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OPINION | REVIEW & OUTLOOK

Another Government Pension Scandal

Public retirement funds are a giant opportunity for corruption.



United States District Attorney Preet Bharara announces charges, Wednesday, Dec. 21, 2016 in New York, against Navnoor Kang. PHOTO: ASSOCIATED PRESS

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No, we're not writing about the scandal (all too legal) that state and local pension funds have run up more than \$1 trillion in unfunded liabilities. Today's news concerns a single government pension official and the way he allegedly abused taxpayers and the workers who depended on him to guard their retirement savings.

On Wednesday U.S. Attorney Preet Bharara announced the indictment of New York State Common Retirement Fund portfolio manager Navnoor Kang for fraud and obstruction of justice. The government says Mr. Kang participated in a "pay-for-play" scheme in which he steered billions of dollars in pension-fund bond trades to two brokerage firms. In exchange, the government says the erstwhile public servant took bribes that included cocaine, prostitutes, event tickets, travel and luxury items, as well as cash to pay for strippers and other personal expenses.

Mr. Kang's lawyer declined comment to the Journal, and he deserves the presumption of innocence, though one of the brokers involved has pleaded guilty and is cooperating with prosecutors. "This was an age-old and classic tale of quid-pro-quo corruption," said Mr. Bharara. He might have called it a classic tale of public pension management that keeps repeating.

In October 2010, former New York State Comptroller Alan Hevesi pleaded guilty to a felony corruption charge in another pay-to-play scandal—one of several criminal convictions in the case. In November 2010 financier Steven Rattner agreed to pay more than \$6 million to settle a case with the Securities and Exchange Commission. In December 2010 he agreed to pay \$10 million to make New York State's civil case go away. Among other allegations, the SEC had accused Mr. Rattner of helping arrange for the distribution of a film called "Chooch," produced by the brother of the pension fund's chief investment officer. Mr. Rattner denied any wrong-doing.

Two years ago the former chief executive of the California Public Employees' Retirement System, Fred Buenrostro, admitted to accepting more than \$250,000 in cash

and other bribes from a former board member seeking Calpers investments with outside money managers. Buenrostro had accepted money to pay for his wedding—and later took money to pay for his divorce.

The problem here is the opportunity for corruption that comes from giving politicians and bureaucrats power over retirement money. That money belongs to workers and ought to be in individual accounts that the workers can control. It's a great way to “drain the swamp.”

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