



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

Legislation Text

File #: 090754, Version: 0

Authorizing City Council's Committee on Finance to hold public hearings on the City's pension fund's securities litigation strategy policy.

WHEREAS, The City of Philadelphia maintains a pension fund (Fund) of approximately \$3.4 billion for roughly 28,000 employees and 34,000 retirees. The assets of the Fund are invested based on an asset distribution policy as determined by the Board. Some investments in which the Fund may invest may be impacted by violations of state or federal fiduciary duty or anti-fraud statutes; as such, legal action may be appropriate and necessary to protect the fund's investment and/or recoup losses; and

WHEREAS, Many pension funds throughout the country have developed a securities litigation strategy policy to assist managers in determining appropriate action when state or federal law violations are alleged. In Philadelphia, securities litigation cases are handled by the custodian of the Fund except for cases in which the City is selected as lead plaintiff, in which case the Law Department reviews the matter and may hire outside counsel; and

WHEREAS, Securities litigation is a complex field and few firms have the knowledge of the relevant state and federal law or have the experience in securities class and shareholder derivative actions to adequately safeguard the City's interests. As such, a securities litigation strategy policy may assist in protecting the Fund; and

WHEREAS, Many comparable pension funds have issued Requests for Proposals and have retained law firms to monitor their funds independently. These law firms are not paid unless retained for and successfully litigate the case. Such law firms enjoy no guarantee that they will be retained, however, by monitoring the fund for potential problems, the Fund's specific interests are protected. A Request for Qualifications and/or a Request for Proposals may be appropriate to invite qualified law firms to monitor the Fund; and

WHEREAS, A number of reports have documented pay-to-play schemes involving Pension Funds and securities litigation firms. The appropriate way to manage such concerns is by issuing a Request for Proposals to invite qualified firms to monitor the Fund; now, therefore be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That City Council's Committee on Legislative Oversight is authorized to hold public hearings on the City's pension fund's securities litigation policies.