Bond Case Briefs

Municipal Finance Law Since 1971

San Diego Pension Moves to Replace Investment Adviser.

Board members of San Diego County's pension fund discussed plans yesterday to hire a chief financial officer to manage their $10.1 billion portfolio, potentially replacing a Texas consultant.

If the San Diego County Employees Retirement Association goes ahead with the proposal, it would mean the end of the fund's five-year relationship with Houston-based Salient Partners LP, said board member Dianne Jacob, a San Diego County supervisor.

Just two months ago, the board voted 5-4 against firing Salient after some officials criticized the chief investment officer, Lee Partridge, as needlessly risking retiree income through use of futures contracts tied to securities and commodities.

"It sounds like we are going to terminate the contract," Jacob said yesterday in a board meeting in San Diego. "It's just a matter of timing and the transition."

The company remains committed to its work in San Diego, said Chris Moon Ashraf, a spokeswoman for Salient at Jennifer Connelly Public Relations.

"Should the board determine that a change in provider is in the best interest of its members, Salient will work to ensure a smooth and expeditious transition," she said in a statement.

The pension board directed its staff to set the timing for terminating the contract with Salient. The board didn't schedule a vote on ending the contract, or take action on hiring an internal investment chief.

Leverage Portfolio

Partridge, whose firm is paid $8 million a year, invested as much as five times the value of the portfolio in stock, bond and commodities markets. The board voted in October to reduce the maximum leverage to twice the value of the portfolio.

In November, the board voted to hire an internal investment chief to work alongside Partridge. Under its contract with Salient, the pension fund can sever relations with 30 days notice.

The San Diego fund, which provides retirement benefits to more than 39,000 current and former employees, embraced risk even as the California Public Employees' Retirement System and the California State Teachers' Retirement System turned more conservative.

San Diego's gain in the year ended June 30 was 13.3 percent, compared with Calpers' 18.4 percent and Calstrs' 18.7 percent.

Bloomberg News

By James Nash

Dec 4, 2014 9:01 PM PT

To contact the reporter on this story: James Nash in Los Angeles at jnash24@bloomberg.net

To contact the editors responsible for this story: Stephen Merelman at smerelman@bloomberg.net
Pete Young, Alan Goldstein