April 2019

Incestuous Intersection of Politics and Money

Regime Churn of SFERS' Trustees

by Patrick Monette-Shaw

SFERS' Board of Trustees: Sometimes, the devil you do know is better than the devil you don't know. And sometimes when it comes to clear conflicts of interests, neither devil will serve anyone well. **This bears repeating: *What could possibly go wrong?***

Are we churning one conflict-of-interest-laden incumbent — Wendy Paskin-Jordan — for another conflict-of-interest replacement, Scott R. Heldfond?

Let's take this analysis in reverse cuisine order: Main course Heldfond, followed by *hors d'oeuvres* appetizer Paskin-Jordan.

At long last, Wendy Paskin-Jordan — the wife of former Mayor Frank Jordan — was shown the door after unceremoniously failing to be reappointed to the San Francisco Employees' Retirement System's (SFERS) board of trustees.

The dangerous intersection of politics and money in San Francisco is particularly incestuous, perhaps more so than in other jurisdictions. And the churn of the politically well-connected from one City board or commission to another board or commission is well known.

> **"Are we churning one conflict-of-interest-laden incumbent — Wendy Paskin-Jordan — for another conflict-of-interest replacement, Scott R. Heldfond?"**

For example, consider Sonia Melara who was churned through serving on San Francisco's Parking and Traffic Commission, the Immigrant Rights Commission, Public Health Commission, and was then appointment to the Police Commission. When Melara was unceremoniously not re-appointed to the Police Commission she was then appointed to the Commission on the Status of Women.

Our Meal's Main Course: Scott R. Heldfond's Troubled History

The first question city employees should ask is why would a venture capitalist like Scott Heldfond whose spouse is a billionaire's descendent, and who has a history of mishandling conflicting interests, venture into SFERS' swamp?

> **"The first question city employees should ask is why would a venture capitalist like Heldfond venture into SFERS' swamp?"**

You may wonder, *Who's Scott Heldfond*? Scott Heldfond's *LinkedIn* profile summarizes his background, including other professional affiliations and his employment and income with Aon Plc (Aon Risk Services) as a senior vice president, and as a director of Mendocino Brewing and UBICS, the latter two of which are subsidiaries of Vijay Mallya's UB Group in India. [**Note:** For additional discussion of Heldfond's 14-year affiliation with Mallya, see Lou Barberini's article in the April 2019 issue of the *Westside Observer*.]

See Postscript following end of article regarding President Donald J. Trump's relationship with Aon Plc.

LinkedIn reveals Heldfond has served on two San Francisco city commissions, first on the Health Service System (HSS) Commission that oversees and manages health benefits for city employees, retirees, and their dependents. He currently sits on the Civil Service Commission.

> **"See Postscript following end of article regarding President Donald J. Trump's relationship with Aon Plc."**

Prior to the Board of Supervisors Rules Committee's March 18, 2019 hearing, the agenda indicated that the Rules Committee chairperson, Supervisor Hillary Ronen, Rules would forward its recommendation on the Mayor's appointment of Heldfond to SFERS to the full Board of Supervisors as a Committee Report for consideration and final passage the next day on March 19.

During the March 18 Rules Committee's hearing new information came to light. Rules Committee chairperson Supervisor Hilary Ronen noted:

> "*First of all, sort of **the elephant in the room**, and what some of the [public] speakers spoke about is that the mayor had told former Retirement [System] Commissioner Wendy Paskin-Jordan that if she met with us and had support from members of the Board of Supervisors, then the mayor would reappoint her to [SFERS'] board*" [emphasis added].

The *Mission Local* web site reported today (March 18), that Paskin-Jordan said he had been "*informed by the mayor's office that they did not believe she had the votes in the Board of Supervisors to survive the nomination process. She found this hard to believe*." Perhaps that was the elephant in the room.

> **"The elephant in the room is Mayor Breed had told former Commissioner Paskin-Jordan that if she met with, and had support from, members of the Board of Supervisors then the mayor would reappoint her to SFERS' board."**

But any such promise to Paskin-Jordan appears to have been ignored, given that Mayor Breed had already notified the Board of Supervisors as early as February 22 that she had appointed Heldfond to a third commission — the SFERS Board of Trustees — to the "***seat formerly held by** Wendy Paskin-Jordan*" [emphasis added]. It is thought Breed's new Chief of Staff, Sean Elsbernd, may have had his thumb on the scale by getting Heldfond appointed to SFERS board, instead.

> **"Mayor Breed had already notified the Board of Supervisors as early as February 22, 2018 that she had appointed Heldfond to SFERS' Board of Trustees to '*the seat formerly held by Wendy Paskin-Jordan*'."**

And during the hearing on March 18, the three Rules Committee members — Supervisors Ronen, Shamann Walton, and Gordon Mar — joined in the hearing by Supervisor Ahsha Safai as the Board of Supervisors *ex officio* appointee to the Retirement Board — all ignored a much larger elephant in the room: A potential second perceived conflict of interest by Mr. Heldfond.

> **"The Rules Committee ignored a much larger elephant in the room: A potential second perceived conflict of interest by Mr. Heldfond.**
>
> **The full Board of Supervisors approved Heldfond to SFERS' Board knowing of his previous conflicts of interest."**

The next day, when the full Board of Supervisors heard the Rules Committee's recommendation to approve Heldfond on March 19, they voted 9-to-2 to approve Heldfond. Only Supervisors Sandra Lee Fewer and Board president Norman Yee voted against confirming Heldfond. And the full Board approved Heldfond knowing of Heldfond's previous conflicts of interest.

Heldfond's Service on Health Service System Board

Heldfond's LinkedIn profile indicates he served for a decade-and-a-half between 1995 and 2010 on the HSS Commission; he resigned from that Commission on September 1, 2011. His resignation letter claimed he was resigning due to a *perceived* conflict of interest. Heldfond's resignation letter noted, in part:

> "*The reasons for this abrupt action involve a perceived conflict of interest based on my current employment with a company that just won an actuarial consulting contract for HSS. The company, Aon, is the largest global insurance brokerage and consulting firm and has over 55,000 employees. The Controller's office conducted an RFP and unanimously agreed to award the contract to Aon. No HSS Board members were involved in [the RPF] process*."

