



A Union of Professionals

Private Prisons, Immigrant Detention and Investment Risks, Part 1

Executive Summary

This is part 1 of a special edition report that the AFT is issuing to highlight the investment risks to pension funds and other investors whose portfolios contain exposure to the private prison industry and to contractors who provide services to immigration detention centers. Part 2 of this report will identify an expanded list of investment managers who invest in private prisons.

Since the Trump administration’s “zero tolerance” immigration policy took effect in May 2018, more than 2,000 children have been separated from their parents who are lawfully seeking asylum and/or refugee status in the United States. AFT members and partner organizations have taken action not only to demand an end to family separation, but also to call attention to the role of the private prison industry and other publicly traded companies in this crisis, and to raise these issues with their investors, including public pension funds. Some of the same companies that we identify in this report as playing key roles in the family separation policy are also responsible for fueling mass incarceration that disproportionately affects communities of color—communities where AFT members live and work.

Accordingly, this report will:

1. Identify the top publicly traded companies that profit from family separation and identify the associated investment risks;
2. Provide a watch list of hedge fund managers that hold significant shares in these companies;
3. Call on public pension funds to examine their direct and indirect investments in these companies and assess the risks they pose to the fund; and
4. Provide a roadmap for pension fund trustees to take action to mitigate these investment risks, including describing the steps some public pension funds have already taken to eliminate their exposure to family detention profiteers.

Private prison companies that build and operate facilities used to detain immigrants, or that provide supportive services to these facilities, reap the benefits of the Trump administration’s “zero tolerance” policy. As a recent *New York Times* op-ed by New York City Comptroller Scott Stringer and community organizer Javier Valdes put it, “This industry has turned human suffering into a billion-dollar business.”¹

The **American Federation of Teachers** is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We are committed to advancing these principles through community engagement, organizing, collective bargaining and political activism, and especially through the work our members do.

Randi Weingarten
PRESIDENT

Loretta Johnson
SECRETARY-TREASURER

Mary Cathryn Ricker
EXECUTIVE VICE PRESIDENT

American Federation of Teachers, AFL-CIO • 555 New Jersey Ave. N.W. • Washington, DC 20001 • 202-879-4400 • www.aft.org



Publicly traded companies that operate or provide services to immigrant detention facilities include:²

- **General Dynamics**, one of the country's top defense contractors, which provides case management services to youth detention centers. Although General Dynamics' core business is not the operation of private prisons, we include this company because of its contracts with migrant shelters.³
- **CoreCivic**, formerly Corrections Corporation of America, the nation's largest private prison company, which owns and operates eight immigration detention centers, including family detention centers.
- **GEO Group**, a private prison company that operates family detention centers.

These companies pose clear risks to investors. The current crisis and its well-documented human rights abuses create significant headline risk for investors whose assets are tied to family separation. Because this business line is tied fundamentally to federal policy and has been exceedingly profitable under the current Trump administration, that makes its long-term profitability inherently volatile. Furthermore, the lack of transparency in the operation of these companies makes it extremely difficult for investors—and the public—to evaluate these companies' practices and the risks they pose to investors.⁴

Hedge funds are among the largest funders of the private prison industry. The lists of top institutional investors in CoreCivic, GEO Group and General Dynamics all contain multiple hedge fund managers. In fact, we have identified 28 hedge funds that own approximately \$10 million worth of shares or more, in at least one of these three companies; altogether, these 28 hedge funds own more than \$15 billion worth of stock in CoreCivic, GEO Group and General Dynamics, as of the most recent publicly available Securities and Exchange Commission filings.

How pension fund trustees can take action:

We urge pension fund trustees who want to evaluate exposure to the private prison industry as part of their investment decision-making process to consider taking measures outlined in part 1 of the report, including taking similar actions to those pension funds, like the New York State Common Retirement Fund, that have already taken steps to reduce exposure to these companies.

¹ Scott M. Stringer and Javier H. Valdés, "More Cities and States Should Divest from Private Prisons," *New York Times*, July 30, 2018, www.nytimes.com/2018/07/30/opinion/private-prisons-immigration-divest.html.

² This list is not intended to be comprehensive but reflects our current understanding of the major publicly traded companies that operate and/or provide services to immigrant detention facilities; the AFT may update this list in future reports.

³ Manny Fernandez and Katie Benner, "The Billion-Dollar Business of Operating Shelters for Migrant Children," *New York Times*, June 21, 2018, www.nytimes.com/2018/06/21/us/migrant-shelters-border-crossing.html.

⁴ Center for Popular Democracy, Make the Road New York, Enlace International, New York Communities for Change, and the Strong Economy for All Coalition, "Bankrolling Oppression: How Wall Street Companies Finance the Private Prison and Immigrant Detention Industry," 2018, <https://populardemocracy.org/sites/default/files/20180427%20CBOH%20Digital.pdf>.