Council policy requires Board members to be free from bias in their decision making, and may require a Board member to recuse him or herself if the facts could reasonably lead one to conclude that the Board member would be biased for or against a person or entity.

Legal Conflicts That May Preclude Board Contracts

Because the Board has independent contracting authority, Board member conflicts of interest preclude the Board from contracting with entities in which a trustee has a financial interest. (Government Code Section 1090) For the Federated City Employees Retirement Plan Board, it is not adequate for a trustee to recuse him or herself from participating in a Board discussion or from voting on matters coming before the Board. The trustee with the conflict must either resign, or the Board must forgo the contractual opportunity.

While this list is not complete, conflicts generally arise in one or more of the following situations:

- A trustee has "sources of income" within the 12 months preceding the start of the trustee's term or during the trustee's term, as defined under the Political Reform Act.
- A trustee's spouse or domestic partner has "sources of income" within the 12 months preceding the start of the trustee's term or during the trustee's term, as defined under the Political Reform Act.

- A trustee or trustee's spouse or domestic partner is an Officer or Board Member of an entity other than the Retirement Board and the entity is involved in a matter coming before the Board.

APPLICANTS

1. Kurt Billick

Employer

Bocage Capital, LLC

Chief Investment Officer

Spouse's Employer

N/A

Conflict of Interest

In his application, Mr. Billick disclosed that he is a Senior Advisor at Environmental Commodity Partners, a hedge fund investor at Corum Capital, and provided that such entity may be affected by decisions of the Board of the Federated Employees' Retirement System. In a follow-up discussion by phone on February 27, 2018, Mr. Billick provided further clarification that he is not aware of any existing contractual relationship between the Federated Employees' Retirement System and Environmental Commodity Partners or Corum Capital. Mr. Billick wanted to disclose his role as a Senior Advisor with Environmental Commodity Partners in case something came up in the future.

LEGAL REVIEW OF RETIREMENT BOARD APPLICANT

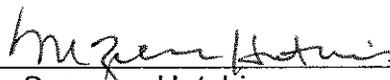
Our office reviewed the application submitted by the applicant to be considered for the public member position on the Federated Employees' Retirement Plan Board by the City Council. Our review was limited to the information provided by the applicant and was not intended to be a comprehensive investigation of potential conflicts involving the applicant. The results of our review are as follows:

- The application does not disclose any incompatible offices.
- The application does not disclose an appearance of bias.
- The application does not disclose an existing conflict of interest, e.g. no disclosure of an existing financial interest in any organization, association, or entity that has an existing contractual relationship with the Federated Board.

Mr. Billick indicated that he would not have any financial interests, other than his own employment as CIO of Bocage Capital and his role as a Senior Advisor at Environmental Commodity Partners, a hedge fund investor at Corum Capital. Based on the information provided by Mr. Billick and Retirement Services, Mr. Billick does not have a financial interest with any firm in which the Board currently has a contractual relationship.

Attachment A is a list of the entities with which the Federated City Employees' Retirement Board currently has a contractual relationship. We note that some of these are forms of entities (partnerships or private companies) in which it is unlikely that an applicant would have a financial interest if they are not employed by the firm. However, even if an applicant does not currently have a contractual relationship with any firm in which the Board currently has a financial interest, the list of entities with which the Board contracts with changes from time to time and we would expect a Board member's financial interests to change over time as well. Thus, both staff and any individual appointed to this Board will need to exercise vigilance to avoid conflicts from arising in the future.

RICHARD DOYLE
City Attorney

By 
Suzanne Hutchins
Sr. Deputy City Attorney

cc: David Sykes, City Manager
Toni Taber, City Clerk
Roberto Pena, Director Retirement Services

ATTACHMENT A
Retirement Board Contractors

FEDERATED RETIREMENT PLAN

List of Administrative and Investment Vendors as of February 2018

Custodian Bank

Investment Consultant

Hedge Fund Consultant

Investment Attorney

Proxy Voting

General Counsel

Tax Counsel

Actuary

State Street Bank
Meketa Investment Group
Albourne LLC
Hanson Bridgett LLP
Glass Lewis
Reed Smith, LLP
Ice Miller, LLP
Cheiron

