



California Fair Political Practices Commission

April 24, 1987

Joseph L. Abreu
State Teachers' Retirement System
P.O. Box 15275-C
Sacramento, CA 95851

Re: Your Request for Advice
Our File No. A-87-102

Dear Mr. Abreu:

You have requested advice concerning the disclosure responsibilities of Mr. Albert L. Meric, Jr. under the conflict of interest provisions of the Political Reform Act (the "Act").^{1/}

QUESTIONS

1. Does Mr. Meric have to file a statement of economic interests because he is listed as an "external manager" who is required to disclose personal financial interests pursuant to a conflict of interest code adopted by the State Teachers' Retirement System?
2. Is the position of "Senior Vice President, Client Services" with an investors' advisory service under contract with the State Teachers' Retirement System appropriately included among those categories of designated individuals who are required to file a statement of economic interests?

CONCLUSIONS

1. Mr. Meric is required to file a statement of economic interests, Form 730, as long as his position in the investment service is included among those designated by the State Teachers' Retirement System as having to disclose personal financial interests.
2. Consultants under contract with a state agency are required to file statements of economic interest if the agency determines that the consultants have authority of the type which brings them under the provisions of the Act. Each agency must

^{1/}Government Code Sections 81000-91015. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Administrative Code Section 18000, et seq. All references to regulations are to Title 2, Division 6 of the California Administrative Code unless otherwise indicated.

determine which of the positions within a contractor's organization are designated in the agency's conflict of interests code. Therefore, we cannot advise you as to whether or not the particular position you have inquired about has been properly designated.

FACTS

Mr. Meric is the Senior Vice President, Client Services, for Wright Investors' Service ("Wright"), Bridgeport, Connecticut. Wright is under contract with the State Teachers' Retirement System ("System") to manage and make investment decisions regarding System funds. The conflict of interest code ("Code") adopted by the System requires "authorized personnel of external investment managers" (5 Cal. Adm. Code Section 22000) to disclose specified types of personal financial interests. The Contract Coordinator supplies the filing officer with a list of names of Wright employees who are "authorized." Mr. Meric states that he does not make any investment decisions regarding System funds, and therefore, should not be required to file a statement of economic interests.

ANALYSIS

No public official shall make, participate in making, or use his position to influence a governmental decision in which he has a financial interest. (Section 87100.) The definition of "public official" contained in the Act includes a consultant to a state or local government agency. (Section 82048.) The Commission has defined the type of consultant relationship with an agency which triggers the conflict of interest and disclosure requirements of the Act:

(2) "Consultant" shall include any natural person who provides, under contract, information, advice, recommendation or counsel to a state or local government agency, provided, however, that "consultant" shall not include a person who:

(A) Conducts research and arrives at conclusions with respect to his or her rendition of information, advice, recommendation or counsel independent of the control and direction of the agency or of any agency official, other than normal contract monitoring; and

(B) Possesses no authority with respect to any agency decision beyond the rendition of information, advice, recommendation or counsel.

(Regulation 18700(a)(2).)

All state and local agencies are required to adopt conflict of interest codes. (Section 87300.) The code must include a specific enumeration of those positions within the agency which might make decisions affecting any financial interest, and must specifically indicate the types of investments, interests in real property, and sources of income which must be reported under the code. (Section 87302(a).)

The System adopted a conflict of interest code which designates "authorized personnel of external investment managers" as having specified disclosure requirements. (5 Cal. Adm. Code Section 22000.) The filing officer for the System is provided with a list of Wright personnel who are required to file statements of economic interests.

Each agency is responsible for determining which positions should be designated and what type of financial disclosure should be required. Mr. Meric is included on the list of Wright employees who are required to file financial disclosure statements.^{2/}

We cannot advise you on the question of whether or not a person who is "Senior Vice President, Client Services" for Wright is an "authorized person" within the meaning of the System's code. The System is responsible for making that determination. If Mr. Meric is not an "authorized person," then his name should be removed from the list of those persons who must file.

If you have any questions regarding the advice in this letter, please call me at (916) 322-5662.

Sincerely,

Diane M. Griffiths
General Counsel

Bruce W. Robeck

By: Bruce W. Robeck
Political Reform Consultant

DMG:BWR:kmt

^{2/}Mr. Meric's letter states that if he is required to file, he does not have any reportable interests to disclose. Nevertheless, he still must file a signed Form 730 which states that he has no reportable interests.

STATE TEACHERS' RETIREMENT SYSTEM
P.O. Box 15275-C (916) 386-3997
Sacramento, CA 95851

87-102

F P P C
MAR 27 10 48 AM '87

March 25, 1987

Ms. Betty M. Brown
Legal Documents Section
F.P.P.C.
428 J Streeet, Suite 800
PO Box 807
Sacramento, CA 95804-0807

RE: Albert L. Meric, Jr.'s Initial Statement of Economic Interests,
Form 730

Dear Ms. Brown:

I need your expertise. Mr. Meric, whom I sent an Initial Statement of Economic Interests, Form 730, because he was among the External Manager names on a list provided by the Contract Coordinator, has requested an opinion from me, (see correspondence attached) as to whether he is required to file an Initial Statement of Economic Interest, Form 730. If, after reading his letter, you decide that he is not required to file, I will not send him an Annual Statement of Economic Interest, Form 730, next year and I will have our Contract Coordinator remove his name from our mailing list.

