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7

8 **BEFORE THE FAIR POLITICAL PRACTICES COMMISSION**
9 **STATE OF CALIFORNIA**

10
11 In the Matter of:

12 YU MENG aka BEN MENG,

13 Respondent.

FPPC Case No. 2020-00629

STIPULATION, DECISION AND ORDER

Date Submitted to Commission: November 2024

14
15 **INTRODUCTION**

16 Respondent Yu Meng aka Ben Meng (“Meng”) was the Chief Investment Officer for the
17 California Public Employees’ Retirement System (CalPERS) from January 2, 2019 through August 5,
18 2020.

19 This case arose from two anonymous complaints and one Commission-initiated complaint.

20 The Political Reform Act (the “Act”)¹ prohibits public officials from making, participating in
21 making, or attempting to influence governmental decisions in which the official knows or has reason to
22 know they have a financial interest. Meng violated the Act when he made two governmental decisions
23 that had a reasonably foreseeable material financial effect on Meng’s financial interest.

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28 ¹ The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practice Commission are contained in §§ 18104 through 18998 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

1 **SUMMARY OF THE LAW**

2 The Act and its regulations are amended from time to time. All legal references and discussions
3 of law are intended to be citations to statutes and regulations as they existed at the time of the violations
4 in this case.

5 Meng signed a tolling agreement on February 15, 2024, to extend the statute of limitations.

6 **Need for Liberal Construction and Vigorous Enforcement of the Political Reform Act**

7 When enacting the Political Reform Act, the people of California found and declared that
8 previous laws regulating political practices suffered from inadequate enforcement by state and local
9 authorities.² Thus, it was decreed that the Act “should be liberally construed to accomplish its
10 purposes.”³

11 One purpose of the Act is to ensure that public officials perform their duties in an impartial
12 manner, free from bias caused by their own financial interests or the financial interests of persons who
13 have supported them.⁴ Along these lines, the Act requires that the assets and income of public officials
14 are required to be disclosed in appropriate circumstances.⁵ Further, the officials should be disqualified
15 from acting in order that conflicts of interest may be avoided.⁶

16 Another purpose of the Act is to provide adequate enforcement mechanisms so that the Act will
17 be “vigorously enforced.”⁷

18 **Conflict of Interests**

19 **Basic Rules and Definitions**

20 A public official may not make, participate in making, or attempt to use their official position to
21 influence a governmental decision in which they know, or have reason to know, they have a financial
22 interest.⁸ A public official has a financial interest in a decision if it is reasonably foreseeable that the
23 decision will have a material financial effect, distinguishable from its effect on the public generally, on a
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25 _____
26 ² Section 81001, subdivision (h).

³ Section 81003.

⁴ Section 81001, subdivision (b).

⁵ Sections 81002, subdivision (c), 87100, and 87200 et seq.

⁶ Sections 87100, et seq.

⁷ Section 81002, subdivision (f).

⁸ Section 87100.

1 business entity in which the public official has a direct or indirect investment worth at least \$2,000.⁹ A
2 business entity is defined as any organization or enterprise operated for profit, including but not limited
3 to a proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, or
4 association.¹⁰ “Investment” means any financial interest in or security issued by a business entity,
5 including any parent, subsidiary, or otherwise related business entity.¹¹

6 “Public official” means every member, officer, employee, or consultant of a state or local
7 government agency.¹² A public official makes a governmental decision if the official authorizes or
8 directs any action, votes, appoints a person, obligates or commits his or her agency to any course of
9 action, or enters into any contractual agreement on behalf of his or her agency.¹³

10 **Reasonable Foreseeability**

11 For a financial interest explicitly involved in a decision, a financial effect on the financial interest
12 is presumed to be reasonably foreseeable if the financial interest is a named party in, or the subject of, a
13 governmental decision before the official or the official’s agency. A financial interest is the subject of a
14 proceeding if the decision involves the issuance, renewal, approval, denial or revocation of any license,
15 permit, or other entitlement to, or contract with, the financial interest.¹⁴

16 **Materiality Rules in Effect for the February 21, 2019 Governmental Decision**

17 The reasonably foreseeable financial effect of a governmental decision on a business entity in
18 which an official has a financial interest identified in Section 87103(a) or (d) is material whenever the
19 business entity: (1) Initiates the proceeding in which the governmental decision will be made by filing an
20 application, claim, appeal, or request for other government action concerning the business entity; (2)
21 Offers to make a sale of a service or a product to the official’s agency; (3) Bids on or enters into a written
22 contract with the official’s agency; (4) Is the named manufacturer in a purchase order of any product
23 purchased by the official’s agency or the sales provider of any products to the official’s agency that
24 aggregates to \$1,000 or more in any 12-month period; (5) Applies for a permit, license, grant, tax credit,

26 ⁹ Section 87103 and Regulation 18700.

