RIP Joseph Dear – he helped keep the wolf from CalPERS door

“Always be nice to bankers. Always be nice to pension fund managers. Always be nice to the media. In that order.” – John Gotti, American mobster

If you have been cashing your CalPERS checks with regularity since spring of 2009, or if you plan to start cashing them soon, you lost a good, but perhaps unknown, friend last week on Wednesday Feb. 26, 2014.

His name was Joseph Dear, and until he took a permanent medical leave in January, he had served as the Chief Investment Officer of the California Public Employees Retirement System. He had been on a leave of absence intermittently since last May until he died last week from prostate cancer at age 62. He took charge of CalPERS’s investments at a dark economic time. The pension fund’s assets had fallen to $183.3 billion by the end of 2008, from $260.6 billion a year earlier, a loss of nearly 28 percent. Then-Governor Arnold Schwarzenegger said the fund was “unsustainable.”

Dear, on the other hand, believed in the mission of CalPERS and its responsibility to workers and retirees. He had, as CalPERS said in a prepared statement, “a passion for “making government work better through innovative public policy and sheer force of will.”

He graduated from Evergreen State College in Washington with a degree in political economics, and cut his finance teeth in the private sector at an investment firm based in Tacoma, and then managed the workers’ comp insurance fund in Washington. He later directed research for the Washington State Labor Council. In 1993, President Bill Clinton tapped him to lead the Occupational Safety and Health Administration (OSHA). Two of the programs he managed at OSHA and the Department of Labor received Innovations in Government Awards from the Ford Foundation and the Kennedy School of Government at Harvard University. When George W. Bush was elected president, Dear returned to Washington state where he served as chief of staff to then-Governor Gary Locke, before accepting his position at CalPERS.

When he arrived in Sacramento in March 2009 CalPERS had $164.7 billion under management – down from a peak of $260.6 billion in October 2007. He focused investments on private equity, emerging markets, hedge funds and public works projects to meet the fund’s targets for annual rate of return, now at 7.5 percent. He pushed private equity companies to lower fees and installed conflict-of-interest controls after an influence-peddling scandal rocked the fund in 2008 and 2009.

“We’re not going to succeed or fail on short-term tactical moves,” he said in an interview on Bloomberg Television in June 2009. “We’re a long-horizon investor, and we have confidence that we see cycles in the investment markets. But we know if we stick with our plan, we’re going to come out OK.”

As it turns out, “OK” may have been an understatement. In 2013 the fund returned 16.2 percent, the biggest gain in 11 years. The fund gained 25.6 percent on its publicly traded equity holdings, trailing the S&P 500 which rose 29.6 percent in 2013, according to data compiled by Bloomberg.
Given CalPERS’ standing as the nation’s largest public pension fund, Dear’s role made him a worldwide figure in the investment business, and his comments about market trends and economic issues were widely reported.

“Joe’s one of the most wonderful people I’ve ever worked with, and I’ll miss him,” said Anne Stausboll, CalPERS chief executive, in a statement released by the pension fund. “CalPERS is a stronger organization, and all of us are better people for having known and worked with him.”

Under Dear’s watch, as the financial markets rebounded, CalPERS’ portfolio steadily improved. Last April, the portfolio was worth $262 billion, meaning it had wiped out the $100 billion worth of losses it took during the crash. It’s now worth $283 billion, although liabilities have soared and CalPERS is still wrestling with significant funding issues.

Even as CalPERS recovered from the market crash, Dear was vigilant about problems looming ahead. In his monthly reports to the CalPERS governing board, he almost always warned about the potential for turbulence in the markets.

In 2012, Dear became part of a pension-industry power couple when he married Anne Sheehan, director of corporate governance at CalSTRS, the teachers’ pension fund.

Dear wasn’t shy about tackling the bribery scandal that reached into CalPERS’ top echelons. A state lawsuit charged that a former CalPERS board member, a “placement agent” named Alfred Villalobos, had bribed former CalPERS Chief Executive Fred Buenrostro and others to gain investment deals for his Wall Street private equity clients. As the scandal gained momentum, CalPERS tightened its rules on gifts and its dealings with placement agents.

At the same time, Dear led an industrywide task force in 2010 that pushed outside money-management firms to reduce the fees they charged to institutional investors such as Calpwea. The effort bore some fruit. CalPERS’ single largest investment partner, Wall Street powerhouse Apollo Global Management, agreed to cut its fees to CalPERS by $125 million. It was no coincidence that Apollo was Villalobos’ top client and had paid him millions in commissions.

An advocate for shareholder rights, Dear in 2012 was named chairman of a new investor advisory committee at the U.S. Securities and Exchange Commission. The committee was established as part of the Dodd-Frank law overhauling the regulation of the markets following the crash.

Details on services were pending, but CalPERS said services will be held in Sacramento and Olympia, Wash. Dear’s family asked that donations be directed to the Joseph A. Dear Memorial Scholarship Endowment at The Evergreen State College Foundation, his alma mater. Besides his wife, he is survived by two children from a previous marriage, Annie and Ben.

He also leaves behind a legacy of financial stability for CalPERS annuitants who should be grateful he was the fund’s manager during a tough and turbulent time.