

Legislation Text

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Authorizing Council's Committee on Law and Government to conduct a full and comprehensive investigation into recent allegations that City decisions on hiring lawyers to prosecute certain Pension Fund related lawsuits may have inappropriately limited the amount of damages paid to the Fund.

WHEREAS, In the past decade numerous class-action lawsuits have been filed on behalf of local and state pension funds throughout the nation to recover damages for investment losses caused by corporate fraud and misconduct; and

WHEREAS, Philadelphia's Pension Fund has often been the lead plaintiff in these cases, entitled to select, and dictate financial terms to, lead counsel; and

WHEREAS, Recent articles in the Philadelphia Inquirer have alleged that when the Philadelphia Pension Fund has been lead plaintiff, decisions on hiring lawyers to prosecute the litigation have not necessarily been based solely on the best financial interests of the Fund; and

WHEREAS, The Inquirer has further alleged that although many of these lawsuits have been successful, the damages recovered by the Pension Fund could have been far greater but for the unjustifiably large fees, amounting to as much as 30% of the recoveries, that were paid to the law firms; and

WHEREAS, The Inquirer reported that in one case a federal judge pressured the City to justify its hiring of a particular lawyer, resulting in a different firm being hired, and the counsel fees being reduced to a mere 7% of the total recovered; and

WHEREAS, A variety of jurisdictions, when they were lead plaintiffs, have selected counsel based upon a bidding process which lowered fees and increased the portion of damage recoveries which were paid to the funds; now therefore

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That it hereby authorizes Council's Committee on Law and Government to conduct a full and comprehensive investigation into recent allegations that City decisions on hiring lawyers to prosecute certain Pension Fund related lawsuits may have inappropriately limited the amount of damages paid to the Fund, and into appropriate legislative steps to prevent similar future conduct; and,

FURTHER RESOLVED, That the Council authorizes the Chairperson of the Committee on Law and Government to issue subpoenas and such other process as may be necessary or appropriate in furtherance of such investigation to the full extent authorized under Section 2-401 of the Home Rule Charter.