



from New York City Comptroller
William C. Thompson, Jr.
1 Centre Street, New York, NY 10007
(212) 669-3747
press@comptroller.nyc.gov
www.comptroller.nyc.gov

NEWS



NEW YORK CITY LAW DEPARTMENT
OFFICE OF THE CORPORATION COUNSEL
Web: nyc.gov/html/law/home.html
Michael A. Cardozo, Corporation Counsel

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Contact: Yvette Jackson, Comptroller's Office, (212) 669-2049

Kate O'Brien Ahlers, Corporation Counsel, (212) 788-0400

New York City Pension Funds Settle Securities Fraud Action Arising from the Collapse of WorldCom for \$78.87 Million

Decision to Pursue Individual Action Leads to Highly Favorable Result for City

New York, October 18, 2005 -- The five New York City Pension Funds (the Funds) announced today that they have reached an agreement to accept \$78.87 million for a securities fraud action pending before Manhattan Federal Judge Denise L. Cote, with the principal share of the settlement being paid by the underwriters of two major WorldCom bond offerings in 2000 and 2001. The settling defendants include Citigroup, J.P. Morgan, Bank of America, Deutsche Bank, ABN AMRO and Lehman Brothers (all of which acted as underwriters), as well as Jack Grubman (a former securities analyst who issued investment recommendations concerning WorldCom stock), the former directors of WorldCom, and Arthur Andersen, LLP (WorldCom's former auditors).

The settlement enables the Funds to recover a substantial portion of the Funds' damages resulting from the market collapse of WorldCom stock and bonds in 2002, leading to one of the largest corporate bankruptcies in U.S. history. The Funds estimate that the settlement is approximately three times as much as they would have received had they remained members of the recently settled WorldCom Class Action.

The New York City Pension Funds, consisting of the New York City Employees' Retirement System, New York City Teachers' Retirement System, New York City Police Pension Fund, New York City Fire Department Pension Fund, and New York City Board of Education Retirement System, serve more than 600,000 active and retired New York City employees, and combined constitute one of the largest public pension funds in the United States.

New York City Comptroller William C. Thompson, Jr., said, "This settlement represents a substantial victory for the New York City Pension Funds, as shareholders who invested

their money and their trust in WorldCom, only to lose more than \$100 million -- most of which the Funds have now recovered. The prompt payment of that settlement money to the Funds enables them to put it to work for their beneficiaries right away.”

“This settlement was the product of much hard work and collaboration by the Comptroller's Office, the City's Corporation Counsel and the New York City Pension Funds,” Thompson said. “It is a tribute to the well-informed decisions of the Funds’ Trustees to undertake the challenging course of an individual action and then to pursue the case aggressively at every turn.”

Michael A. Cardozo, Corporation Counsel of the City of New York, whose office (the New York City Law Department) negotiated the settlement on behalf of the Funds in tandem with outside counsel, Lowey Dannenberg Bemporad & Selinger P.C., and the New York City Comptroller's Office, said:

“We are pleased with this settlement, which allows the New York City Pension Funds to recover for their members a substantial portion of their WorldCom investment losses at levels we believe significantly exceed what the Funds would have recovered if they remained in the Federal class action. The Funds will also receive payment within the next few weeks, in contrast with the class action settlement, where payment is dependent upon a lengthy claims administrative process.”

Following WorldCom's collapse after disclosure of a massive \$11 billion accounting fraud in the summer of 2002, the Funds filed an action in October 2002 in New York State Supreme Court seeking to recover losses from their investments in WorldCom stock and bonds. In their action, the Funds asserted claims under both Federal and New York State law. The defendants removed the case from Federal court, where it was later consolidated (along with various other individual actions) with the WorldCom Class Action.

In February 2004, the Funds all opted out of the WorldCom Class Action, because they felt that they could increase their recovery by pursuing their own individual case, particularly in light of favorable claims available to the Funds under New York State law which were not available to the class as a whole. Factual discovery in the Funds' individual action, which included more than 30 depositions taken of the representatives of the Funds, and extensive document production, concluded in March 2005. Judge Cote scheduled the trial in the Funds' individual case to begin in March 2006.

Meanwhile, settlements in the WorldCom Class Action have substantially resolved that case, except for claims administration and appeals.

However, although these settlements in the WorldCom Class Action totaled over \$6.1 billion, they only represented recoveries of less than 50 percent of the investors' provable bond offering damages (a first category of claims), and a smaller portion of the investors' provable stockholders' damages (a second category of claims). The Funds' settlement today represents an extraordinary virtual 100-percent return for the Funds with respect to

the first damages category and an 18.4 percent return -- significantly higher as a result of the individual action - for the second category.

For reporters' additional background, the two categories - or general claim types - that constituted the Funds' settlement included:

* First category - Related to the Funds' purchases of WorldCom bonds pursuant to multi-billion dollar registered public offerings in May 2000 and May 2001 (which brought the Funds \$66.73 million out of the \$78.87 million settlement), and

* Second category - Related to the Funds' open market purchases of WorldCom stock and bonds (the \$12.14 million portion of the settlement).

Finally, the Funds' settlement has the advantages of not requiring Court approval or being subject to appeal as to the fairness of the settlement; neither is the Funds' settlement subject to a lengthy claims administration process.

“This settlement fully validates the decision of the Funds' trustees to opt-out of the class action to pursue an individual case. The settlement is the result of aggressive litigation strategies by everyone involved,” Cardozo added.

“I am pleased that my office took a lead role in joining with the Law Department and Corporation Counsel Cardozo to work with the Funds on all aspects of this case. Throughout this process, all parties have devoted significant time and energy to this case, and have been keenly aware that our efforts were being done to advance the interests of the Funds' members and beneficiaries. We are gratified by the Funds' success,” Thompson added.

In addition to the \$78.87 million settlement, the Funds resolved their individual case by also recently reaching settlements with former WorldCom Chairman and CEO Bernard Ebbers and former CFO Scott Sullivan, which after the conclusion of an asset liquidation process, will provide the Funds with a portion of these individuals' remaining personal wealth.

The New York City Comptroller, an independently elected official, is the Chief Financial Officer of the City of New York. The mission of the office is to ensure the financial health of New York City by advising the Mayor, the City Council and the public of the City's financial condition. In addition, the Comptroller serves as the investment advisor to each of the city's five Pension Funds. In this capacity, the Comptroller is responsible for managing more than \$85 billion in pension fund assets. The Comptroller also makes recommendations on City programs and operations, fiscal policies and financial transactions. He also performs budgetary analysis, audits city agencies, registers proposed contracts, oversees budget authorization, determines credit needs, terms and conditions, prepares warrants for payment and issues and sells City obligations. The Comptroller's web site can be accessed at www.comptroller.nyc.gov.

The New York City Law Department is one of the oldest, largest and most dynamic law offices in the world, ranking among the top three largest law offices in New York City and the top three largest public law offices in the country. Tracing its roots back to the 1600's, the Department's 650-plus lawyers handle more than 90,000 cases and transactions each year in 17 separate legal divisions. The Corporation Counsel heads the Law Department and acts as legal counsel for the Mayor, elected officials, the City and all its agencies. The Department's attorneys represent the City on a vast array of civil litigation, legislative and legal issues and in the criminal prosecution of juveniles. Its web site can be accessed through the City government home page at www.nyc.gov or via direct link at www.nyc.gov/html/law/home.html.

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