If you have any questions or concerns, call me on 386-3997.

Sincerely,



Joseph L. Abreu
Filing Officer

JLA:js

Enclosures

WRIGHT INVESTORS' SERVICE
Park City Plaza 10 Middle Street Bridgeport, Connecticut 06604

NOV 17 3 47 PM '86

November 12, 1986

Mr. Joseph L. Abreu
Filing Officer
Administrative Service
State Teachers Retirement System
7667 Folsom Blvd.
Sacramento, CA 95826

Re: Initial Statement - Statement of Economic Interests -
Designated Individual

Dear Mr. Abreu:

I reviewed the data furnished with your memorandum of October 29, 1986 regarding filings under the Conflicts of Interest Codes.

It would appear from the material provided, that I do not fall under the category as a designated individual for the following reasons:

Under the designated positions section on page 2, paragraph 1 of the appendix, a designated position would include: "particular individuals in these companies are authorized to make investment decisions regarding System funds."

My position with Wright Investors' Service is Senior Vice President, Client Service. In this position I work on the reporting and communication with our major clients, but my responsibilities do not include the making of any investment decisions regarding the State Teachers Retirement System funds.

Although my position appears to be exempt from this filing, I note that the two requirements of disclosure category #2 are:

- a) investments in and income from common preferred stocks and equity equivalents and
- b) income from and investments and management positions in any business entity that provides stock or other equity brokerage services

My form #730, if it were necessary for me to file, would show no reportable interest in either schedule A or in the other appropriate schedule for reporting income as noted above. The reasons would be:

- a) I have no individual stock ownership interest. All common stocks owned are in shares of diversified mutual funds registered with the SEC and specifically excluded from reporting on the instructions for schedule A. My only other stock interests would be in assets of the company's retirement plan over which I have no control or in Wright Investors' Service stock.

Mr. Joseph L. Abreu

-2-

November 11, 1986

b) Wright Investors' Service provides no stock or other equity brokerage services and therefore there are no reportable interests under sub paragraph b.

I would appreciate a confirmation from you regarding my reporting status. I am anxious to comply with any required reporting for the State of California. If it is not necessary, however, as a result of my position, I would like to establish that status at this time.

Sincerely,



Albert L. Meric, Jr., C.F.A.
Senior Vice President

ALM, Jr./cd

FINAL STATEMENT OF REASONS
AMENDMENT OF CURRENT CONFLICT OF
INTEREST CODE

Purpose and Factual Basis of Proposal

Section 22000, which establishes the Conflict of Interest Code of the State Teachers' Retirement System (System), is being amended to reflect recent changes in the law regarding the investment powers of the Teachers' Retirement Board (Board). In addition, some amendments will clarify existing requirements and delete unnecessary language.

Subsection (a)

The amendments will clarify existing requirements and delete non-regulatory information.

Subsection (b)

Two substantive amendments are proposed. The first will specify that designated individuals, rather than designated employees must file statements of economic interests. This reflects the filing requirements that the Fair Political Practices Commission (FPPC) has required to be imposed upon external investment managers. The System will contract with investment management firms, and individuals employed by those firms who are authorized to invest System funds will be required to file statements of economic interests.

The second substantive amendment adds a requirement for delivery to the FPPC of the economic interests statement of the Chief Executive Officer. This change is needed to bring the regulation into conformity with Section 4(A) of the Standard Code. The remaining amendments clarify the existing requirements.

Subsection (c)

The jurisdictional exception to the term "investment in a business entity" will be clarified and made more specific by referring explicitly to the statutory definition of "jurisdiction." This provision is necessary because the assets of the Teachers' Retirement Fund may be invested outside the boundaries of California and also because the designated staff of external investment managers may reside outside the State. The staff of the FPPC has assured the System's staff that this provision is legally acceptable.

Appendix

The Appendix designates the positions in which individuals must file statements of economic interests and the categories of economic interests which must be disclosed by each individual. Due to the extensive revisions, the existing Appendix is being deleted and replaced by a new Appendix.

1. Designated Positions

The designated positions in the new Appendix reflect changes in the organizational structure of the System. Job titles are updated, and new positions are designated where the duties of the positions require disclosure. The Assistant Executive Officer, Legislative Affairs Officer and Counsel II position designations are revised to reflect organizational restructuring of those positions. The Assistant Chief Management Services is deleted because the position no longer exists.

Most of the changes are required by recent changes in the law governing the System. In the past, the System and the Public Employees' Retirement System (PERS) shared an investment staff. In 1982, the Legislature enacted Education Code section 22205.5, which prohibits the System from sharing an investment staff with PERS after July 1, 1983. As a result of the dual staff prohibition, the System must acquire its own investment staff. The System will now employ internal and external investment managers and other new personnel due to the statutory changes regarding investments.

