

Pensions' Staffing Troubles Challenge Internal Mgmt Push

By [Alyson Velati](#) April 25, 2017

Pensions are turning to more competitive pay and local candidates to overcome the biggest hurdles in staffing up their internal investment management capabilities, according to pension CEOs and executive directors.

“We’ve seen in the U.S. that’s hard to implement [internal investment teams] because of talent versus the pay gap,” said **Andrew Junkin**, president of [Wilshire Consulting](#) at the annual [Pension Bridge](#) conference in San Francisco. “There are some states where the [CIO] can’t make more than the governor does... It’s a challenge when you want to find a talented CIO and you’ve got that cap.”

Large plans – like the [California Public Employees’ Retirement System](#) and [Oregon Investment Council](#) – have [built out internal management](#) teams emulating a model that has [found success](#) in Canada. But pension CEOs and executive directors face a myriad of challenges when building and integrating internal investment management teams.

In the case of the \$7.5 billion **Wyoming Retirement System**, the pension took a number of years to build out its eight-strong investment team, which manages the pension’s external management roster, due to the salary caps, said **Ruth Ryerson**, executive director of the pension.

The pension is under a two-year budget cycle due to state laws. Although the system pays for all expenses out of trust funds, state legislature can dictate how many roles the pension can have, the salaries for each employee and the pension’s administrative budget.

“Fortunately, my board chair and I have developed a good relationship with the governor, so we meet with him on a quarterly basis and get his support for what we need,” she said. “But you still need to get through a 90-person conservative legislature, which makes it difficult to get the money to hire and retain investment staff.”

Some challenges the pension has faced include the inability to pay for moving expenses. It’s also difficult to attract people because they typically start with standard state benefits.

The key drivers that have helped Wyoming maintain an investment staff is competitive pay and partnering up with the **University of Wyoming** to attract interns to work at the pension.

“We hire young people during the summer, bringing them up through our analyst program,” she said. “So we’re hoping to get people who grew up in Wyoming and want to stay there.”

The **Public School and Education Employee Retirement System of Missouri**, which has \$40 billion in assets, has a similar arrangement with a local university.

The pension, which also has an eight-person investment team, would need 200 staff members if they were to manage assets internally, said **Steve Yoakum**, executive director for the Missouri-based plan.

The location of the pension often dissuades people from making the move to the state capital, he said.

“I can’t attract and retain a team of 200 people to Jefferson City [Missouri],” he said. “It’s caused us to look at our structure and really spend more time managing managers rather than managing money.”

Indeed, the geographical landscape of a pension can sometimes push top talent away from a particular retirement system, according to recruiters.

One of the very few things a pension can do is hire people that have ties to the area, says recruiter **Charles Skorina**. When conducting a search for an asset owner in the Midwest, Skorina looks for people that are from the area or have family nearby.

“Location can also be a factor,” says **Alex Thomson**, a managing director at executive recruiting firm **Odgers Berndtson**, via email. “Pension funds in Boston or New York will be more susceptible to poaching, just because of the sheer number of asset managers and endowments and foundation in the marketplace [versus] Sioux Falls, South Dakota or Lincoln, Nebraska.”

Conversely, the \$11.2 billion **San Diego County Employees Retirement Association** emphasizes the idea of work for the pension, rather than the salary, said **David Wescoe**, CEO of the pension.

“We sell the opportunity to touch lives in a very meaningful way in a public service context,” he said. “[We] never had trouble attracting or retaining talent so it’s something I feel very passionately about.”

But oftentimes that is a rarity, says Thomson.

“It is impossible to stop asset management and endowment and foundations from poaching from pension plans,” he says. “Asset managers and endowments and foundations typically have higher compensation and might have additional perks like free tuition for candidates or their families. Of course, some individuals are naturally altruistic and might not be motivated by money or other factors, but these individuals are in the distinct minority.”