Heldfond tried to paint in his resignation letter that the City Attorney's Office had given him a pass and he could continue serving on HSS' Board, despite Aon Hewitt being granted the consulting gig with HSS. Indeed, Heldfond essentially mislead the Board of Supervisors during the Rules Committee's hearing on March 18:

> **"Heldfond tried to paint in his resignation letter that the City Attorney's Office had given him a pass and he could continue serving on HSS' Board."**

> "*It was associated with one of the companies I'm employed by. I was told by the City Attorney it [was] not a conflict, but when I put my head **on the pillow** at night I [thought] it [was] a conflict — so I went to the mayor and I resigned*" [emphasis added].

Heldfond wasn't a mere "employee of" Aon. He was, and still is, a senior vice president at Aon.

And despite whatever advice Heldfond claimed to have gotten from the City Attorney's Office, it's very clear from the *Statement of Incompatible Activities* (SIA) then applicable to Health Service System board members that it was a real — not a *perceived* — conflict of interest, which may have forced his resignation. HSS' SIA — which applies to HSS' Board members — clearly stipulates in Section III-A-1 "*Activities That Conflict With Official Duties*":

> "HSS' SIA clearly stipulates '*No [HSS] officer or employee may be employed by … any entity … that has an existing contract with HSS*'."

(a) *No* [HSS] ***officer*** *or employee* ***may be employed by****, or provide Service in exchange for compensation or anything of value from* ***any entity****, including any governmental entity or non-profit organization,* ***that has an existing contract*** *with HSS, or that has had a contract with HSS during the last twelve months*" [emphasis added].

Additionally, San Francisco's Campaign and Governmental Conduct Code regarding conflict of interest], reads in Section 3.207(a), "*Additional Conflicts of Interest for City Elective Officers and Members of Boards and Commissions*":

(1) "No City elective officer or member of a board or commission may use his or her public position or office to seek or obtain anything of value **for the** *private or* **professional benefit** *of himself or herself. his or her immediate family. or (or* ***an organization with which he or she is associated***" [emphasis added].

It seems clear cut that an officer of a company holding a contract, or being awarded a City contract, can't serve as a Commissioner, so Heldfond may have had to resign, no matter what his pillow or the City Attorney was telling him.

The City Controller's office provided a copy of the 2011 RFP for the actuarial consulting work for HSS, but the RFP didn't specify a "not-to-exceed" contract amount. The RFP *did* indicate that the contract was for two "service areas": 1) Actuarial Valuation Service to update GASB Rule 45 data last performed in San Francisco in 2008 to report estimated postemployment benefits (other than pensions), like healthcare costs, using 2010 and 2012 census data given changes in how the City and its employees fund retiree medical benefits for employees hired after January 10, 2009; and 2) Actuarial, Health Care Trust Fund Consulting, HealthCare Reform, and "General Service."

> "Aon Hewitt's San Francisco office submitted a proposal for the HSS actuarial consulting contract in May 12, 2011. Aon Hewitt was awarded the contract in 2011."

Aon Hewitt's San Francisco office submitted a proposal on May 12, 2011. On July 29, 2011 HSS's then director, Catherine Dodd wrote a memo to the then-president of HSS' Board, Claire Zvanski, recommending that the RFP contract for actuarial consulting be awarded to Aon Hewitt.

Of some interest, Dodd's memo to Zvanski noted that Mercer, HSS's then-incumbent actuarial consultant and Aon Hewitt were invited for oral interviews as the two-highest bidders based on their written proposals. Mercer had scored higher on its written proposal, but Aon Hewitt eventually scored higher on the two-member panelist oral interview. Per the RFP, the oral interview scores were separate from, rather than added to, scoring of the written proposals, so the two scores were not added together, nor were the written proposal and oral interviews weighted as part of the overall scoring as is typically done with City contracts.

Unfortunately, although Dodd's memo included the scoring sheets for both the written proposals and the oral interviews, the oral interview scoring sheet did not state what the nine interview questions were asked during the interviews and did not list the names and affiliations of the two panelists on the interview panel. A records request was placed pursuant to San Francisco's Sunshine Ordinance. It turns out the two panelists were Jay Huish, then-Deputy Director (and now Executive Director) of SFERS, and Peg Stevenson from the City Controller's Office. Huish was clearly involved in the selection of Aon for the HSS contract.

> "SFERS' then-Deputy Director (and now Executive Director), Jay Huish, was clearly involved in the selection of Aon Hewitt for the HSS contract."

Then-Supervisor Sean Elsbernd served simultaneously in 2011 as the Board of Supervisors *ex officio* appointee on both SFERS' and HSS' board of directors, where he served alongside of then-Commissioner Zvanski. And when he served on SFERS' Board, Elsbernd advocated aggressively that SFERS' hire Jay Huish, who quickly became a Deputy Director. Shortly after Aon was awarded the HSS contract, Huish was picked to be SFERS' Executive Director. Huish reportedly came from his own conflict-of-interest scandal and baggage.

The HSS actuarial contract was awarded in 2011 to Aon Hewitt as the semi-finalist with the highest oral interview score, thanks in part to Huish, who Elsbernd had essentially installed at SFERS.

Heldfond's resignation letter claimed it was just a *coincidence* that he was an employee of a separate division of Aon. He claimed, "*in fact, **I had never met** the [AON] team that won the business for consulting with HSS*." How could he ***not*** have met the San Francisco-based Aon team that bid on, and was awarded, the contract with the same Commission he served on?

> **"Heldfond's resignation letter claimed it was just a *coincidence* he was an employee of a separate division of Aon. He claimed '… *I had never met the [AON] team that won the business for consulting with HSS*.'**
>
> **How could Heldfond *not* have met the San Francisco-based Aon team awarded the contract with the HSS Commission he served on?"**

Almost comically, Heldfond's resignation letter noted he felt "*good about Aon getting the business*." He wrote: "*HSS will save a whopping $1.4 million under the new contract. Guess I go out as a budget cutting victor!*"

It's not yet known how much the RFP for the contract was supposed to have been for, and dedicated to, actuarial Service over a three-year period between July 1, 2011 and June 30, 2014, with an option for a single, two-year contract extension. The City Controller reported on March 18, 2019 that the total amount of "completed payments" encumbered to Aon Hewitt as of March 10, 2019 under the contract between July 1, 2011 and June 30, 2018 — a seven-year period, apparently with multiple contract extensions — totaled over $5 million. Aon Hewitt benefitted handsomely. And although the contract ended in 2018, it's not known whether additional bills and on-going costs will continue rolling in, pushing the $5 million even higher.

