



A Union of Professionals

Ranking Asset Managers

A Retirement Security Report on Money Managers
for Pension Fund Trustees
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Introduction to 2014 Asset Manager Report

Since the American Federation of Teachers released the first “Ranking Asset Managers” report in April 2013, several Wall Street firms have cut ties with groups leading the attack on workers’ defined benefit pension plans—plans that are key to the retirement security of millions of Americans. For example, according to the *St. Louis Post-Dispatch*, Rex Sinquefield [quit the board of Dimensional Fund Advisors](#),¹ an investment company he founded, after the report was issued. DFA also advised the AFT that, “As a firm, we do not intend to take a position in the ongoing public policy debate regarding which structure to choose for public retirement plans—defined benefit, defined contribution or other alternatives.”² Additionally, several fund managers have reached out to defined benefit pension plan trustees and pledged not to donate to organizations that undermine retirement security.

With this 2014 edition of “Ranking Asset Managers,” the AFT will be looking more closely at those who are supporting the dismantling of defined benefit plans at the state and municipal levels. In this February 2014 edition, the report also examines asset managers who are funding and playing leadership roles in the attacks on Chicago’s public employees’ defined benefit plans through their involvement in the so-called Illinois Is Broke campaign. A special mention is reserved for Illinois Republican gubernatorial candidate Bruce Rauner, who retired as chairman of GTCR, a Chicago-based private equity firm, in 2012. GTCR manages billions in public employee pension funds.³ Having earned millions as an asset manager of defined benefit plans, Rauner is now, as a gubernatorial candidate, calling for freezing the benefits of the state’s defined benefit pension plans and putting all new public employees in a defined contribution plan.⁴

The AFT will be monitoring all state and local legislative efforts to undermine defined benefit pension plans. And, periodically, the AFT will update this 2014 report with details of connections between firms that, on the one hand, manage defined benefit plans while, on the other hand, simultaneously assist think tanks, political committees or other organizations that are attempting to eliminate these very same pension plans through state and local legislative action and other tactics.

As a result of the AFT’s review of organizations working on the state and local levels to undo defined benefit pension plans, a fourth group has been added to those on the “Retirement Security Privatization Watch List.” In addition to StudentsFirst, the Show-Me Institute and the Manhattan Institute, which were named in the 2013 report, this year the so-called Illinois Is Broke group is included among those organizations seeking to eliminate defined benefit pension plans or drastically cut the benefit levels those retirement funds provide.

And, at the end of this edition, we have added examples of policies and actions that defined benefit plans have taken to ensure transparency and disclosure.

¹ Jim Gallagher, “Sinquefield Quits DFA under Union Attack,” *St. Louis Post-Dispatch*, May 3, 2013, www.stltoday.com/business/local/sinquefield-quits-dfa-board-under-union-attack/article_de9a6391-cc98-5953-832f-ddc22d47bf91.html (accessed February 1, 2014).

² Stephen A. Clark, head of Global Institutional Services for Dimensional Fund Advisors, letter to Randi Weingarten, President, American Federation of Teachers, May 13, 2013.

³ Lynne Marek, “Rauner’s Love/Hate Relationship with Pension Funds,” *Crain’s Chicago Business*, April 8, 2013, www.chicagobusiness.com/article/20130406/ISSUE01/304069983/rauners-love-hate-relationship-with-pension-funds# (accessed February 1, 2014).

⁴ Doug Finke, “Rauner Says His Pension Plan Is Constitutional,” *Springfield (Ill.) State Journal-Register*, October 31, 2013, www.sj-r.com/x450315439/Rauner-says-his-pension-plan-is-constitutional (accessed February 1, 2014).

Introduction

The retirement security of working families is under attack. Public sector defined benefit pension plans have repeatedly been attacked by right-wing think tanks and political committees. While much of the money flowing to these organizations remains unreported, many of the organizations attacking defined benefit plans are funded by hedge fund and private equity managers, some of whom solicit investments from public sector pension plans. These asset managers are all too eager to seek investments from the deferred wages of teachers and school-related personnel, firefighters and other public servants, while simultaneously attacking their economic interests and retirement security.

Some asset managers have directly backed initiatives that harm the retirement security of plan participants, to whom trustees have a fiduciary duty. The purpose of this report is to make transparent the role that certain financial interests play in seeking to eliminate pensions or dramatically cut the benefits they provide. With transparency and disclosure, trustees can make informed decisions about the risks their plans face. The American Federation of Teachers examined four organizations that advocate directly for eliminating defined benefit pension plans, and reviewed publicly available material to track connections between those organizations and fund managers.

