Following section from:
The New NY Agenda: A Plan for Action

Reform Administration of the State Pension Fund

As Attorney General, Andrew Cuomo commenced an investigation into allegations of fraud, abuse and misconduct relating to State pension funds. The investigation focused on a range of issues, including self-dealing, "pay to play" and conflicts of interest in the State pension system. Several criminal convictions resulted from the investigation and over $100 million have been recovered from investment firms.[i]

Currently, the State pension fund, known as the Common Retirement Fund, is a single trust consisting of the assets of the New York State and Local Employees' Retirement System and the New York State Local Police and Fire Retirement System.[ii] Currently, all of the assets and income of State's pension fund are held by the Comptroller as sole trustee. The Fund, valued at about $129 billion, is one of the largest pools of investment capital in the world.

New York is one of only three states that entrust the management of a state public retirement pension fund—a $129 billion fund—to a single person.

New York is one of only three states that entrust the management of a state public retirement pension fund to a single person.[iii] The vast majority of such funds are governed by boards of trustees, as opposed to a single trustee. Moreover, other New York public pension funds are successfully managed by boards of trustees, including the New York State Teachers Retirement System and the New York City Employees' Retirement System. Similarly, several other states' pension funds are governed by boards of trustees whose members are appointed by elected officials and elected by beneficiaries.[iv]

Create a Board of Trustees to Manage the Pension Fund

We must continue working to restore the public trust over the State's largest public pension fund. As Governor, Andrew Cuomo will work to pass legislation to create a board of trustees of financial and management experts to manage the State's pension fund. A board of trustees will increase checks and balances by increasing the number of people who set policy and review investment decisions; reduce the potentially corrupting influence of politics and political contributions to the Comptroller and other elected officials by sharing decision-making with trustees who are not directly subject to political campaign pressures; and provide representatives of the members and beneficiaries of the pension fund — the people who are most directly affected by the fund's performance — with direct input and oversight of investment operations.

End "Pay to Play" in the Pension Fund

In addition to creating a board of trustees to manage the State's pension fund, the Cuomo Administration will work to enact tough laws to prevent conflicts of interest in the pension fund. Such measures would:

- Prohibit investment firms that directly or indirectly make campaign contributions, charitable contributions or gifts to the Comptroller or the trustees of the fund.

- Eliminate "pay to play" and other apparent and actual conflicts of interests, including banning placement agents.

- Increase overall transparency in the investment decision-making process, and require that investment firms doing business with the fund make rigorous, ongoing disclosure of information relating to campaign contributions, the identities, responsibilities and qualifications of investment fund personnel responsible for communicating with the pension fund and any payments by investment firms to third-parties in connection with State pension fund matters.

- Impose a higher standard of conduct for investment firms doing business with the pension fund that avoids even the appearance of impropriety and prohibits improper relationships between retirement system officials/employees and an investment firm's personnel or agent;

"revolving door" employment by investment firms of former pension fund officials and employees; and improper gifts by investment firms to employees and officials the pension fund.

- Institute comprehensive and tough enforcement provisions. Self-policing is an ineffective means to safeguard State pension funds. It is imperative that an effective enforcement scheme and deterrent exist. Therefore, we must create tough new civil, criminal and disciplinary penalties and sanctions.

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[i]Allegations of corruption in the State Pension fund are not a new phenomenon. S*ee generally, Governor's Task Force on Pension Fund Investment, Our Money's Worth* (June 1989). For years, academics, commissions, government officials, good government groups and informed citizens have recognized the need to reform the pension fund's governance structures in order to protect its members and beneficiaries.

[ii]N.Y. Retire. & Soc. Sec. Law §§ 13(b), 422(1).

[iii]Reformers have long argued in favor of creating a board of trustees to manage CRF. *See* M. Moss, The Next Scandal, *N.Y. Times*, Nov. 12, 2006. Over the years, there have been various legislative proposals calling for the creation of a board of trustees to manage the pension fund. For example, in 1993, the State Assembly enacted legislation that would have created a multi-member board of trustees to manage CRF. See N.Y. Assembly Journal, 216th Sess., vol. 1, pp. 859 (1993) (stating that on May 17, 1993 the Assembly, by a vote of 86 to 57, passed A. 2454-B, "An act to amend the retirement and social security law, in relation to the creation of a board of trustees for the common retirement fund"). Although the State Senate did not pass the bill, the Senate Majority Leader countered the Assembly proposal with his own version of a board of trustees. See Ralph J. Marino, Letter to the Editor, Viewpoints: Protecting Retirement Funds, Newsday, June 15, 1993, at 85 (proposing multi-member board of trustees which would include the Comptroller and members appointed by the Governor and leaders of the Senate and Assembly).

[iv] Such states include Alabama, California, Colorado, Georgia, Hawaii, Illinois, Kansas, Kentucky, Maine, Maryland, Massachusetts, Minnesota, Missouri, North Dakota, Ohio, Rhode Island and Texas.

Following information from:
The New NY Agenda: A Plan for Action and other proposals by the Attorney General

Andrew Cuomo Plan to Stop Pension Padding

In order stop pension padding a number of immediate and long term actions must be undertaken. On an immediate basis the Andrew Cuomo had identified a number of employer practices that have been used to reduce overtime abuse:

Overtime would be capped. Require government agencies adopt policies to cap overtime for current employees.

Change the Way Overtime is Assigned. In many cases overtime is given solely on the basis of seniority, a process often results in pension padding. Therefore, government agencies would be required to balance overtime shifts among all employees instead of solely based upon seniority.

Create a Centralized Entity to Oversee Overtime. Reduce the potential for pension padding abuse by requiring the government agency to create a centralized independent department to oversee overtime for all employees within the agency and require department monitor to investigate if cap is exceeded.

On a long term basis Andrew Cuomo has recommended a new tier in the pension system that would include changes in how pensions are calculated and eliminate pension padding.