> **"The City Controller reported the total amount of 'completed payments' to Aon Hewitt for the HSS contract totaled over $5 million."**

And it's not yet known whether the "churn" and creep in the scope-of-Service pushed costs higher under the contract. I wonder if Heldfond wants to revise his resignation letter to show that $1.4 million may not have been saved, after all.

The Long Arm of Aon Plc's Various Subsidiaries

Of note, Heldfond's LinkedIn profile coyly notes he is a "Director" of Aon Risk Services, a separate division of Aon Plc (Public Limited Company), the latter of which was created in 1982 to provide risk, retirement, and health consulting Service worldwide, including risk management, insurance, and re-insurance brokerage. "Aon" is a Gaelic word meaning "one."

There is no doubt that Aon Plc is heavily involved in insurance brokerage. Aon Plc is composed of multiple subsidiaries and related corporations under the AON umbrella, all of which are constructively tied together under the tax code.

Aon's San Francisco office at 425 Market Street now houses six separate divisions, including Aon Benfield Inc.; Aon Hewitt Investment Consulting; **Aon Hewitt San Francisco**; Aon Mergers and Acquisitions Global Practice Group; **Aon Risk Consultants, Inc.**; and Aon Technology Risk Consultants — all in Suites 2700 and 2800 on Market Street. All six divisions share the same main phone number: (415) 486 7000.

> **"Heldfond is not a mere *director* of Aon Risk Services; he was and is a *Senior Vice President*. How likely is it that a Senior Vice President never met the Aon Hewitt team awarded HSS' consulting contract?"**

As a lawyer, Heldfond is not a mere *director* of Aon Risk Services, as his LinkedIn profile claims. A phone call revealed the Aon worldwide phone directory lists him as being a Senior Vice President, and his Form 700 *Statement of Economic Interests* dated March 31, 2011 when he was a then-HSS Board member contained his handwritten acknowledgement that he was and is a Senior Vice President of Aon Risk Services. How likely is it that as a Senior Vice President Heldfond had never met the Aon Hewitt team awarded the consulting contract with HSS, particularly if they had perhaps all worked in the same building on California Street and now work on the 28th Floor at 425 Market Street?

At the time the Controller's RFP for the Health Service Board was issued in 2011 and Heldfond subsequently resigned, the HSS Board was comprised of seven members: Two appointed by the Mayor (including Mr. Heldfond), one member appointed by the President of the Board of Supervisors (then-Supervisor Sean Elsbernd), and four members elected by the (currently active and retired) employees and members of HSS.

But while a member of the Board of Supervisors and an HSS Commissioner, Elsbernd strongly advocated for Prop "C" on the November 2011 ballot, which passed. Prop. "C" not only increased the amount of employee contributions towards their eventual pensions, the ballot measure also changed composition of the HSS Board, replacing one elected member for an appointee nominated and essentially appointed by the City Controller. Prop "C" further changed the Health Service Board's voting requirements to approve member health plans from a two-thirds to a simple majority (50% + 1) vote.

Plan members essentially lost one seat on the HSS Board, and another "seat" involving the health plan choices voting threshold. When voters approved Prop "C" in November 2011, HSS Commissioner Sean Elsbernd got his way, big time.

> **"Plan members essentially lost one seat on the HSS Board, and another 'seat' involving the health plan choices voting threshold. HSS Commissioner Sean Elsbernd got his way, big time."**

Civil Service Commissioner

Heldfond was subsequently appointed to the City's Civil Service Commission, where he has served since 2011. A keen observer of the Civil Service Commission, who requested anonymity for this article, notes about Heldfond:

> "*He's soft-spoken and appears rather timid. Often trips over himself when he talks. He often doesn't seem to get everything that's going on. But he sides with management 95% of the time (unless they get on the wrong side of a couple of issues that he cares about). From the meetings I have attended, he's never been a friend of city employees. I'll be glad when he leaves the CSC.*"

The Civil Service Commission's annual report for FY 2014–2015 noted Heldfond's service as a Health Service Commissioner, reporting that back in 2011 then-Supervisor Sean Elsbernd — who is now quietly Mayor Breed's Chief of Staff, and who was at the time the Board of Supervisor's *ex officio* appointee to the Health Service System's board and served at the same time as Heldfond — presented Heldfond a Certificate of Honor …

> "*… from the Board of Supervisors on September 27, 2011, for his accomplishments and dedication serving as [a] Commissioner on the Health Service Commission for over 15 years. At the ceremony in his honor, Supervisor Sean Elsbernd, who worked with Commissioner Heldfond on the Health Service Commission, stated that Commissioner Heldfond epitomized what is a public servant.*"

> **"The Board of Supervisors presented Heldfond a *Certificate of Honor* on September 27, 2011 for his accomplishments and dedication serving as [a] Commissioner on the Health Service Commission.**
>
> **Heldfond was presented the Certificate of Honor, after Aon Hewitt was awarded the HSS consulting contract."**

Minutes of the September 27, 2011 Board of Supervisors meeting indicate in the Recognition of Commendations section that then-Supervisor Carmen Chu (D-4):

> "*Supervisor Chu introduced, welcomed, and presented a Certificate of Honor to Scott Heldfond of the Health Service System Board in recognition of his accomplishments during his tenure as a Board Member. Supervisor Elsbernd and Catherine Dodd, Director of Health Service System, shared in this recognition […]*"

Heldfond was presented the *Certificate of Honor*, ***after*** Aon Hewitt was awarded the HSS consulting contract.

Chu is the City's elected Assessor-Recorder and is now a mayoral appointee as a current board member and trustee of SFERS, the same board Mayor Breed appointed Heldfond to if his appointment is approved by the Board of Supervisors. Chu had also previously served as the Board of Supervisors' *ex officio* appointee to the Health Service System board.

Heldfond's most recent Form 700 *Statement of Economic Interests* e-filed and dated as February 25, 2019 that all Commissioners are required to file with the Ethics Commission on initial appointment and thereafter annually, is troubling. He reported that as a Civil Service Commissioner, he had received over $10,000 in salary. But the City Controller's payroll database for the period ending June 30, 2018 shows that in FY 2018–2019 Heldfond had been paid just $1,196 in base pay for just 11.96 hours of work in FY 17-18 ending June 30, 2018 (in the "Board/Commissioner Group 5 at $100 per month" job classification code). The discrepancy between $1,200 and over $10,000 is worrisome. How could the Civil Service Commission have paid him so much, if the City Controller didn't know about it?