27 ¹⁰ Section 82005.

28 ¹¹ Section 82034 and Regulation 18700.2.

¹² Section 82048.

¹³ Regulation 18704, subdivision (a).

¹⁴ Regulation 18701, subdivision (a).

1 exception, variance, or other entitlement that the official’s agency is authorized to issue; (6) Is the subject
2 of any inspection, action, or proceeding subject to the regulatory authority of the official’s agency; or (7)
3 Is otherwise subject to an action taken by the official’s agency, the effect of which is directed solely at
4 the business entity in which the official has an interest.¹⁵

5 **Materiality Rules in Effect for the March 23, 2020 Governmental Decision**

6 The reasonably foreseeable financial effect of a governmental decision on an official’s financial
7 interest in a business entity is material if any of the following criteria are met: (1) Explicitly Involved.
8 The entity is a named party in, or the subject of, the decision, including any decision in which the entity:
9 (A) Initiates the proceeding by filing an application, claim, appeal, or other request for action concerning
10 the entity with the official’s agency; (B) Offers to sell a product or service to the agency; (C) Bids on, or
11 enters into, a contract with the agency, or is identified as a subcontractor on a bid or contract with the
12 agency; (D) Is the named or intended manufacturer or vendor of any products to be purchased by the
13 agency with an aggregate cost of \$1,000 or more in any 12-month period; (E) Applies for a permit,
14 license, grant, tax credit, exception, variance, or other entitlement from the agency; (F) Is the subject of
15 any inspection, action, or proceeding under the regulatory authority of the agency; or (G) Is subject to an
16 action taken by the agency that is directed at the entity.¹⁶

17 **SUMMARY OF THE FACTS**

18 **Term of Office**

19 Meng began working as CalPERS CIO on January 2, 2019. Meng left office on August 5, 2020.
20 As CalPERS CIO, Meng was a designated employee required to file statements of economic interests
21 (“SEIs”).

22 **Financial Interest and SEI Disclosure**

23 The Blackstone Group Inc. (“Blackstone”) is “the world’s largest alternative asset manager,”
24 based in New York City, and serves institutional and individual investors.¹⁷

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27 _____
28 ¹⁵ Regulation 18702.1, subdivision (a) [operative 4/27/2015 through 9/24/2019].

¹⁶ Regulation 18702.1, subdivision (a) [operative 9/25/2019].

¹⁷ <https://www.blackstone.com/>

Meng held stock in Blackstone, which Meng disclosed on SEIs as follows:

SEI	Due Date	Date Filed	Fair Market Value	Disposed Date
Assuming Office	2/1/2019	1/31/2019	\$10,000 - \$100,000 ¹⁸	n/a
2019 Annual	6/1/2020	4/1/2020	\$10,000 - \$100,000 ¹⁹	n/a
Leaving Office	9/4/2020	9/4/2020	\$100,000 - \$1,000,000	5/8/2020

Blackstone managed two funds relevant to this matter: Blackstone Capital Partners VIII, L.P. (“BCP VIII”) and Blackstone Core Equity Partners II, L.P. (“BCEP II”).

Governmental Decisions

The CalPERS Private Equity Investment Review Committee (“PE IRC”) considered investing in BCP VIII at the February 7, 2019 meeting, with staff proposing a \$750 million commitment. No action was taken at that time. The PE IRC discussed the BCP VIII commitment in detail and voted on it at the February 21, 2019 PE IRC meeting. Meng was present at these meetings as an additional participant, but not as a voting member of the PE IRC. Even so, the February 21, 2019 PE IRC meeting minutes indicate that Meng voted in favor of the commitment, with an additional note specifying: “The proposed commitment of \$750 million to Blackstone Capital Partners VIII falls within the CIO delegated authority. CIO Ben Meng voted to approve the proposed commitment.”