This report is not intended as a one-time publication. Future editions and updates will incorporate additional political organizations and their donors. The AFT is committed to shining a bright light on organizations that harm public sector workers, especially when those organizations are financed by individuals who earn their money from the deferred wages of our teachers, school-related personnel and other members.

In discharging their fiduciary duties with respect to selecting, monitoring, terminating and replacing investment managers, pension plan fiduciaries must, first and foremost, rely on economic criteria. In this regard, the plan fiduciaries must carefully monitor and assess existing and prospective managers, including, among other things, evaluating the manager's performance record and qualifications (credentials, education, suitability, expertise) and the role that the manager's portfolio will play in the plan's overall investment portfolio in terms of diversification, liquidity, and risk and return characteristics.

It is important to note that the financial performance of the hedge fund asset class over the past few years has proven uneven. According to the *Financial Times* on Jan. 22, 2014:

“Inquests on 2013 are under way, showing that the funds endured yet another year in which they failed to come anywhere close to the returns available on simple equity index tracker funds, which has been the story throughout the rally since 2009.”⁵

But pension trustees are not without recourse when it comes to avoiding the selection of an investment fund manager whose views place him or her at odds with the economic interests of the participants and beneficiaries. **In addition to the primary economic considerations, pension trustees also may take into account certain collateral factors, such as a manager's position on collective bargaining, privatization or proposals to discontinue providing benefits through defined benefit plans.**

⁵ John Authers, “Investors Forgive Weak Hedge Fund Returns,” *Financial Times*, January 22, 2014, www.ft.com/intl/cms/s/0/6318cbce-8331-11e3-aa65-00144feab7de.html#axzz2s6rU79OV (accessed February 1, 2014).

The consideration of an investment manager’s position on such issues will not violate the trustees’ fiduciary obligations **provided that (1) the collateral objectives are subordinate to the primary economic objective of retaining qualified managers who will provide competitive, risk-adjusted returns, and (2) the consideration of collateral factors leads to the retention of investment managers who are equivalent, from a qualification and performance standpoint, to other managers available to the plan.**

This guide has been prepared solely for informational purposes, and is not an offer, solicitation or direction to buy or sell any security, product, service or investment. The opinions expressed in this guide do not constitute investment advice, and independent advice should be sought where appropriate. The information provided in this guide is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation, or would subject the AFT or its affiliates to any security or investment registration requirement within such jurisdiction or country.

Basis of Retirement Security Privatization Watch List:

Funds on the watch list had a partner, principal, executive or senior adviser on the board of or donating to one of the following organizations and/or their affiliates:

StudentsFirst

StudentsFirst has repeatedly attacked defined benefit pension plans. StudentsFirst’s [policy position on pensions](#) explicitly notes that states should move away from defined benefit plans.⁶ Both the 2013 and 2014 StudentsFirst so-called report card evaluated states based on their pension policies, giving highest marks to states that required participation in cash balance or defined contribution plans, and lowest marks to states offering only defined benefit plans. This was an “anchor policy” for the report card, meaning that it was weighted three times as much⁷ as other policies.

Show-Me Institute

The Show-Me Institute, a right-leaning think tank created by billionaire Rex Sinquefeld, primarily focuses its pension critiques on the state of Missouri, although it has [taken jabs at other defined benefit plans in the past](#).⁸ The Show-Me Institute has [explicitly called](#) for Missouri to shift to a defined contribution plan for state employees.⁹ In addition, the Show-Me Institute is part of a larger network of conservative state-based organizations—the State Policy Network—[that routinely advocates for pension privatization](#).¹⁰ In fact, recent documents obtained by *The Guardian* demonstrate that the Show-Me Institute asked the State Policy

⁶ StudentsFirst, “Create Responsible Pension and Benefit Programs,” www.studentsfirst.org/policy-agenda/entry/pension-and-benefit-programs (accessed February 1, 2014).

⁷ StudentsFirst, “State Policy Report Card 2014,” Appendix, pages 53-54, <http://reportcard.studentsfirst.org/> (accessed February 1, 2014), and “State Policy Report Card 2013,” Appendix A, pages 65-77, <http://2013.reportcard.studentsfirst.org/> (accessed February 1, 2014).

