

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Richard Doyle
City Attorney

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

DATE: October 12, 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 applications submitted by individuals 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. Anurag Chandra

Employer

Gresham Partners, LLC

Finance

Spouse's Employer

Woodside Priory

Development

Conflict of Interest

Mr. Chandra did not identify any organization, association, or entity in which he is active or which he is involved or associated that might be affected by decisions of the Board. He further indicated that he would have no financial interest to disclose other than his interest in his employment and his spouse's interest in employment.

2. Eswar Menon

Employer

Self Employed

Investor – public equity, private equity, real estate

Spouse's Employer

Farmer's Insurance

Agent

Conflict of Interest

Mr. Menon did not identify any organization, association, or entity in which he is active or which he is involved or associated that might be affected by decisions of the Board. He further indicated that he would have no financial interest to disclose other than his interest in his employment and his spouse's interest in employment.

3. Elaine Orr

Employer
Self-Employed
Strategic Consultant

Consulting and advising services
for asset managers, family offices,
and foundations

Conflict of Interest

Ms. Orr did not identify any organization, association, or entity in which she is active or which she is involved or associated that might be affected by decisions of the Board. She further indicated that she would have no financial interest to disclose other than her interest in her employment.

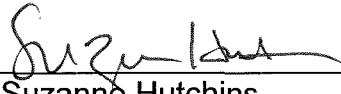
LEGAL REVIEW OF RETIREMENT BOARD APPLICANTS

Our office reviewed the applications 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 applicants and was not intended to be a comprehensive investigation of potential conflicts involving the applicants. The results of our review are as follows:

- The applications do not disclose any incompatible offices.
- The applications do not disclose an appearance of bias.
- The applications do 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.
- One applicant indicated that she would not have any financial interests other than her employment.
- Two applicants indicated that would not have any financial interests other than their employment and their spouse's employment.

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 October 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

Investment Managers and Hedge Funds:

American Realty Advisors
AHL Frontier
Artisan Partners Limited Partnership
ArrowMark Partners
BlackRock
Blue Bay Asset Management
Claren Road Asset Management, LLC
Comgest Asset Management International Limited
Cove Street Capital LLC
Credit Suisse Asset Management, LLC
Crestline Investors
Cross Ocean Partners
Davidson Kempner Capital Management LLC
DE Shaw
Dimensional Fund Advisors
DRA Advisors LLC
Dymon Asia Macro Fund
GEM Realty Capital
Global Infrastructure Partners
GQG Partners Global Emerging Markets
Great Hill Partners
Hudson Bay International Fund
Innovation Endeavors
JD CAPITAL
Kepos Capital
Marshall Wace Eureka
Medley Capital

NEPC, LLC
Neuberger Berman - PE Strategic Partnership
Northern Trust NT World ex-US
Oberweis International Opportunities
Pantheon Ventures
Partners Group (USA) Inc
Pathway Capital Management LLC
PGIM
Pharo Macro
Pine River Capital Management
Pinnacle Asset Management L.P.
Russell Implementation Services, Inc
Rhumblin Advisors
Sandler Capital Management
Senator Investment Group LP
Systemica Alternative
Torchlight Investors
Tristan Capital Partners
Vanguard Group
Voya Investment Management
Wadhvani (Keynes Lev Quant Strat, LTD)
White Oak Global Advisors, LLC