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City Hires Ex-MF Global Chief

By MICHAEL HOWARD SAUL

The former chief executive of MF Global Holdings Ltd., who resigned in 2008 after the firm lost more than 90% of its market value, was quietly hired in September by New York City Comptroller John Liu to help manage the city's pension investments.



Jonathan Fickies/Bloomberg News

Kevin Davis in June 2008

[Kevin Davis](#), who led MF Global for a decade, was made head of commodities in the comptroller's Bureau of Asset Management, which helps advise the city's five public pension funds on their combined \$120 billion in assets. It is his first job since stepping down from the brokerage firm.

He was hired by Lawrence Schloss, who served on MF Global's board of directors at from September 2007 until he joined Mr. Liu's office as chief investment officer in January 2010.

The appointment of Mr. Davis, and to a lesser extent, of Mr. Schloss, has drawn criticism from some stakeholders in the city's pension system. Soon after its value plummeted, MF

Global was sued by four public pension systems outside New York that claimed the firm misrepresented its risk-management practices to investors. A Manhattan federal judge approved a \$90 million settlement in that case last month.

"The comptroller should rethink his position on having those two individuals make investments with the pension system," said Gregory Floyd, president of the International Brotherhood of Teamsters, Local 237, and a member of the board of trustees of New York City Employees' Retirement System. The fund is the largest municipal system in the nation.

"They did lose a lot of money with MF Global. They did get sued by pension funds and, now, they're in charge of making investments for the very [kinds of] institutions that they were sued by," Mr. Floyd said.

A representative for MF Global, which has been beset by criminal and regulatory probes over millions in missing client funds since filing for bankruptcy in October, didn't respond to a request for comment.

In a statement, Mr. Schloss defended choosing Mr. Davis. "Kevin Davis has 26 years of experience in commodities and has run a global business. He was hired because he was the best applicant for the job," Mr. Schloss said. "He will help devise a long-term strategy for the pension funds in order to further optimize the investment portfolio. You can't overlook 26 years of experience."

And Michael Loughran, a spokesman for the comptroller, defended Mr. Schloss. In addition to serving on MF Global's board, Mr. Schloss was chief executive of the private equity firm Diamond Castle Holdings before

joining Mr. Liu's office.

"Larry's reputation speaks for itself, and for anyone to question his qualifications is absurd," Mr. Loughran said.

The appointment of Mr. Davis occurred a month before Mayor Michael Bloomberg and Mr. Liu proposed significant changes to the way the city's pension fund investments are controlled.

The shift would place the city's funds—which each have their own boards—under a single management board. Mr. Schloss is the chief architect of that proposal, which must be approved by the state Legislature; the person in his position would report directly to the single board.

The change could leave some current power-brokers, including some labor unions, with little say in pension investments—and potentially making Mr. Schloss a target of rancor.

Still, critics said there are reasons to be concerned about MF Global's ties to the comptroller's office.

Messrs. Davis and Schloss were not involved in MF Global's recent collapse. However, the men were part of the firm's leadership in February 2008 when a registered representative in the firm's Memphis, Tenn., office ran up massive losses on wheat trades. The rogue trade was a blow to MF Global's reputation, left it nursing a \$141.5 million loss and marked the beginning of troubles that many believe ended in the brokerage's collapse.

"Clearly, the company is under a huge cloud," said Nicole Gelinis, a senior fellow at the conservative Manhattan Institute who studies public pensions. "You have to wonder about anyone in any position of responsibility there in the last few years."

The unauthorized trade prompted investors led by four pension funds, including the Iowa Public Employees' Retirement System and the Policemen's Annuity & Benefit Fund of Chicago, to sue. Mr. Davis was named as a defendant.

That the rogue trade involved commodities—an area that Mr. Davis is now overseeing for the city's pension funds—has drawn the most criticism.

In the years since his departure from MF Global, Mr. Davis completed a master's degree in international studies at New York University.

At the comptroller's office, Mr. Davis draws an annual salary of \$175,000. Mr. Schloss's annual salary is \$224,000. According to records, Mr. Davis's total compensation at MF Global in fiscal year 2007 was \$17.8 million, including a salary of \$640,833. Mr. Schloss received \$256,742 in fiscal 2009 for compensation for his role as a director.

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