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CONTACT: Frank Mateljan - PIO
(213) 978-8340 (office)
(213) 479-5675 (mobile)

**From the Office of the City Attorney
Carmen A. Trutanich**



Suite 800, City Hall East
Los Angeles, CA 90012

Phone: 213-978-8340 Fax: 213-978-2093
<http://www.atty.lacity.org>

****PRESS RELEASE****

THURSDAY, FEBRUARY 2, 2012

**LAWSUIT FILED AGAINST NORTHERN TRUST FOR \$95 MILLION
IN LOSSES TO CITY'S PENSION FUND**

LOS ANGELES – City Attorney Carmen A. Trutanich today announced that his Office has filed a civil lawsuit against Northern Trust Corporation as a result of the company's practice of investing City pension assets in high-risk consumer debt bond products, including failing home mortgage-backed securities, resulting in the loss of more than \$95 million.

The civil enforcement lawsuit alleges unlawful business practices and violations of the False Claims Act. Specifically, the complaint alleges that Northern Trust made false claims and statements regarding the investment of funds held by the Los Angeles City Employees' Retirement System (LACERS).

The civil lawsuit also names Pension Consulting Alliance, Inc. (PCA), a company contracted by LACERS to act as its watchdog on investments, for knowingly or recklessly failing to warn LACERS that Northern Trust was engaging in inappropriate, high risk investments in consumer debt and long-term mortgage securities.

LACERS manages the retirement benefits for more than 43,000 active public employees and their families. Since 1991, Northern Trust has acted as the primary custodian, investment manager and custodian of LACERS' assets, including acting as an independent manager of the LACERS' securities lending program.

As alleged in the complaint, Northern Trust claimed that investments made by the company on behalf of LACERS were "low risk" or "minimized risk," including conservative, short-term, highly-liquid investments. However, from June 2006 until June 2008, Northern Trust failed to inform LACERS that it had changed its investment strategy in violation of common law fiduciary standards. The company allegedly provided no details of each specific investment in the City's portfolio, including the current market value of each investment.

Northern Trust also allegedly engaged in highly-risky investments in companies dealing in consumer debt and mortgaged-backed securities, including Washington Mutual Bank, CIT Group, Lehman Brothers, Greenpoint Mortgage and Bear Stearns. Northern Trust shared with LACERS in profits from these investments during the housing boom from 2006 through 2008, but did not share with LACERS in the downside risk and losses after the collapse of the housing bubble and the subprime mortgage market. Specifically, Northern Trust took up to 15% of the earnings generated from its investment of cash collateral in securities, despite the risk inherent in those investments and despite the fact they were inappropriate for the pension fund.

As the financial meltdown continued, Northern Trust allegedly sought to prevent a stampede of pension funds, such as LACERS, seeking to liquidate the investments Northern Trust had made in securities. A collapse in certain investment pools managed by Northern Trust would have caused a significant loss to the company. The complaint alleges that Northern Trust therefore allegedly embarked on a strategy to save the investment pools by convincing the various pension funds not to pull their money, effectively putting the interest of Northern Trust in saving the collateral pools above the interest of individual pension funds, including LACERS.

As alleged, Northern Trust repeatedly kept LACERS in the dark about the true nature of the investments that Northern Trust had made until mounting and staggering losses forced the company in October 2010 to provide LACERS with a statement of the investments, which noted substantial losses. Northern Trust thereafter demanded that LACERS make a payment for those losses prior to July 8, 2011. Under protest, LACERS made the payment on July 7, 2011 in the amount of \$95,662,812.

The lawsuit seeks full restitution for losses, as well as damages that LACERS sustained as a result of Northern Trust's false claims, civil penalties up to \$10,000 for each false claim, and \$2,500 for each violation of the Business and Professions Code, and all fees and costs associated with the lawsuit.

A copy of the complaint can be found on the City Attorney's website:
http://atty.lacity.org/OUR_OFFICE/Opinions_and_Recent_Filings/index.htm

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