



A Union of Professionals

PRIVATE PRISONS INVESTMENT RISKS PART TWO

How Private Prison Companies
Fuel Mass Incarceration—and How
Public Pension Funds Are at Risk





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Our Mission

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.

Private Prisons and Investment Risks, Part Two

How Private Prison Companies Fuel Mass Incarceration—and How Public Pension Funds Are at Risk

Since 2013, the American Federation of Teachers has periodically released “Ranking Asset Managers” reports. These reports have provided information, for the purpose of transparency, risk analysis and education, for pension fund trustees and managers.

This is the AFT’s second report in a two-part series highlighting the investment risks to pension funds and other investors whose portfolios contain investments in the private prison industry or contractors who provide services to immigrant detention centers. Part 1 of this series, [“Private Prisons, Immigrant Detention and Investment Risks,”](#)

released in August 2018, identifies investment managers, namely hedge fund managers, who invest millions of dollars in companies that profit from detention facilities that house separated immigrant families and the risks those investments pose to our members’ retirement security.

Part 2 of this series focuses on the companies and asset managers, namely private equity firms, that profit from and fuel the mass incarceration of black and brown people in the United States.

The United States incarcerates more people than any other country in the world, both in terms of the number of individuals incarcerated and by percentage of population.ⁱ In 2016, there were roughly 2.2 million people in the country’s prisons and jails, and 1 in every 116 adults in the United States was incarceratedⁱⁱ—a rate far higher than countries with more authoritarian regimes, such as Russia, the Philippines and Iran.ⁱⁱⁱ If the number of imprisoned individuals in the United States made up a city, it would be the fifth-largest in the country.^{iv}

This practice of shunting a significant portion of the population into the criminal justice system is known as mass incarceration, and it overwhelmingly and discriminatorily impacts communities of color. Although people of color make up only 30 percent of the population, they make up 60 percent of the U.S. incarcerated population.^v The American Civil Liberties Union estimates that 1 out of every 3 black boys and 1 out of every 6 Latino boys can expect to go to prison in their lifetimes—compared with 1 out of every 17 white boys.^{vi} According to the NAACP, “If African Americans and Hispanics were incarcerated at the same rates as whites, prison and jail populations would decline by almost 40%.”^{vii}

This racial divide in incarceration rates is exacerbated by poverty. A 2015 report by the Prison Policy Initiative states that “the American prison system is bursting at the seams with people who have been shut out of the economy and who had neither a quality education nor access to good jobs,” noting that the median annual income of U.S. inmates prior to incarceration is only about \$19,000.^{viii} Socio-economic status plays a significant role in determining whether someone will experience incarceration,^{ix} yet racial disparities in incarceration rates and sentencing persist, with a disproportionately negative impact on African-American men in particular.^x

The AFT believes that combating mass incarceration is a vital civil rights and humanitarian issue—and as this report demonstrates, it is also an investment issue. That’s why the issue of private prisons is now subject to a risk analysis, something the AFT has done periodically since 2013, to provide information, for the purpose of transparency and education, to pension fund trustees. In 2015, the AFT’s Racial Equity Task Force released a report, [“Reclaiming the Promise of Racial](#)

This report aims to address one of the factors that lead to mass incarceration: the growth of the private prison industry.

[Equity](#),” that called for the union and allies to “work to combat factors that lead to the mass incarceration of young black males.” This “Ranking Asset Managers” report aims to combat one of those factors: the growth of the private prison industry, whose business model depends on increasing the number of people in detention, often under conditions that violate their human rights. As nearly two-thirds of prisoners are black and Latino,^{xi} the push to incarcerate larger numbers will undoubtedly lead to further disproportionate incarceration of people of color.

The mass incarceration crisis is felt deeply by AFT members. The National Resource Center on Children and Families of the Incarcerated at Rutgers University estimates that more than 2.7 million children in the United States have an incarcerated parent, or about 1 in 28 children; 44-55 percent of fathers in prison and 64-84 percent of mothers in prison had at least one minor child living with them before incarceration.^{xii} Because more than half of all incarcerated parents were the breadwinners for their families, children with incarcerated parents are more likely to experience poverty and housing instability,^{xiii} both of which can disrupt learning. According to the Economic Policy Institute, children of incarcerated parents are more likely to drop out of school, develop learning disabilities and suffer from ailments such as asthma, anxiety, post-traumatic stress disorder, migraines and depression, leading EPI to conclude that “criminal justice policy is education policy.”^{xiv}