The PE IRC considered investing in BCEP II at the January 30, 2020 and February 6, 2020 meetings, with staff proposing a commitment of up to \$1 billion to BCEP II and up to \$500 million to a co-investment vehicle. Meng was not present at these meetings, and the minutes reflect that “[t]he total proposed commitment of \$1.5 billion to Blackstone was approved by the IRC Members but [was] pending final approval by B. Meng.” Meng approved the BCEP II commitment electronically on March 23, 2020, by digitally signing the “Final Investment Review” report that was prepared “for the CalPERS Investment Review Committee’s (“IRC”) consideration.”

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¹⁸ It should be noted that Meng’s various decisions regarding Blackstone did not violate Government Code section 1090 because Meng’s total investments in Blackstone were under the statutory threshold for creating a conflict of interest under Section 1090. Because Blackstone had hundreds of millions of outstanding shares of stock and Meng’s investment in Blackstone was a few thousand shares, Meng’s interest was well below the 3% threshold.

¹⁹ Meng’s investment in Blackstone should have been identified as having a fair market value of \$100,000 - \$1,000,000 on the 2019 Annual SEI.

1 **VIOLATIONS**

2 **Count 1: Conflict of Interests**

3 On or about February 21, 2019, Meng, as CalPERS CIO and owning stock valued at \$2,000 or
4 more in Blackstone, had a conflict of interest when he made a governmental decision regarding the
5 CalPERS BCP VIII commitment that had a reasonably foreseeable material financial effect on his
6 financial interest, Blackstone, in violation of Government Code section 87100.

7 **Count 2: Conflict of Interests**

8 On or about March 23, 2020, Meng, as CalPERS CIO and owning stock valued at \$2,000 or more
9 in Blackstone, had a conflict of interest when he made a governmental decision regarding the CalPERS
10 BCEP II commitment that had a reasonably foreseeable material financial effect on his financial interest,
11 Blackstone, in violation of Government Code section 87100.

12 **PROPOSED PENALTY**

13 This matter consists of two proposed counts. The maximum penalty that may be imposed is
14 \$5,000 per count.²⁰ Thus, the maximum penalty that may be imposed for the counts charged here is
15 \$10,000.

16 Conflict of interests violations do not qualify for the Commission’s streamline program.

17 In determining the appropriate penalty for a particular violation of the Act, the Enforcement
18 Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an
19 emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division
20 considers the facts and circumstances of the violation in the context of the following factors set forth in
21 Regulation 18361.5 subdivision (e)(1) through (8): (1) The extent and gravity of the public harm caused
22 by the specific violation; (2) The level of experience of the violator with the requirements of the Political
23 Reform Act; (3) Penalties previously imposed by the Commission in comparable cases; (4) The presence
24 or absence of any intention to conceal, deceive or mislead; (5) Whether the violation was deliberate,
25 negligent or inadvertent; (6) Whether the violator demonstrated good faith by consulting the Commission
26 staff or any other governmental agency in a manner not constituting complete defense under Government
27

28 ²⁰ See Section 83116, subdivision (c).

1 Code Section 83114(b); (7) Whether the violation was isolated or part of a pattern and whether the
2 violator has a prior record of violations of the Political Reform Act or similar laws; and (8) Whether the
3 violator, upon learning of a reporting violation, voluntarily filed amendments to provide full disclosure.

4 A conflict of interests is a serious violation of the Act with a high degree of public harm. This
5 type of violation undermines public trust in government by creating the appearance that the decision was
6 the product of a conflict of interests. Also, such conduct contradicts the Act’s decree that public officials
7 should serve the needs of all citizens in an impartial manner—free from bias caused by their own
8 financial interests. In this matter, Meng made two governmental decisions, each having a reasonably
9 foreseeable material financial effect on Blackstone, and each representing a significant monetary
10 commitment to Blackstone.

11 The Commission has previously considered another stipulation involving conflicts of interests: *In*
12 *the Matter of James N. Neil aka Jim Neil*, FPPC No. 2022-00716 (the Commission approved a settlement
13 in this matter on February 16, 2023). The respondent had an investment interest in a business entity and
14 had a conflict of interest when the respondent participated in a decision by the San Diego Housing
15 Commission to purchase real property from that business entity. The Commission imposed a penalty of
16 \$5,000 for one count.