> "**Heldfond's February 2019 Form 700 revealed he earned over $100,000 annually in salary from *both* Aon Risk Services and Mendocino Brewing in calendar year 2018.**"

Heldfond's February 2019 Form 700 revealed he earned over $100,000 annually in salary from ***both*** Aon Risk Services and Mendocino Brewing in calendar year 2018. But the Form 700's don't have to report how much over $100,000 he is paid. They could theoretically pay him over $1 million a year each, and he isn't required to report it.

A Second Conflict of Interest "Coincidence"?

The Rules Committee members also ignored on March 18, 2019 another larger elephant in the room: Heldfond's second real, or perceived, potential conflict of interest involved the City employees' retirement system — not HSS.

> "**Heldfond's second real, or perceived, conflict of interest involved the City employees' retirement system — not HSS. Aon Hewitt's Chicago office submitted a bid on SFERS' Deferred Comp plan RFP.**"

In January 2016 SFERS issued an RFP to perform investment consulting services for SFERS' Deferred Compensation Plan. SFERS' Deferred Comp Committee April 27, 2016 meeting minutes reported seven bid responses were received, including one from Aon Hewitt and one from SFERS' then-current investment adviser, Angeles Investment Advisors. In March 2016, the Chicago office of Aon Hewitt Investment Consulting, Inc., an Aon subsidiary, submitted a bid on SFERS' Deferred Comp plan RFP.

The Chicago office may be a separate location of Aon Hewitt, but it appears to be a sister affiliation with Aon Hewitt's San Francisco office, the latter of which was awarded the Health Service System actuarial consulting contract in 2011. How likely is it that Aon Hewitt's Chicago office doesn't talk with its San Francisco office?

Although Aon Hewitt wasn't selected for SFERS' Deferred Comp plan RFP, the "coincidence" of another Aon Hewitt entity bidding on an investment advisor contract — while Aon's Hewitt's actuarial services contract with HSS was still in effect until June 30, 2018 — is troubling.

To the extent various Aon affiliates continue to bid on contracts with SFERS and HSS, doesn't that pose the same appearance of potential conflicts of interest for Mr. Heldfond?

> "**Although Aon Hewitt wasn't selected for SFERS' Deferred Comp plan RFP, the 'coincidence' of another Aon Hewitt entity bidding on an investment advisor contract while Aon's Hewitt's contract with HSS was still in effect — is troubling. Doesn't that pose the same potential conflicts of interest for Mr. Heldfond?**"

Some observers wonder whether Heldfond was appointed to SFERS board because of his insurance experience background to bolster insurance company's influence on SFERS Deferred Comp Plan offerings. Paskin-Jordan was thought to have been somewhat weak defending investments in insurance annuities, and SFERS Board lacked insurance experience. It is thought the recent debacle churning the deferred comp contract from Prudential to Voya may have contributed to the Retirement System's board wanting a Trustee with a stronger insurance background.

Given that SFERS has recently denied any knowledge of which entity may be the insurance agent of record for its Deferred Comp insurance investment options, other observers wonder whether the agent of record itself wanted a Trustee with insurance experience on SFERS' board to protect them.

L'Affaire Aon and Hedge Funds

On February 10, 2017 news broke in a *Fortune*.com article (affiliated with *Fortune 500*) sourced to Reuters that insurance broker Aon Plc agreed to sell its employee benefits outsourcing business to private equity firm Blackstone Group LP for up to $4.8 billion. The *Fortune* article did not indicate, but Wikipedia reports, Aon's employee outsourcing benefits appears to have been handled by the outsourcing department of Aon Hewitt, that was acquired by Blackstone and rebranded as "*Alight Solutions.*" As a venture capitalist and an Aon senior vice president, did Heldfond ***not*** know about the sale?

"**In February 2017 insurance broker Aon Plc agreed to sell its employee benefits outsourcing business to private equity firm Blackstone Group. Blackstone is the first hedge-fund manager hired by SFERS' board to spend its first $500,000 investment in hedge funds. Did Heldfond *not* know about the sale?**"

Fortune did report that the deal "*allows Aon to exit a mature, capital-intensive outsourcing business and focus on growth areas such as cybersecurity and **health insurance***" [emphasis added]. *Fortune* noted:

> "*It also gives Blackstone ownership of a business that processes work benefits for 15 percent of the U.S. population. Private equity firms have been keen investors in businesses that **help companies cut costs by outsourcing** large parts of their administrative functions, since such operations can generate strong cash flows*" [emphasis added].

[**Note:** *Blackstone* should also not be confused with ***BlackRock***, that Wendy Paskin-Jordan was involved with, below.]

Blackstone, readers may remember, is the first hedge-fund manager hired by SFERS' board to spend its first $500,000 investment in hedge funds when it decided to wade into risky hedge fund investments. So now we have a SFERS hedge-fund manager that is also investing in cutting healthcare benefit costs.

Heldfond's Connections to San Francisco Politics and Money

In San Francisco's world of politics and money, it is notable that Heldfond has donated at least $4,750 to a long line of San Francisco politicians, including: Willie L. Brown, Jr. for mayor ($500, 1999); Gavin Newsom for mayor ($250, 2003 and $500, 2007); Joseph Alioto, Jr. for supervisor ($500, 2008); Mark Farrell for supervisor ($500, 2010 and $250, 2013); Michela Alioto-Pier for mayor ($500, 2011); Ed Lee for mayor ($500, 2011 and $500, 2015); and Catherine Stefani for supervisor ($250, 2018).

Heldfond's LinkedIn profile also reports that he was partner at Dinner Levison for 11 years, between 1972 and 1983. Heldfond seems to have married well, to Patty Swig Dinner, grand-daughter of Benjamin Swig, initial owner of the Fairmont Hotel.

Heldfond and Patty's son, Benjamin Heldfond — Benjamin Swig's great-grandson — also married well in March 2001 into the Eddie DeBartolo, Jr. clan, wedding Nicole (Nikki) DeBartolo at Grace Cathedral Church before 450 family members and friends, according to reporting in the *San Francisco Chronicle*. In a show of ostentation befitting royalty, the church was reportedly decorated with 24 urns featuring 14-feet-tall larkspur and white wax flower branches, from the front pew to the back, while "princess" Nicole wore a tiara, a veil with crystals, and a strapless Vera Wang wedding gown.