⁸ John Payne, “Missouri’s Public Pension Plans Need to Be Reformed to Maintain Solvency,” Show-Me Institute, December 23, 2010, <http://showmeinstitute.org/publications/commentary/taxes/165-missouris-public-pension-plans-need-to-be-reformed-to-maintain-solvency.html> (accessed February 1, 2014).

⁹ Michael Rathbone, “Public Pension Panic,” *Show-Me Daily*, March 12, 2013, www.showmedaily.org/2013/03/public-pension-panic.html (accessed February 1, 2014).

¹⁰ Joseph Coletti, “Policy Options for Public Employees Pensions,” State Policy Network, December 20, 2011, www.spn.org/publications/detail/policy-options-for-public-employee-pensions (accessed February 1, 2014).

Network for funding to publish a report that “documents the negatives of the current system, assesses popularity of alternatives, and promote free market reforms.”¹¹

Manhattan Institute

The Manhattan Institute has been a leading advocate of forcing teachers and other public employees into the same defined contribution 401(k)-type plans that failed to provide financial security for millions of Americans. Their advocacy includes a recent report titled “Fixing the Public Sector Pension Problem: The (True) Path to Long-Term Reform.” The [report recommends](#) that governments “should take a page from the private sector and shift to defined contribution plans.”¹²

Illinois Is Broke

Founded in 2010 by the Civic Committee of the Commercial Club of Chicago,¹³ an organization representing business interests in the Chicago area, Illinois Is Broke campaigns to increase the cost for individual pension plan participants, reduce pension benefits for current and future Illinois retirees, and move new employees into a defined contribution plan.¹⁴

Special Mention—Bruce Rauner

In October 2012, Bruce Rauner, Republican candidate for governor of Illinois, [retired from GTCR](#),¹⁵ the private equity firm he formerly chaired. Despite [managing billions of dollars for pension funds](#) while at GTCR,¹⁶ Rauner has made the elimination of defined benefit plans a cornerstone of his gubernatorial campaign and has a plan that “favors capping pensions that have already been earned and moving government employees to a defined contribution 401(k)-type of retirement plan.”¹⁷

Worker-Friendly Investment Firms

Several companies have publicly and credibly declared their neutrality, or have been supportive of retirement security systems.¹⁸

¹¹ Jonathan Shorman, “Document Shows Sinquefield-Backed Think Tank Asked for Money for Pension Report,” *Springfield (Mo.) News-Leader*, December 5, 2013, www.news-leader.com/article/20131205/NEWS06/312050133/Document-shows-Sinquefield-backed-think-tank-asked-money-pension-report (accessed February 1, 2014).

¹² Richard C. Dreyfuss, *Fixing the Public Sector Pension Problem: The (True) Path to Long-Term Reform*, Manhattan Institute, February 2013, www.manhattan-institute.org/html/cr_74.htm (accessed February 1, 2014).

¹³ “History,” Commercial Club of Chicago, www.commercialclubchicago.org/history (accessed February 1, 2014).

¹⁴ Phil Rosenthal, “Pension Overhaul Gets Executive Push,” *Chicago Tribune*, October 8, 2011, http://articles.chicagotribune.com/2011-10-08/business/ct-biz-1009-phil-20111008_1_pension-overhaul-illinois-pension-system-unfunded-pension-liability (accessed February 1, 2014).

¹⁵ Lynne Marek, “Rauner Makes It Official, Retires from GTCR,” *Crain’s Chicago Business*, October 19, 2012, www.chicagobusiness.com/article/20121019/NEWS01/121019735/rauner-makes-it-official-retires-from-gtcr# (accessed February 1, 2014).

¹⁶ Mark W. Anderson, “Opinion: Pension Deal Puts Rauner in a Tight Spot,” 5 NBC Chicago, November 29, 2013, www.nbcchicago.com/blogs/ward-room/Opinion-Pension-Deal-Puts-Rauner-in-a-Tight-Spot-233833101.html (accessed February 1, 2014).

¹⁷ Lenore Sobota, “Rauner Touts 401(k)-Style State Pension System,” *Bloomington (Ill.) Pantagraph*, October 14, 2013, www.pantagraph.com/news/state-and-regional/illinois/government-and-politics/elections/rauner-touts-k-style-state-pension-system/article_473b7cee-352a-11e3-b596-001a4bcf887a.html (accessed February 1, 2014).

