

NYCERS Dissidents Enlist Allies in Investment Fight

By RICHARD STEIER | Posted: Monday, November 14, 2011 5:00 pm

Several elected officials who have votes on the board of the New York City Employees Retirement System have joined the two union trustees with serious reservations about a deal to change pension-investment procedures in demanding that City Comptroller John C. Liu offer a detailed justification for the move at the pension system's Nov. 15 meeting.

The issues they have asked that Mr. Liu address reflect the skepticism of the union trustees—John Samuelsen of Transport Workers Union Local 100 and Gregory Floyd of Teamsters Local 237—regarding the prediction by Mr. Liu and Mayor Bloomberg that the proposed change could improve returns for the five city pension funds by between \$1.2 billion and \$2.4 billion annually. The third union trustee, District Council 37 Executive Director Lillian Roberts, supports the proposal.

de Blasio, 4 Beeps Share Doubts

The dissident trustees were joined by Public Advocate Bill de Blasio and four of the five Borough Presidents in signing a letter written by Local 100 attorney Larry Cary to the Chief Investment Officers for both the Mayor and the Comptroller and NYCERS Executive Director Diane D'Alessandro requesting a response to their questions at the meeting, which was to occur on the day this newspaper appeared on the stands.

A spokeswoman for Ms. D'Alessandro said those items will be on the agenda.

Mr. de Blasio, like Mr. Floyd and Mr. Samuelsen, has one vote on the board; the Borough Presidents each cast one-fifth of a vote. If they stayed aligned, they would have enough votes to defeat the proposal, since 33/5 votes constitutes a majority, provided one of the full votes comes from a city representative on the seven-member board.

Among the matters they want clarification of are the calculations that served as the basis for Mr. Bloomberg and Mr. Liu believing the improvement in returns could be so great if the five funds' boards were supplanted by a single investment board led by a Chief Investment Officer who would serve independent of the Comptroller's Office. Mr. Bloomberg had cited higher investment returns produced by the endowments of Harvard and Yale Universities in recent years; the letter asks for a 10-year comparison between the pension funds' investment performance and that of the endowments "accounting for investment policy differences, liquidity and cash requirements for pension payments, nimbleness, risk and liabilities. Specifically, we want to ask if it is fair to compare a pension plan, like NYCERS, with a college endowment? And if so, why?"

Want Selection, Investment Data

They have also requested details as to what criteria will be used in selecting and removing members of the proposed board and how its investment policies will be formulated. While there are 58 board members spread across the five systems—with some duplication, since the Comptroller and the Mayor each have at least one representative on each board—the independent panel is expected to have as few as 12 members. Because DC 37's membership of approximately 120,000 roughly doubles the combined memberships of Local 100 and Local 237, it is expected that Ms. Roberts would have the inside track on being the NYCERS union representative on the slimmed-down independent board.

The skeptical trustees also want information as to whether there would be any changes in the current NYCERS investment policy factored into the projected improvement in returns, which asset classes would be taken over by the independent investment board from the five funds, and how that board would be governed. One aspect of that governance they are seeking information about is whether the board would be guided by principles of socially responsible investing and use minority- and women-owned investment firms as part of its operation.

The dissident unions have questioned the claim made by both the Mayor and several key union officials that the single board would be able to greatly accelerate the process between investment decisions and implementation of those decisions. They also complained when the proposal was unveiled late last month that they had received no advance notice, and questioned everything from the expectation that the independent board would be more reliant on hedge funds investing pension money to the proposed compensation for the Chief Investment Officer, which is likely to be significantly higher than is paid the in-house investors for the city, given Mr. Bloomberg's statement that it would be comparable to what is paid to persons in similar positions at private investment firms.