The wedding reception was held at the Palace of the Legion of Honor for 525 guests who sipped cocktails among Rodin sculptures in the Spreckels Gallery, which featured a pyramid ice sculpture laden with seafood. Dinner was catered by Willie Brown's *hors d'oeuvres* champ, Paula Le Duc, including seared scallops and herbed rack of lamb with charred asparagus. I wonder what it cost just to rent the Palace of the Legion of Honor.

On October 3, 2012, Brown wrote a *San Francisco Chronicle* article praising the *hors d'oeuvres* served at a fundraiser hosted by venture capitalist Ron Conway for Thorn, an organization co-founded by Demi Moore and Ashton Kutcher to fight child sex trafficking. Brown spotted a small spoon being carried on a tray with other small spoons; each spoon had held a miniature version of eggs Benedict. When Brown asked who's idea that had been, it turned out Conway had been at some event in Paris where the spoon-filled eggs Benedict had been served. Conway reportedly snapped a photo and e-mailed it to Ms. Le Duc, who re-created the delicacy for Conway's Thorn fundraiser. Le Duc thereby became Brown's *hors d'oeuvres* champ.

I have to wonder if the costs involved in Nikki's wedding could have fed San Francisco's entire homeless population for a month, or more. The ostentatious intersection of politics and money is this town is often just nauseating.

Bangalore Sister City Alumnae

During opening comments before the Rules Committee considering his appointment to SFERS Board on March 18, 2019 Heldfond asserted he had initiated the San Francisco–Bangalore Sister City Initiative.

> **"On March 18, 2019 Heldfond asserted he had initiated the San Francisco–Bangalore Sister City Initiative."**

He continues to serve as a Board member on the Bangalore Sister City Initiative. Heldfond is joined by other directors and by other Honorary and Emeritus Board members, including U.S. Senator Dianne Feinstein, Governor Gavin Newsom, the late Mayor Ed Lee, former Mayor Frank Jordan, and by Mayor London Breed as the current Honorary Chairperson. The Bangalore Sister City Initiative is listed in the *SisterCities International's* [a 501(c)(3) non-profit] 2014 Membership Directory.

Other Elephants in the Rules Committee Hearing Approving Heldfond to SFERS' Board

The *Mission Local* article on March 18 noted that one City Supervisor had said "*[Heldfond] said the* **magic word***: [Fossil Fuel] Divestment*." That's not at all what Heldfond testified today. He dissembled, or at best, qualified his intent. When he addressed his position on fossil divestment, he quibbled saying it needs to be done "on a very thoughtful basis."

> **"Heldfond quibbled saying SFERS fossil fuel divestment needs to be done 'on a very thoughtful basis.' Those are the same words Wendy Paskin-Jordan had used to stall SFERS' fossil fuel divestment for several years."**

Those are essentially the same words Wendy Paskin-Jordan had used to stall divestment for several years, that the divestment needs to be "thoughtful." If the Rules Committee today, or full Board tomorrow, believes this elephant in the room, SFERS' complete fossil fuel divestment will not happen anytime soon.

For his part, Supervisor Safai grilled Heldfond on using Retirement System investments for housing development. That may open the door for another elephant in the room over investments of the Retirement Fund being directed to another City entity — MOHCD — which Paskin-Jordan and other SFERS commissioners had previously opposed and stopped.

The *Hors d'oeuvres* Appetizer: Paskin-Jordan's Troubling 2015 Re-Appointment

Let's shift to the *hors d'oeuvres* appetizer of Paskin-Jordan.

News began circulating on February 11, 2019 that Paskin-Jordan wouldn't be reappointed to SFERS' Board of Trustees. By February 22 it was all but a done deal, given Mayor London Breed's appointment of Scott Heldfond to replace Paskin-Jordan. Wendy reportedly didn't take the news well.

> **"News began circulating on February 11, 2019 that Paskin-Jordan wouldn't be reappointed to SFERS' Board of Trustees. By February 22 it was all but a done deal."**

Back in March 2015, the *Westside Observer* published my article on the troubling reappointment of Wendy Paskin-Jordan to SFERS board. The article noted her many conflicts of interest and fitness to serve as a trustee of the pension fund.

In then-Mayor Ed Lee's haste to reappoint Paskin-Jordan, former-Mayor Jordan's wife, to SFERS' Board in 2015, Lee sloppily ignored vetting his reappointment recommendation through a required Board of Supervisors Rules Committee hearing where public testimony and a formal recommendation to approve or oppose mayoral appointees are forwarded to the full Board of Supervisors for consideration. Lee bypassed the Rules Committee altogether, ignoring protocol.

Having hopscotched avoiding a Rules hearing, Paskin-Jordan tweaked the noses of the Board of Supervisors by failing to appear at the December 16, 2014 hearing with the Board sitting as a Committee of the Whole to consider her reappointment. The Board was forced to schedule a special meeting sitting again as a second Committee of the Whole on January 7, 2015.

At the time, Lee had to have known two conflict-of-interest complaints against Paskin-Jordan had been filed with the City's Ethics Commission. Luckily, the Board of Supervisors were aware of the Ethics Commission two complaints about Paskin-Jordan's Form 700's *Statement of Economic Interests* (*SEI*) filed in 2014.

> **"In 2015, then-Mayor Lee had to have known two conflict-of-interest complaints against Paskin-Jordan had been filed with the City's Ethics Commission."**

Three mainstream media outlets had contemporaneously raised concerns about Paskin-Jordan's reappointment.

Widely-respected financial journalist David Sirota had reported in an *International Business Times* article on December 13, 2014 that Paskin-Jordan "*appears to have blurred the lines between her responsibility to the city and her personal financial interests*." Sirota reported "*Paskin-Jordan has invested her personal funds in a firm called GMO, which also manages almost $400 million of the San Francisco pension system's money*." Sirota noted "*San Francisco has rules designed to prevent people who manage pension systems from placing personal money in the same entities in which public funds under their supervision are invested*."

