

Ethical Decisionmaking

Assistant City Attorney Alan Manning

Deputy City Attorney Renee Stadel

City Ethics Commission

Ethical Decisionmaking

Public officials are expected to adhere highest standard of ethics and to serve the public trust.

Pension officials have higher obligations.

Not participate in decisions impacting their personal interests or in matters where their connection to a matter might reasonably be questioned by a member of the public.

Series of specific rules to set a minimum standard for conduct that carry penalties.

Violating rules not only impacts you personally, but can impact the validity of the Board's decisions and subject the system to lawsuit.

Consider acting beyond the rules.

Ethical Decisionmaking

Scenarios

Consider the Rules

Consider the Consequences

Consider the Perception

Scenario 1

A money manager that LAFPP currently does business with has had some recent press with vague negative overtones, but no specifics on any allegations of wrongdoing or mismanagement. Investments staff have had conversations with the manager about the article(s) but there have not been any formal reports to the Board yet. The manager attends a regular Board meeting and approaches a Commissioner at the break. Other Commissioners may also have been approached. The manager wants to set up a lunch meeting with the Commissioner to discuss what really happened. They suggest meeting after the Board meeting. The Commissioner is curious about what he/she has read.

What should the Commissioner do?

Scenario 2

A Board member is attending a real estate conference. There have been several very interesting presentations made at the conference and the Board member has jotted down several questions and ideas. At lunch, a money manager sits at the same table as the Board member and strikes up a conversation about the prior presentations. The Board member has the impression that the manager is really sharp and seems to have the same views as he/she on the prior presentations. As the discussion progresses, the money manager starts talking about how he/she sees the market evolving and what their firm is doing to capitalize on these market changes. The manager never says, “Your fund should invest with us,” or “I’d love an opportunity to present our products to your Board or staff.”

Is there anything wrong with having this conversation?

Scenario 3

A Board member is attending a highly regarded educational conference. During a networking break, he/she meets a Trustee from another fund. The other Trustee asks about what LAFPP is doing in various areas and discusses what his fund is doing. The other Trustee mentions that they recently hired Manager X and they are very excited about what Manager X is doing for them. Interested, the Board member says, "I'll have to ask our investments staff about that." The other Trustee replies, "Trust me, I've been a trustee for 8 years. You can't trust your staff to give you the real information. They have their own agendas. If you really want to learn about this product, you've got to talk to Manager X yourself. In fact, I'm having dinner with him tonight. Why don't you join us?"

What should the Board member do?

Scenario 4

A Board member calls a LAFPP general consultant to discuss one of our investments. The consultant's contract happens to be up for renewal, and during the course of the conversation the Board member talks with the consultant about how other Board members feel about the consultant's performance.

Is the latter conversation appropriate, and how should the consultant respond?

Scenario 5

One of LAFPP's private equity funds is holding a client conference at a swanky hotel. They invite the Board, the General Manager and the CIO to attend. The invitation says the conference is free for trustees. The conference provides useful information about what is happening with the investment. At dinner, a well known musician provides entertainment for all attendees.

Should attendance be considered a gift?

Is it okay to accept the dinner?

What, if anything, should be reported on the Form 700?

Scenario 6

The Board has issued an RFP for money management services. Staff and the General Consultant make a recommendation to interview six managers. The son-in-law of one of Commissioners works for one of the money management firms to be interviewed. The Commissioners are not told which individuals in each firm would be assigned the LAFPP account.

Should the Commissioner recuse him/herself from the selection?

Would it make a difference if it were known that the son-in-law would not be assigned to the LAFPP Account?

Should the firm in question be disqualified from the Board's consideration?