17 Here, the same penalty amount per count is warranted. Meng owned stock in Blackstone valued at
18 \$2,000 or more at the time he made the relevant governmental decisions. Both decisions involved a
19 considerable commitment to Blackstone funds, which warrants the maximum penalty.

20 Meng acknowledges that he engaged in the two governmental decisions at issue here. During his
21 tenure, Meng relied on CalPERS staff to advise and assist when filing the required SEIs. Staff with the
22 CalPERS Investment Compliance and Operational Risk (“ICOR”) division had assisted Meng with
23 drafting the required SEIs and, thus, were aware of Meng’s personal investments. Meng mistakenly
24 believed that potential conflicts of interests would be flagged for recusal as part of ICOR’s conflict of
25 interest pre-clearance process. Meng voluntarily disposed of the equity holdings in Blackstone in May
26 2020 to ensure that no further conflict of interests could arise thereafter.

27 After considering the factors listed in Regulation 18361.5 and penalties in prior similar cases, a
28 penalty of \$10,000 is recommended.

1 **CONCLUSION**

2 Complainant, the Enforcement Division of the Fair Political Practices Commission, and
3 Respondent, Yu Meng aka Ben Meng, hereby agrees as follows:

4 1. Respondent violated the Act as described in the foregoing pages, which are a true and
5 accurate summary of the facts in this matter.

6 2. This stipulation will be submitted for consideration by the Fair Political Practices
7 Commission at its next regularly scheduled meeting—or as soon thereafter as the matter may be heard.

8 3. This stipulation resolves all factual and legal issues raised in this matter—for the purpose
9 of reaching a final disposition without the necessity of holding an administrative hearing to determine the
10 liability of the Respondent pursuant to Section 83116.

11 4. The Respondent has consulted with their attorney, Jennie Unger Skelton of Politicom Law
12 LLP, and understands, and hereby knowingly and voluntarily waives, any and all procedural rights set
13 forth in Sections 83115.5, 11503, 11523, and Regulations 18361.1 through 18361.9. This includes, but is
14 not limited to the right to appear personally at any administrative hearing held in this matter, to be
15 represented by an attorney at the Respondent’s own expense, to confront and cross-examine all witnesses
16 testifying at the hearing, to subpoena witnesses to testify at the hearing, to have an impartial
17 administrative law judge preside over the hearing as a hearing officer, and to have the matter judicially
18 reviewed.

19 5. The Respondent agrees to the issuance of the decision and order set forth below. Also, the
20 Respondent agrees to the Commission imposing against it an administrative penalty in the amount of
21 \$10,000. One or more cashier’s checks or money orders totaling said amount—to be paid to the General
22 Fund of the State of California—is/are submitted with this stipulation as full payment of the
23 administrative penalty described above, and same shall be held by the State of California until the
24 Commission issues its decision and order regarding the matter.

25 6. If the Commission declines to approve this stipulation—then this stipulation shall become
26 null and void, and within fifteen business days after the Commission meeting at which the stipulation is
27 rejected, all payments tendered by the Respondent in connection with this stipulation shall be reimbursed
28 to the Respondent. If this stipulation is not approved by the Commission, and if a full evidentiary hearing

1 before the Commission becomes necessary, neither any member of the Commission, nor the Executive
2 Director, shall be disqualified because of prior consideration of this Stipulation.

3 7. The parties to this agreement may execute their respective signature pages separately. A
4 copy of any party's executed signature page including a hardcopy of a signature page transmitted via fax
5 or as a PDF email attachment is as effective and binding as the original.

6
7 Dated: _____
8 James M. Lindsay, Chief of Enforcement
9 Fair Political Practices Commission

10 Dated: _____
11 Yu Meng aka Ben Meng

12 The foregoing stipulation of the parties "In the Matter of Yu Meng aka Ben Meng," FPPC No. 2020-
13 00629 is hereby accepted as the final decision and order of the Fair Political Practices Commission,
14 effective upon execution below by the Chair.

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16 IT IS SO ORDERED.

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18 Dated: _____
19 Adam E. Silver, Chair
20 Fair Political Practices Commission