Multiple Ethics Complaints Against Paskin-Jordan

In addition to concerns about her relationship with GMO, the first ethics complaint dated April 3, 2014 involved concerns about whether Paskin-Jordan and her clients had also invested in Northern Trust by aggregating personal funds with SFERS' pension funds, a key question all but ignored by San Francisco's Board of Supervisors on January 7, 2015. The complaint asserted she had potentially received favorable and reduced fee structures for her account and her client's accounts between September 2011 and September 2013 by aggregating SFERS' fund balance with that of her and her clients, saving her millions of dollars in investment and transaction fees.

The second ethics complaint alleging Paskin-Jordan's financial misconduct dated September 2, 2014 involved a violation of the *Statement of Incompatible Activities* applicable to SFERS Board members regarding her investments in GMO's Quality Fund. As John Coté reported in the *San Francisco Chronicle* on December 15, 2014 the September Ethics complaint "*centers on her investment of between $100,001 and $1 million in Grantham, Mayo, Van Otterloo and Co., an international investment firm headquartered in Boston known as GMO that has a minimum investment threshold of $10 million*."

> **"The first ethics complaint dated April 3, 2014 involved concerns about whether Paskin-Jordan had invested in Northern Trust by aggregating personal funds with SFERS' pension funds.**
>
> **The second ethics complaint in September 2014 alleging Paskin-Jordan's financial misconduct involved her investments in GMO's Quality Fund."**

Coté noted City law prohibits Retirement Board members from investing with "managers of private equity, limited partnerships and non-publicly traded mutual funds that are doing business" with the City's retirement system. GMO describes itself on its website as "a private partnership," although San Francisco Employees' Retirement System staff claimed GMO was a "manager of public market assets," despite the $10 million minimum investment threshold.

Pensions & Investments columnist Randy Diamond also reported on December 17, 2014 that Huish said Paskin-Jordan had received a "threshold waiver" to invest with GMO [to get around the $10 million minimum investment threshold]. Diamond reported Huish claimed SFERS "considers GMO a manager of public market assets," ignoring GMO's own claim that it offers private investments, not public market investments, a concern raised by then-Supervisor John Avalos during the January 2015 hearing.

At the time, observers believed Paskin-Jordan's investments in GMO's Quality Fund represented, at minimum, a perceived conflict of interest. Sirota's December 2014 article noted that a letter from SFERS' executive director Jay Huish to the Ethics Commission had defended her, claiming she was given the right to invest in the GMO fund at a lower level of investing *before* she was appointed to SFERS' board, and that it was, therefore, permissible. Actually, she didn't personally invest in GMO until August 30, 2011 after she had been on the pension board for over a year.

"Observers believed Paskin-Jordan's investments in GMO's Quality Fund represented, at minimum, a perceived conflict of interest."

Indeed, she failed to report her investment in the GMO Quality Fund — an equity fund investment — on her Form 700 for the period ending December 31, 2011 in April 2012, and only got around to reporting that investment on her Form 700 dated in March 2013 for the period ending December 31, 2012, fully 16 to 19 months after acquiring it in August 2011. She should have reported it on her 2011 Form 700, the same year when she acquired it. Why hadn't she disclosed her "opportunity" earlier, only disclosing the investment while sitting as an SFERS Commissioner 16 months after she finally exercised the "opportunity"?

As I reported in 2015, Mayor Lee had noted in a short biography of Paskin-Jordan attached to his reappointment letter that she served on Barclays Global Investors' (BGI) board of directors until it was acquired by BlackRock. Mayor Lee claimed she served as a Trustee of various funds of BlackRock Funds. [**Note:** BlackRock should not be confused with *Blackstone* investments, the latter of which SFERS now holds hedge fund investments in.]

Given SFERS' involvement with BGI, Paskin-Jordan's affiliations as a Trustee of various BGI money market funds should have been thoroughly investigated — which the Board of Supervisors completely failed to do — in part because BGI was one of SFERS' currency overlay managers that contributed to a $60+ million loss to SFERS over eight years.

Despite all of the ethical concerns raised regarding her reappointment, the Board of Supervisors unanimously approved Paskin-Jordan's reappointment on January 7, 2015. They did so without probing into any of these questions, other than discussion of whether she would need to recuse herself in the future from voting on any of SFERS' banking-related issues involving Northern Trust.

"Despite the ethical concerns raised, the Board of Supervisors unanimously approved Paskin-Jordan's reappointment on January 7, 2015. They should have stopped her reappointment dead in its tracks."

The Board of Supervisors should have stopped her reappointment dead in its tracks in 2015. Instead, they handed her a get-out-of-jail-free card.

Paskin-Jordan and SFERS' Fossil Fuel Divestment Delay

Critics of Paskin-Jordan in 2015 accused her of having delayed for almost two years SFERS' divestment from its fossil fuel investments after the Board of Supervisors called for that divestment in 2013. She stalled, saying fossil fuel divestment needed to be done on a "thoughtful, prudent financial" basis (the same gibberish pretext Heldfond regurgitated during his comments before the Rules Committee considering his appointment to SFERS Board on March 18, 2019).

She coyly testified in 2015 that Jeremy Grantham is an expert in investments and an advocate of trying to understand ***when*** to divest from fossil fuels. That's the same Grantham who is a legendary hedge fund investor and founder of the $100 billion funds manager GMO that Paskin-Jordan invested in, in August 2011. It's been reported Grantham expects fossil fuels investments will undergo rapid divestment by institutional investors over the next 10 to 40 years, and divestment will completely replace fossil fuels energy investments in favor of renewable alternate energy sources, which may lead SFERRS' fossil fuel investments into worthless stranded assets nobody else will want to buy. It is unclear why Paskin-Jordan stalled SFERS' divestment from fossil fuels, but some observers worry her investments in Grantham's GMO Quality Fund may have slowed SFERS down.

"It is unclear why Paskin-Jordan stalled SFERS' divestment from fossil fuels, but some observers worry her investments in Grantham's GMO Quality Fund may have slowed SFERS down."

Another oddity with Paskin-Joran's investments involved her annual Form 700 for the period ending December 31, 2010 listing her April 2009 investment of between $100,001 and one million dollars in the Daedalus Qualified Partners hedge fund. Oddly, within the next 12 months, the Daedalus investment mysteriously vanished from her annual Form 700 for 2011 for the period ending December 31, 2011.

Form 700 instructions for Schedule A-1 stipulate that the disposal of investments must be reported, including the date disposed of. There's no record in Paskin-Jordan's Form 700's indicating when she disposed of her Daedalus investment. Why she failed to disclose when she disposed of the Daedalus investment is another symptom of how she gamed the system and flouted disclosure rules.

