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Pension Advisers for G.M. Are Part of Pay Czar’s Review

By GERALDINE FABRIKANT

Four years after she took over management of the General Motors pension plans, Nancy Everett finds herself in an unexpected controversy.

Performance is not her problem. The G.M. pension fund has withstood the unforgiving financial markets of the last year or so better than many other funds, using a conservative strategy that is intended to minimize risk.

But the government is looking closely at the pay of all top G.M. employees after bailing out the automaker. And that includes the unit that manages the pension fund, whose name was changed to Promark Global Advisors this year.

Ms. Everett, chief executive of Promark, and 14 of her associates are among the 25 highest paid at the automaker. Their compensation has been submitted for review to Kenneth Feinberg, the government’s pay czar.

Ms. Everett appears to present a bit of a conundrum. Her laserlike focus has been on managing risk. That would seem to be exactly what the government wants to encourage. If successful, her team’s approach makes it more likely the automaker will be able to pay all its retirees down the road and reduces chances that the government and taxpayers will have to make up the difference.

On the other hand, Ms. Everett represents the high-paying New York money managers who have engendered animosity among the public toward the American International Group and other companies. Though she is a far cry from Citigroup’s $100 million man who trades energy contracts, Ms. Everett is said to have total compensation approaching $2 million.

"I don't think of myself as an investment manager," Ms. Everett said in a recent interview, in which she declined to discuss compensation. "I think of myself as a risk manager."

Julie Gibson, a General Motors spokeswoman, said that the government would respond to its submission on compensation by mid-October. A spokesman for Mr. Feinberg did not return phone calls seeking comment.

People close to Promark fret that any attempts to revamp the unit's pay formulas to reflect in part how the car company performs could make it tougher to attract and keep talent. And they point out that the unit is run quite independently of the core auto business.

"Yes, the government is pouring all this money in, and it has a right, as the principal shareholder, to have a stronger say," said Graef Crystal, a compensation consultant. "The government's theory is that the rain should fall on the just and the unjust alike."

But perhaps "the controls should just apply to those whose performance is measured by overall results," he continued. "Ms. Everett runs a part of General Motors, but a part that has no correlation with the overall company."

Ms. Everett, 54, lives far away from the Wall Street contingent in a historic house in Richmond, Va., where she relishes a slower-paced life with her husband and the opportunity to ride horses. She commutes during the week to Promark's headquarters in Manhattan.

In all, she oversees $120 billion: $84.5 billion in G.M.'s domestic pension funds, $17.5 billion in other G.M. assets and the balance from other companies like Xerox.

Last year, the G.M. pension fund lost 11 percent, while the average loss at the 100 largest corporations was 19 percent, according to a study by Milliman, the research company.

The relative strength can be attributed largely to G.M.'s aggressive move out of stocks and into the bond market at the end of 2006. By the end of 2008, about 61 percent of its assets were in fixed income.

At the time, the pension fund was flush, partly from the proceeds of a big G.M. bond offering earlier in the decade, and was seeking to reduce some portfolio risk, or the damage that could come from falling market prices.

For years, pension investing had used a long lens to view the world. "Based on that kind of horizon, you could afford to take on the volatility in equities," she said.

"That worked well until 2001 when there was the first of two perfect storms. In the pension fund world, that meant that interest rates went down, which means that liabilities go up. At the same time, the stock markets declined, so that the assets declined."

Funds that had appeared overfunded were suddenly short.

One of the first managers to embrace a more holistic view of the job, seeing it as more than just asset investment, was Allen Reed, then chief executive of General Motors Asset Management, now Promark.

He identified the biggest risk for the fund as being a decline in interest rates, since General Motors had been "whittling away at its active work force," and had an obligation to pay many people.

What he started, Ms. Everett has continued. A soft-spoken woman described time and again as likable, Ms. Everett began her career in 1979 — with an accounting degree from Virginia Commonwealth University — by answering a want add for the Virginia Retirement System.

There, she progressed from computer programmer to money manager to chief investment officer in 1999. "A woman in Virginia was allowed to work herself up," she recalled. "I just kept taking on more responsibilities."

Her departure for General Motors was unexpected, she recalled. A friend, Alice Handy, had started a money management company that pooled the endowment money of a number of smaller universities that might not have otherwise been able to make certain kinds of investments.

Ms. Everett wanted to explore the same approach in the corporate pension world and called Mr. Reed at G.M. to discuss the idea. He made a counteroffer. He was planning to retire and suggested her as the next chief investment officer, a post she assumed in 2005.

Ms. Handy, now president of Investure, a company that manages money for a small number of endowments and foundations, said Ms. Everett deserved much credit for her team's success, even though her predecessor set the approach in motion.

"There is no such thing as an investment guru," Ms. Handy said. "Your talent is in organizing the team so that they make the right decisions. Nancy is good at attracting talented people and retaining them and letting them make the right decisions."

Since 2005, Ms. Everett and Tony Kao, her chief investment officer, have kept their focus on risk. When the market was rising in 2007, they sought to protect the portfolio against the possibility that the equity markets and interest rates could both decline. They started buying bonds. "In 2006, we moved 20 percent of our equity investment into fixed income," she recalled.

Today, the G.M. portfolio consists of 28 percent equities, 45 percent fixed income, 9 percent real estate and 18 percent alternatives.

For those types of judgments, Ms. Everett is amply paid, though not on the level of top fund managers on Wall Street. Neither Promark nor G.M. would divulge her compensation, but several people close to those companies said it was under $2 million, making her one of the highest-paid women at G.M.

Some experts say they believe that Promark's better-than-average returns are worth paying for. "If they had lost that money, it would have cost the shareholders," said Robert Kemp, research professor at the University of Virginia School of Commerce, "so the employees and investors benefit."