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F.B.I. Asking Questions After a Pension Fund Aimed High and Fell Short.

The Pennsylvania teachers' retirement fund put more than half its assets into risky alternative investments. The math didn't work out, spurring an investigation.

The search for high returns takes many pension funds far and wide, but the Pennsylvania teachers' fund went farther than most. It invested in trailer park chains, pistachio farms, pay phone systems for prison inmates — and, in a particularly bizarre twist, loans to Kurds trying to carve out their own homeland in northern Iraq.

Now the F.B.I. is on the case, investigating investment practices at the Pennsylvania Public School Employees' Retirement System, and new questions are emerging about how the fund's staff and consultants calculated returns.

The decisions that brought the fund to this point — the investigation is still in its early stages — are by now commonplace in the world of public pensions. Lawmakers years ago overpromised what the Pennsylvania fund would provide its members, even as the performance of its plain-vanilla stock and bond investments fell far short of what was necessary to deliver on those commitments.

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The New York Times

By Mary Williams Walsh

May 11, 2021

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