It later turned out that the FBI had investigated Daedalus Capital Partners for fraud, and on May 23, 2014 the *Chicago Tribune* reported that the Illinois Securities Department had charged Daedalus Capital, LLC's founder and chief investment officer Stephen Messiah Coleman with fraud, claiming in a civil action that the money manager sold improper investments and acted as an unlicensed adviser.

While serving on SFERS' Board, Wendy enjoyed her globe-trotting travel perks to attend conferences paid for by SFERS using the public dime. Consider her business-class travel on behalf of SFERS during FY 2017–2018, ending June 30, 2018.

According to another *Westside Observer* article, during that period she went to New York City twice, attended a seminar in Chicago, and incurred an $8,000 flight to attend a conference in Berlin, Germany. City employees paid a total of $16,000 for that three-day seminar within her eight-day vacation to Germany. In October 2018, she tapped the city employees' pension fund again for $16,000 to attend seminars in Melbourne and Sydney, Australia.

"**Paskin-Jordan stood to lose — and did — her influence and globe-trotting ability to schmooze with the likes of GMO's Jeremy Grantham — paid for on the public dime.**"

Clearly, Paskin-Jordan stood to lose — and did — her influence and globe-trotting ability to schmooze with the likes of GMO's Jeremy Grantham — paid for on the public dime. And she may stand to lose being eligible for piggybacking on SFERS investments to qualify for lower investment and transaction fees by aggregating SFERS' fund balance with that of her and her clients accounts, that may have saved her millions of dollars in reduced fees.

So, when Mayor Breed suddenly appointed Scott Heldfond to SFERS Board there are reports Paskin-Jordan was furious and reacted badly. She, and a handful of her labor union supporters, reportedly aggressively lobbied the Board of Supervisors to get her reappointed to SFERS' board, while her husband — former-Mayor Jordan — reportedly lobbied the mayor's office. Both lobbying efforts appear to have been in vain.

Asked for a comment on March 16 about her reaction to Breed's February letter appointing Heldfond "*to the seat formerly held by Wendy Paskin-Jordan*," Paskin-Jordan replied noting she had initially been appointed to SFERS board by then-Mayor Newsom and she felt honored to have served retirees and current employees while on SFERS board.

Her comment? She noted: "*I leave with the last report by NEPC ranking SFERS top 1% performance for 1, 3, 5 yrs for similar size pension funds*." It's not at all clear what she meant about SFERS' performance.

Sometimes, the devil you do know is worse than the main course devil you don't know.

Follow the Money

Beneficiaries of the Employees' Retirement System and Health Service System — active city employees, retirees, and other beneficiaries — deserve better than having to put up with conflict-of-interest-laden appointees churned to these Boards. Can't the mayor find anyone without clear conflicts of interest? This should embarrass Breed.

"**Beneficiaries of the Retirement System should probably keep a close eye on now SFERS Trustee Heldfond to monitor how he affects SFERS' hedge fund investments and SFERS' Deferred Comp plan.**"

Now that Elsbernd has gotten his way several times, beneficiaries of the Retirement System should probably keep a close eye on now SFERS Trustee Heldfond to monitor how he affects SFERS' hedge fund investments and SFERS' Deferred

Comp plan's infatuation with investing in insurance annuities to the probable detriment of employees trying to save for their eventual retirements, particularly considering the incestuous nature of politics and money in San Francisco.

Multiple unanswered due diligence questions remain:

"SFERS' regime may have churned, but conflicts of interest remain. *What could possibly go wrong?* As the saying goes, follow the money."

- Did Aon Plc perform adequate due diligence of President Donald Trump's financial statements, insurance applications, and insurance claims?
- Did Mayor Breed and her Chief of Staff, Sean Elsbernd, neglect running a due diligence "conflicts check" on Heldfond through the City Attorney's Office ***before*** appointing him to SFERS Board?
- Did San Francisco's Board of Supervisors perform adequate due diligence of Scott Heldfond's background?
- Given SFERS' Trustees questionable track record performing due diligence of its investments, will Heldfond help SFERS achieve greater due diligence?

SFERS' regime may have churned, but conflicts of interest remain. ***What could possibly go wrong?***

As the saying goes, follow the money. Follow the politics. And follow the potential incestuous conflicts of interest.

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Postscript: Aon Plc *vs.* President Donald J. Trump

Aon Plc's horse got out of its barn.

Recent news that Aon Plc has been subpoenaed for records regarding President Trump's business relationship with Aon is troubling, since it calls into question Aon's ability to assess the risks of potential insurance fraud.

"Recent news that Aon Plc has been subpoenaed for records regarding President Trump's business relationship with Aon is troubling."

Some observers suspect that, at the very least, the subpoena created a public relations disaster for Aon regarding its reputation.

When President Donald Trump's personal lawyer and fixer Michael Cohen provided testimony before the U.S. House of Representatives' Oversight and Reform Committee hearing on February 27, 2018 in open session, he testified that Trump had *inflated* his assets on "*Statements of Financial Condition*" to banks and insurance companies to obtain bank loans or favorable discounts. Alternatively, Trump would ***lower*** his *Statements of Financial Condition* in order to obtain tax breaks.

"Congresswoman Alexandria Ocasio-Cortez pointedly asked Cohen whether Trump had ever provided inflated financial statements to insurance companies. Cohen replied that Trump had."

Astutely, freshman Congresswoman Alexandria Ocasio-Cortez pointedly asked Cohen whether Trump had ever provided inflated financial statements to insurance companies. Cohen replied that Trump had — in order to lower his insurance premiums — but Cohen didn't name which insurance companies.

It didn't take long for the mainstream and financial media, and legal oversight bodies, to start investigating to corroborate Cohen's testimony.

Trump's Fudged Financial Statements

In order to inflate his net worth, Trump repeatedly lied on subsequent years of his *Statements of Financial Condition*. In his 2011 *Statement*, Trump claimed he had 55 home lots for sale adjacent to his Los Angeles golf course with starting prices of $3 million each.

"In order to inflate his net worth, Trump repeatedly lied on subsequent years of his ***Statements of Financial Condition***."

But the land was zoned for only 31 lots, so the imaginary 24 extra lots inflated his net worth by $72 million in future sales.