¹⁸ These firms include State Street, Trust Company of the West, Hamilton Lane, Blue Wolf Capital, KPS Capital Partners, the Yucaipa Companies and Amalgamated Bank.

Investment Manager Watch List¹⁹

Directors, managers, advisers and executives of the funds below have contributed to, or sit on the governing board of, an organization that advocates for the replacement of defined benefit plans with defined contribution or cash-balance plans. (See table on page 5.)

Anthos Capital	Highbridge Capital Management	Pergamon Advisors
Appaloosa Management	HPB Associates	Prescott Advisors
Brownfields Capital	Icahn Enterprises	SAC Capital
Clayton Capital Partners	Invemed Associates LLC	SLX Capital Management
Cohen, Klingenstein LLC	J. Fitzgibbons LLC	Stone-Kaplan Investments
Eagle Capital Management	Kiernan Ventures	Third Point LLC
Elliott Management	Kingdon Capital Management	Tiger Management
Gilder, Gagnon, Howe & Co.	Mason Capital Management	Tudor Investment Corp.
GTCR	Pennant Capital	Venrock

More detailed information is provided in the chart below. If you feel that your fund has been placed in the incorrect category, please let us know. Contact the AFT’s Center on Workers’ Benefits & Capital Strategies at either 202-662-8007 or dpedrotty@aft.org.

Fund Name	Associations
Anthos Capital	A foundation connected to co-founder Thomas J. Healey has previously contributed to the Manhattan Institute. ²⁰
Appaloosa Management	Founder and President David Tepper is a known funder of StudentsFirst. ²¹
Brownfields Capital	A foundation connected to chairman Eugene Mercy Jr. has previously contributed to the Manhattan Institute. ²²
Clayton Capital Partners	CEO Kevin Short is a director of the Show-Me Institute. ²³

¹⁹ The 2014 edition of this report adds the following asset managers: Aon and Highbridge Capital Management.

²⁰ U.S. Department of Treasury Internal Revenue Service, “2009 Return of Private Foundation (Form 990-PF): Healey Family Foundation” and “2010 Return of Private Foundation (Form 990-PF): Healey Family Foundation,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

²¹ Joy Resmovits, “Michelle Rhee’s Backers Include Obama Bundler Billionaire, Big Romney Backer,” *Huffington Post*, March 9, 2012, www.huffingtonpost.com/2012/02/24/michelle-rhees-backers-in_n_1300146.html (accessed February 2, 2014).

²² U.S. Department of Treasury Internal Revenue Service, “2010 Return of Private Foundation (Form 990-PF): The Sue and Eugene Mercy, Jr. Foundation” and “2011 Return of Private Foundation (Form 990-PF): The Sue and Eugene Mercy, Jr. Foundation,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

²³ “Board of Directors,” Show-Me Institute, <http://showmeinstitute.org/about-us/board-of-directors.html> (accessed February 2, 2104).

Fund Name	Associations
Cohen, Klingenstein LLC	A foundation connected to Thomas Klingenstein has previously contributed to the Manhattan Institute. ²⁴
Eagle Capital Management	Founder Ravenel Boykin Curry is a trustee of the Manhattan Institute. ²⁵
Elliott Management	Senior adviser Dan Senior is a director of StudentsFirstNY. ²⁶
Elliott Management	Founder and CEO Paul Singer is the chairman of the Manhattan Institute. ²⁷
Gilder, Gagnon, Howe & Co.	A foundation connected to co-founder Richard Gilder has previously contributed to the Manhattan Institute. ²⁸
GTCR	Former chairman Bruce Rauner, who still holds partnership interest in GTCR funds, ²⁹ advocates for the elimination of defined benefit plans. ³⁰
Highbridge Capital Management	Chairman Glenn Dubin has contributed to the political activities of StudentsFirstNY. ³¹
HPB Associates	Founder Howard Berkowitz has previously contributed to the Manhattan Institute through his family foundation. ³²
Icahn Enterprises	The Icahn Charitable Foundation has previously contributed to the

²⁴ U.S. Department of Treasury Internal Revenue Service, “2009 Return of Private Foundation (Form 990-PF): Thomas D. Klingenstein Fund,” “2010 Return of Private Foundation (Form 990-PF): Thomas D. Klingenstein Fund” and “2011 Return of Private Foundation (Form 990-PF): Thomas D. Klingenstein Fund,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

²⁵ “Manhattan Institute Board of Trustees,” Manhattan Institute, www.manhattan-institute.org/html/trustees.htm (accessed February 2, 2014).