The investment personnel position designations are revised to reflect, and be adaptable to, the changing organizational structure and functions. At present, the internal investment staff consists of an expanding group of professional individuals with whom the System contracts outside of the Civil Service System and a Civil Service support staff. The investment decisions are made by the professional investment staff. The System also contracts with outside investment companies which invest System funds. Particular individuals in these companies are authorized to make investment decisions regarding System funds. The FPPC has informed the System that authorized personnel of external investment managers must be covered by the Conflict of Interest Code.

2. Disclosure Categories

The disclosure categories and requirements have been revised to conform with recent amendments to the Education Code, including sections (22205.1-22206, 22222, and 22312-22314), and Proposition 21, which significantly expanded the Board's investment powers, removing limitations on particular types of investments, providing instead a fiduciary standard to govern investments and specifically authorizing investment in real estate. The revised disclosure categories reflect those changes.

ADDITIONAL INFORMATION

The following document is relied upon in repealing and adopting these regulations:

November 10, 1983, Letter from Jeanette Turvill, FPPC.

IMPACT ON SMALL BUSINESS

No impact on small businesses is anticipated.

CALIFORNIA ADMINISTRATIVE CODE
TITLE 5
PART III
CHAPTER 1

ARTICLE 11 - CONFLICT OF INTEREST CODE FOR THE STATE
TEACHERS' RETIREMENT SYSTEM

Section 22000

a. Incorporation by Reference of Standard Code and Appendix. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Adm. Code Section 18730, which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 Cal. Adm. Code Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached Appendix in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference. The Standard Code and the Appendix together constitute the Conflict of Interest Code of the Teachers' Retirement System, except as provided in subsections (b) and (c) below.

b. Filing Requirements. Designated individuals shall file statements of economic interests with the State Teachers' Retirement System, pursuant to Section 4(A) of the Standard Code. Upon receipt of the statements of Board Members and the Chief Executive Officer the System shall make and retain a copy and forward the original of these statements to the Fair Political Practices Commission.

c. Exception. As provided in Section 1 of the Standard Code, 2 Cal. Adm. Code section 18730(b)(1), the definitions contained in the Political Reform Act of 1974 shall apply to the terms used in this Code, except that the term "jurisdiction," defined in Government Code section 82035, shall not be limited to the State for the purposes of disclosure and disqualification.

Authority: Education Code §§ 22209 and 22210; Government Code § 87300 and 87034.

Reference: Education Code § 22205, 22205.2 and 22209; Government Code § 87300-87302, 87306; Cal. Adm. Code § 18730.

APPENDIX TO SECTION 22000

Designated Position	Disclosure Category
Teachers' Retirement Board Member	1
Chief Executive Officer	1
Deputy Chief Executive Officer	1
Chief Counsel	1
Staff Counsel	1
Legal Counsel	1
Assistant Chief Executive Officer, Finance & Administration	1
Assistant Chief Executive Officer, Program & Policy	1
Chief Management Services	5
Budget Officer	5
Internal Professional Investment Staff	1
Authorized Personnel of External Investment Managers-Equity	2
Authorized Personnel of External Investment Managers-Debt	3
Authorized Personnel of External Investment Managers-Real Estate	4,5

Disclosure Categories

1. Designated individuals in Category 1 must report:
 - All interests in real property, all investments, all sources of income, and all management positions.
2. Designated individuals in Category 2 must report:
 - a. Investments in and income from common and preferred stocks and equity equivalents and
 - b. Income from and investments and management positions in any business entity that provides stock or other equity brokerage services.
3. Designated individuals in Category 3 must report:
 - a. Investments in and income from fixed-income securities and
 - b. Income from and investments and management positions in any business entity that provides securities brokerage services.
4. Designated individuals in Category 4 must report:
 - a. Interests in and income from real property and
 - b. Income from and investments and management positions in any business entity that provides real estate brokerage services.

5. Designated individuals in Category 5 must report:

Income from and investments and management positions in any business entity of the type which may contract with the State Teachers' Retirement System to provide services, supplies, materials, machinery or equipment to the System.



California Fair Political Practices Commission

April 9, 1987

Joseph L. Abreu
State Teachers' Retirement System
P.O. Box 15275-C
Sacramento, CA 95851

Re: 87-102

Dear Mr. Abreu:

Your letter requesting advice under the Political Reform Act was received on March 27, 1987 by the Fair Political Practices Commission. If you have any questions about your advice request, you may contact me directly at (916) 322-5662.

We try to answer all advice requests promptly. Therefore, unless your request poses particularly complex legal questions, or more information is needed, you should expect a response within 21 working days. You also should be aware that your letter and our response are public records which may be disclosed to the public upon receipt of a proper request for disclosure.

Very truly yours,

A handwritten signature in cursive script that reads "Jeanne Pritchard".

Jeanne Pritchard
Chief
Technical Assistance and Analysis
Division

JP:plh