On another statement, Trump claimed his vineyard had 2,000 acres, 800 more than the actual 1,200 acres. On another statement, he claimed Trump Tower in New York City had 68 stories; ten stories were nonexistent, since Trump Tower only has 58 stories, as the skyline shows. On a 2013 Statement, he reportedly omitted two of his hotels — one in Chicago and one in Las Vegas — that each had large debt loads, to disguise his overall outstanding debt.

> **"Did Trump think nobody would notice the spike to $291 million was an outlier?"**

A day after Cohen's testimony, MSNBC's Rachel Maddow reported February 28 Trump's 2012 *Statement* wildly claimed the value of his *Seven Springs Estate* in Bedford, New York was $291 million — a sharp spike in the property's valuation, because his 2013 *Statement* listed the value of the estate at only $19 million, and in 2018 it was valued at somewhere between $25 million and $50 million. [*Did Trump really think nobody would notice the spike to $291 million was an outlier?*]

> **"It will eventually be up to prosecutors to prove whether Trump had clear intent to engage in insurance fraud."**

It will be up to prosecutors to prove whether the spiked documents actually resulted in financial benefits to Trump, whether he mislead investors, and whether the fudged documents involved clear intent to engage in outright insurance fraud.

> **"Trump collected about $18.3 million in insurance claim payments from a carrier whose services were brokered by Aon Plc."**

On March 7, Bloomberg.com published a correction to an article by Timothy L. O'Brien, who is the executive editor of *BloombergOpinion*. O'Brien's books include "*TrumpNation: The Art of Being The Donald*." Trump had filed a libel lawsuit against O'Brien over the "*TrumpNation*" 2005 biography in which O'Brien had, among other things, disputed Trump's net worth. Trump lost the libel lawsuit in 2011.

O'Brien's March 7 article noted that following a series of hurricanes in Florida in 2005 near Trump's Mar-a-Lago estate, Trump had collected about $18.3 million in insurance claim payments from a carrier whose services were brokered by Aon Plc. In the correction, O'Brien clarified Aon was the *broker* that arranged an insurance carrier's services for the Trump Organization, but Aon itself hadn't made the insurance payments to Trump's company.

It should be noted that insurance brokers such as Aon — and its subsidiary, Aon Risk Services — help companies evaluate risks and connect them with underwriting companies offering the actual insurance coverage. Brokers receive fees or commissions for their services, usually paid by the client (such as the Trump Organization).

O'Brien reported that the Associated Press published an article in 2016 after researching property record damage reports, interviewing the adjuster who assessed Trump's insurance claim, meeting with the man who oversaw Mar-a-Lago, and speaking with Palm Beach officials about possible damage to the club. The AP concluded there was little evidence of large-scale hurricane-related damage to Mar-a-Lago. The AP wrote about it again in 2017 and reported that four major hurricanes in the 90 years since Mar-a-Lago was built had caused very little damage.

Another media outlet, *InsuranceJournal.com*, had previously published an article in October 2016 that came to the same conclusion as O'Brien had: That large-scale hurricane damage had not occurred.

Subpoena for Aon's Records Involving Trump

> **"On March 5, 2019 the New York State Department of Financial Services subpoenaed records from Trump's longtime insurance broker, Aon Plc."**

The *New York Times* reported on March 5, 2019 that the New York State Department of Financial Services (the state agency that regulates insurance) subpoenaed records from Trump's longtime insurance broker, Aon Plc — apparently as a result of Michael Cohen's testimony. The subpoena was issued on March 4, the same day that the U.S House of Representatives Judiciary Committee issued 81 letters seeking documents from various people and companies in Trump's orbit.

The *Times* article noted that the nine-page subpoena sought copies of the insurance policies issued to Trump and the Trump Organization, as well as the applications and financial statements submitted to obtain the insurance policies. In addition, the subpoena sought copies of all communications between Aon and Trump and the Trump Organization, as well as all internal Aon documents relating to Trump and the company dating back to 2009.

The subpoena reportedly also sought documents involving compensation paid to current and former Aon employees who handled the Trump Organization account, including incentives, bonus payments, and commissions. Similar contracts and agreements between Aon and Mr. Trump were apparently also requested in the subpoena.

"The nine-page subpoena sought copies of the insurance policies issued to Trump as well as the applications and financial statements submitted to obtain the insurance policies.

The subpoena also sought documents involving compensation paid to current and former Aon employees who handled the Trump Organization account."

The Department of Financial Services requested Aon respond to the subpoena by March 19. An Aon spokeswoman indicated Aon intended to cooperate with the subpoena.

It's not yet known whether the State of New York will pursue litigation against Trump if the Department of Financial Services establishes that corrupt intent of insurance fraud occurred. Nor is it yet known if the records Aon produces will be shared with the U.S. Congress.

To the extent that Aon may have lowered Trump's insurance premiums based on his doctored *Statements of Financial Condition*, and to the extent Aon or the insurance carrier Aon had brokered to provide insurance coverages services to the Trump Organization had paid $18.3 million to Trump for minor damage to Mar-a-Lago suggests inadequate due diligence may have been conducted by Aon prior to setting Trump's insurance premiums, and perhaps inadequate due diligence may have been performed prior to paying Trump's Mar-a-Lago insurance claim.

"To the extent that Aon may have lowered Trump's insurance premiums based on his doctored *Statements of Financial Condition* suggests inadequate due diligence may have been conducted. Was Aon's subsidiary, Aon Risk Services, involved in performing the due diligence?"

Was Aon's subsidiary, Aon Risk Services, involved in performing the due diligence?

This begs at least two questions: Whether fraud had been involved in obtaining lower insurance premiums, and whether additional fraud had been involved when the Mara-a-Lago insurance claim was filed. Both questions raise concerns about Aon Plc's ability to detect and prevent fraud against the company and its shareholders.

"Both questions raise concerns about Aon Plc's ability to detect and prevent fraud."

And given existing problems with SFERS' Board of Trustees performing inadequate due diligence on its investments, Heldfond's appointment to SFERS' Board should be of concern to both members and beneficiaries of the pension fund, and to taxpayers.

"Given existing problems with SFERS' Board of Trustees performing inadequate due diligence on investments, Heldfond's appointment to SFERS' Board should be of concern to members and to taxpayers."

When it comes to due diligence, ***what could possibly go wrong?***