²⁶ “About Us: Board of Directors,” StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-9930000C296BA163 (accessed February 2, 2014).

²⁷ “Manhattan Institute Board of Trustees,” Manhattan Institute, www.manhattan-institute.org/html/trustees.htm (accessed February 2, 2014).

²⁸ U.S. Department of Treasury Internal Revenue Service, “2009 Return of Private Foundation (Form 990-PF): Gilder Foundation, Inc.,” “2010 Return of Private Foundation (Form 990-PF): Gilder Foundation, Inc.,” and “2011 Return of Private Foundation (Form 990-PF): Gilder Foundation, Inc.,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

²⁹ <http://www.chicagotribune.com/news/local/breaking/chi-statements-of-economic-interests-20131125,0,3397415.htmlpage>

³⁰ http://www.pantagraph.com/news/state-and-regional/illinois/government-and-politics/elections/rauner-touts-k--style-state-pension-system/article_473b7cee-352a-11e3-b596-001a4bcf887a.html

³¹ “New York State Board of Elections Financial Disclosure Report: New Yorkers for Putting StudentsFirst Independent Committee,” Schedule A, recorded October 3, 2013.

³² U.S. Department of Treasury Internal Revenue Service, “2008 Return of Private Foundation (Form 990-PF): The Judy and Howard Berkowitz Foundation” and “2010 Return of Private Foundation (Form 990-PF): The Judy and Howard Berkowitz Foundation,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

Fund Name	Associations
	Manhattan Institute . ³³ Carl C. Icahn serves as a director of StudentsFirstNY. ³⁴
Invemed Associates LLC	Chairman, President and CEO Kenneth G. Langone is a director of StudentsFirstNY . ³⁵
J. Fitzgibbons LLC	A foundation controlled by managing partner John Fitzgibbons has previously contributed to the Manhattan Institute. ³⁶
Kiernan Ventures	Peter Kiernan is a director of StudentsFirstNY . ³⁷
Kingdon Capital Management	A foundation controlled by Mark E. Kingdon has previously contributed to the Manhattan Institute . ³⁸
Mason Capital Management	Principal Kenneth M. Garschina is a trustee of the Manhattan Institute . ³⁹
Pennant Capital	According to a Reuter's article, Alan Fournier "pledged substantial resources" to a StudentsFirst's New Jersey partner organization . ⁴⁰
Pergamon Advisors	A foundation connected to CEO/managing partner Robert Rosenkranz has previously contributed to the Manhattan Institute . ⁴¹ Also, Robert Rosenkranz serves as a trustee of the Manhattan Institute. ⁴²

³³ U.S. Department of Treasury Internal Revenue Service, "2008 Return of Private Foundation (Form 990-PF): The Icahn Charitable Foundation," www.guidestar.org/FinDocuments/2009/133/863/2009-133863205-05c184ee-F.pdf (accessed February 2, 2014).

³⁴ "About Us: Board of Directors," StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-9930000C296BA163 (accessed February 2, 2014).

³⁵ "About Us: Board of Directors," StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-9930000C296BA163 (accessed February 2, 2014).

³⁶ U.S. Department of Treasury Internal Revenue Service, "2009 Return of Private Foundation (Form 990-PF): The John & Christine Fitzgibbons Foundation," through the Foundation Center's "990 Finder," <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

³⁷ "About Us: Board of Directors," StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-9930000C296BA163 (accessed February 2, 2014).

³⁸ U.S. Department of Treasury Internal Revenue Service, "2010 Return of Private Foundation (Form 990-PF): Mark & Anla Cheng Kingdon Foundation," "2011 Return of Private Foundation (Form 990-PF): Mark & Anla Cheng Kingdon Foundation," and "2012 Return of Private Foundation (Form 990-PF): Mark & Anla Cheng Kingdon Foundation," through the Foundation Center's "990 Finder," <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

³⁹ "Manhattan Institute Board of Trustees," Manhattan Institute, www.manhattan-institute.org/html/trustees.htm (accessed February 2, 2014).

⁴⁰ Stephanie Simon, "National Education Reform Group's Spending Shown," *Chicago Tribune*, June 25, 2012, http://articles.chicagotribune.com/2012-06-25/news/sns-rt-us-usa-education-reform-studentsfirstbre85o1cn-20120625_1_michelle-rhee-teachers-unions-education-funding (accessed February 2, 2014).