Legal Counsel

Saltzman & Johnson Law
Corp

Data License Subscription

eVestment Alliance LLC;
BCA Research;
Bloomberg

Data Subscription for Benchmark Data

Foreign Risk Management

FX Trade Cost Analysis

Research Management System

Risk Advisors

Risk System

Securities Litigation Firms

Bloomberg Barclays
Klarity FX
Abel Noser
Dynamo Software
Versus Advisory
MSCI
Kessler Topaz Meltzer
& Check LLP; Grant &
Eisenhofer, P.A.;
Labaton Sucharow

Investment Managers and Hedge Funds:

Abel/Noser Corp
Aberdeen Frontier Market Equity
American Realty Advisors
Amici Capital
AHL Frontier
Arrowgrass Capital Partners(US) LP
ArrowMark Partners
Artisan Global Opportunities
Artisan Partners Limited Partnership
Barra, LLC
BCA Research Inc.
Cove Street Capital

GSO Capital Partners
The Blackstone Group
BlackRock
Bloomberg Finance L.P.
Bloomberg Index Services Limited
Blue Bay Asset Management
Bluetrend – Systematica Investments
Brevan Howard
Claren Road Asset Management. LLC
Comgest Asset Management International Limited
Commonfund Inc.
Cove Street Capital LLC
Credit Suisse Asset Management, LLC
Cross Ocean Fund LP
Davidson Kempner Capital Management LLC
DE Shaw
Dimensional Fund Advisors
DRA Advisors LLC
Dymon Asia Macro Fund
Eagle Asset Management
Fidelity/Long Wharf Real Estate Partners LLC
First Quadrant
Fiduciary Trust International Of The South
Frank Russell Company
GE Asset Management Incorporated
GEM Realty Fund VI
GIP
GQG Partners Global Emerging Markets
Great Hill Partners
Horizon Asset Limited
Hudson Bay International Fund
Iguazu Investors
Institutional Limited Partners Association
JD CAPITAL
Klarity Fx Inc
Kepos Capital
Marshall Wace Eureka
Medley Capital
MKP Capital Management
MSCI, Inc
NEPC, LLC
Neuberger Berman - PE Strategic Partnership
Northern Trust NT World ex-US
Oberweis International Opportunities

Och Ziff Real Estate Advisors LP
Pantheon Ventures
Partners Group (USA) Inc
Pathway Capital Management LLC
Pharo
Pine River Capital Management
Pinnacle Asset Management L.P.
Prudential Real Estate-CIGNA-PRISA
Rbc Global Asset Management (Us) Inc.
Russell Implementation Services, Inc
Rhumblin
Sandler Capital Management
Senator Investment Group LP
SSgA Brookfield Strategy
Tristan Capital Partners
Verus Advisory, Inc
Vontobel Emerging Market Equity
Voya Investment Management
Wadhvani Asset Management
White Oak Global Advisors, LLC

All Other Vendors:

Alliance Resource Consulting LLC
Almaden
Calaprs
California Medlink Inc
Caseware International Inc.
CDWG Government, Inc.
Cintas
Computer Xtras Xpress
Cortex Applied Research Inc.
Data Marketing
E&J Value plus
Examworks, Inc
Fnti (Microfiche)
Gfoa Membership
Granicus, Inc
Granite Data Solutions
Grant Thornton
Imagex
Iron Mountain (Formerly - Recall)
Josephine's Professional Staffing Inc
Kroll-Tierman, Susan Md

Koff & Associates, Inc
L.R. Wechsler, Ltd
Levi, Ray, And Shoup Inc
Liberty Mutual Insurance
Maccorkle Insurance Service
Macias Gini & O'connell, Llp
Mailings Us, Inc.
Mercer Human Resources
Newmark Grubb
Park Place Technologies
Pension Benefit Information – Pbi
Pitney Bowes Inc
Recall Total Information Mgmt
Ricoh
Risk Strategies
Sacrs
Sacrs, Strategic Local Govt Svcs, Llc
Sepsis, Peter G
Smartwave Technologies, LLC
Sprint Pcs
Stanford Institute For Economic Policy Research (Sifpr)
Summit Productions, LLC
Supply Works (Clean Source)
The Office City
Trendtec Inc
U S Bank
United Parcel Service
Verizon
Via West (Formerly - Inetu)