⁴¹ U.S. Department of Treasury Internal Revenue Service, "2008 Return of Private Foundation (Form 990-PF): Rosenkranz Foundation, Inc.," www.guidestar.org/FinDocuments/2009/133/940/2009-133940017-06691d34-F.pdf (accessed February 2, 2014); and U.S. Department of Treasury Internal Revenue Service, "2009 Return of Private Foundation (Form 990-PF): Rosenkranz Foundation, Inc.," "2010 Return of Private Foundation (Form 990-PF): Rosenkranz Foundation, Inc.," and "2011

Fund Name	Associations
Prescott Investors	Managing partner Thomas W. Smith is a trustee of the Manhattan Institute . ⁴³
SAC Capital	Managing Director Michael Sullivan is a director of StudentsFirstNY . ⁴⁴
SLX Capital Management	A foundation related to SLX Capital has previously contributed to the Manhattan Institute . ⁴⁵
Stone-Kaplan Investments	A foundation connected to manager Roger Stone has previously contributed to the Manhattan Institute . ⁴⁶
Third Point LLC	Founder Dan Loeb is a director of StudentsFirstNY ⁴⁷ and has funded the organization's New York political activities . ⁴⁸ He also is a trustee of the Manhattan Institute . ⁴⁹
Tiger Management	Julian Robertson has donated to StudentsFirst . ⁵⁰
Tudor Investment Corp.	Paul Tudor Jones is a director of StudentsFirstNY ⁵¹ and has funded the organization's New York political activities . ⁵²

Return of Private Foundation (Form 990-PF): Rosenkranz Foundation, Inc.,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

⁴² “Manhattan Institute Board of Trustees,” Manhattan Institute, www.manhattan-institute.org/html/trustees.htm (accessed February 2, 2014).

⁴³ “Manhattan Institute Board of Trustees,” Manhattan Institute, www.manhattan-institute.org/html/trustees.htm (accessed February 2, 2014).

⁴⁴ “About Us: Board of Directors,” StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-9930000C296BA163 (accessed February 2, 2014).

⁴⁵ U.S. Department of Treasury Internal Revenue Service, “2009 Return of Private Foundation (Form 990-PF): The Brook Fund, Inc.,” www.guidestar.org/FinDocuments/2009/222/561/2009-222561995-05eb2fe5-F.pdf (accessed February 2, 2014); and U.S. Department of Treasury Internal Revenue Service, “2010 Return of Private Foundation (Form 990-PF): The Brook Fund, Inc.,” “2011 Return of Private Foundation (Form 990-PF): The Brook Fund, Inc.,” and “2012 Return of Private Foundation (Form 990-PF): The Brook Fund, Inc.,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

⁴⁶ U.S. Department of Treasury Internal Revenue Service, “2010 Return of Private Foundation (Form 990-PF): Roger and Susan Stone Family Foundation” and “2011 Return of Private Foundation (Form 990-PF): Roger and Susan Stone Family Foundation,” through the Foundation Center’s “990 Finder,” <http://foundationcenter.org/findfunders/990finder/> (accessed February 2, 2014).

⁴⁷ “About Us: Board of Directors,” StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-9930000C296BA163 (accessed February 2, 2014).

⁴⁸ “New York State Board of Elections Financial Disclosure Report: New Yorkers for Putting StudentsFirst Independent Committee,” Schedule A, recorded August 7, 2013.

⁴⁹ “Manhattan Institute Board of Trustees,” Manhattan Institute, www.manhattan-institute.org/html/trustees.htm (accessed February 2, 2014).

⁵⁰ Laura Clawson, “Rhee’s StudentsFirst Received Murdoch Money,” *Daily Kos*, August 18, 2011, www.dailykos.com/story/2011/08/18/1008309-Rhee-s-StudentsFirst-received-Murdoch-money (accessed February 2, 2014).

Fund Name	Associations
Venrock	Partner Nick Beim has contributed to StudentsFirst’s Connecticut affiliate. ⁵³

What Can Pension Trustees Do?

Choosing among investment alternatives of equal economic value, pension and employee benefit plans may consider secondary factors such as support for working families and their communities.

The consideration of an investment manager’s position on such issues will not violate the trustees’ fiduciary obligations, **provided that (1) the collateral objectives are subordinate to the primary economic objective of retaining qualified managers that will provide competitive, risk-adjusted returns, and (2) the consideration of collateral factors leads to the retention of investment managers that are equivalent, from a qualification and performance standpoint, to other managers available to the plan.**

Trustees can require disclosure of principal and decision-maker involvement in, or contribution to, any nonprofit related to education. Currently, politically active not-for-profits are allowed to shield the names of their donors from public disclosure in the majority of states. Pension fund trustees can modify their request-for-proposal documents to require disclosure of donations by executives of potential funds. When deciding between proposals from two asset managers of equal performance, trustees can take into account the manager’s support for organizations that attack teachers’ rights. It is important to note that the fund manager’s economic performance must be the primary consideration, and political giving can only be considered as a secondary factor (a “tie-breaker”) between two similarly performing asset managers.

Model Language and Inquiries

The Public School Teachers’ Pension and Retirement Fund of Chicago’s “Procurement Policy for Investment Consultants” already requires disclosure of education-related nonprofit activity by any executive officer or principal member of a potential investment consultant. Responses to the fund’s [competitive selection procedures](#) require the following disclosure:

“D(3)(i) Disclosure by the Investment Consultant and by any executive officer or principal member of the Investment Consultant of any financial support in excess of \$1,000 per calendar year within the prior five (5) calendar years and/or formal involvement with any Illinois-based community or not-for-profit organization relating to public education. For purposes of this disclosure, a principal member is defined as any person who has an ownership or distributive income share in the Investment Consultant that is in excess of 7.5%.”⁵⁴

⁵¹ “About Us: Board of Directors,” StudentsFirstNY, www.studentsfirstny.org/index.cfm?objectid=E94BA100-EC1D-11E1-993000C296BA163 (accessed February 2, 2014).

⁵² “New York State Board of Elections Financial Disclosure Report,” Schedule A, recorded August 7, 2013.

⁵³ Connecticut State Elections Enforcement Commission, “Independent Expenditures Statement for an Entity (SEEC Form 26): Great New England Public Schools Alliance,” recorded September 28, 2012.

⁵⁴ Public School Teachers’ Pension and Retirement Fund of Chicago, “Procurement Policy for Investment Consultants,” amended March 18, 2010, www.ctpf.org/general_info/Governance/2010-03-18_Procurement_Policy_for_Investment_Consultants.pdf (accessed February 1, 2014).

The Chicago teachers' fund's procurement policy could be modified in a few ways, to expand the scope of organizations supported by potential investment consultants to make it nationwide. Additionally, the scope of not-for-profit activity could be expanded to include activities relating to, for example, teaching, preK-12 education, school vouchers, pension privatization and educational policy, to name a few.

The California State Teachers' Retirement System's (CalSTRS) "Investment Policy for Mitigating Environmental, Social and Geopolitical (ESG) Risks" provides another model for institutional investors. One of the 21 risk factors through which the pension fund evaluates investments is "Worker Rights." Under this risk factor, CalSTRS considers:

"The investment's long-term profitability from management and practices globally in the area of worker's rights; specifically the right of association, the status to organize and bargain collectively, prohibition of forced or bonded labor, status of child labor practices and minimum age for employment, acceptable work conditions, or human trafficking."⁵⁵

The CalSTRS investment policy could be interpreted or expanded to include a worker's right to a secure retirement.

We also encourage funds to explore their exposure to asset managers through fund of funds in which they are invested. For example, the Illinois State Board of Investment's executive director, William Atwood, wrote Entrust Capital, an asset manager specializing in fund of funds investment products, asking about the ISBI's exposure to Third Point LLC, one of the asset managers listed in this report. Atwood concluded the letter by noting, "It would be troubling and embarrassing to now find that one of the firms retained by Entrust on ISBI's behalf is using the fees paid by ISBI participants to actively work against their interests."⁵⁶

Simply requesting information about how fund of funds are investing defined benefit funds can provide information that may not be available through public sources.

⁵⁵ CalSTRS, "Investment Policy for Mitigating Environmental, Social and Geopolitical (ESG) Risks," Attachment A in *Teachers' Retirement Board Policy Manual*, updated September 2012, Attachment A, pages A-18 to A -22, www.calstrs.com/pod/teachers-retirement-board-policy-manual (accessed February 1, 2014).

⁵⁶ William R. Atwood, Executive Director, Illinois State Board of Investment, letter to Greg Hymowitz, Managing Partner, Entrust Capital, April 12, 2013.