Furthermore, the “zero tolerance” discipline policies that schools previously adopted had the effect of criminalizing students, with a disproportionate effect on students of color, who face greater rates of suspension, expulsion and being brought up on criminal charges. The effect has been students leaving public schools, which provide the [support](#) and resources they need.^{xv}

Clearly, the mass incarceration crisis impacts educators and the students they teach—and the crisis is fueled in part by companies that profit from the incarceration of communities of color. Large, for-profit prison operators like CoreCivic and the GEO Group, along with a number of smaller companies owned by private equity firms that provide corrections-related support services, together make billions of dollars annually when disproportionate numbers of black and Latino people are sent to prison.

That’s why mass incarceration is not only a racial justice and civil rights issue—it is also an investment issue. A large number of public pension funds, along with other institutional investors, have tens of millions of dollars’ worth of exposure to the private prison industry through their investment portfolios, whether through directly owned shares of publicly traded private prison companies, indirect exposure through hedge funds or index funds, or investments in private equity firms that own companies providing corrections-related services.

Private prison companies and companies that provide outsourced services to correctional facilities have no incentive to address the problem of mass incarceration, because they stand to make more money when more individuals are incarcerated. In fact, private prison companies actively contribute to the current system of mass incarceration through political expenditures, policy development and lobbying. These companies do, however, have an incentive to cut costs in order to maximize their profits, and, as this report will demonstrate, many achieve this by lowering wages for workers, understaffing, skimping on training and providing as little services as possible to inmates—at times breaking the law and at the expense of inmates’ health, safety and lives. The litigation, regulatory and headline risks that result from the abuses of the private prison and corrections services industries, therefore, are significant.

The investment risks that result from the abuses of the private prison and corrections services industries are significant.

A number of public pension funds have already taken steps to mitigate mass incarceration risks, with three of the four largest public pension funds in the United States—the California State Teachers’ Retirement System, the New York City Employees’ Retirement System and the New York State Common Retirement Fund—divesting from direct holdings in private

prison companies over the last two years. Two other funds in which AFT members participate—the Chicago Teachers’ Pension Fund and the New Jersey State Investment Council—also voted to divest from private prison companies in recent months, indicating a growing recognition among pension funds that private prison investments pose serious investment risks to workers’ retirement savings.

Accordingly, this report will:

1. Identify the principal companies, both publicly traded and private equity owned, that profit from mass incarceration;
2. Outline the risks to investors posed by these companies;
3. Provide a “watch list” of private equity firms that own companies that provide services to prisons, jails and detention facilities;
4. Call on public pension funds to assess their direct and indirect exposure to these companies and asset managers and assess the risks they pose to the fund; and
5. Provide action steps for pension fund trustees to mitigate these investment risks.

Steps Pension Funds Have Taken to Address Mass Incarceration Investment Risk

Several pension funds have divested from the private prison industry over the last several years, including the New York City Employees’ Retirement System, the New York State Common Retirement System and the Philadelphia Board of Pensions and Retirements.^{xvi} Since the release of Part 1 of this report in August 2018, the following additional pension funds have taken steps to divest from private prisons:

- On Aug. 17, 2018, the Chicago Teachers’ Pension Fund added immigrant detention centers and other private prison operators to its list of prohibited investments. Said fund President Jay C. Rehak: “We know these institutions disproportionately incarcerate people of color and those who live below the poverty line, house immigrant children and perpetuate the separation of immigrant families. [Furthermore, these companies] take advantage of and put at risk unprotected, low-wage employees, while lacking fiscal and operational transparency.”^{xvii}

Added Chicago Teachers Union President Jesse Sharkey: “Our union members serve tens of thousands of immigrant students in our schools, and we’re committed to taking any and all steps to protect their families from disruption or repression. That includes our refusal to support corporations that seek to profit from the national attack on immigrants—the same corporations that continue to profit from the mass incarceration of black people and the harm that continues to visit the families of our black students.”^{xviii}

“I am a grandmother of 17, and all my children and grandchildren have been or are in Chicago Public Schools. I fully supported the Chicago Teachers’ Pension Fund’s decision to take their money out of private prison companies that are harming our communities. These companies see people as dollar signs, nothing more.”

—Irene Robinson,
Journey for Justice member, Chicago

- On Aug. 31, 2018, the New Jersey Pension Fund divested its stake in the GEO Group totaling \$1.3 million, stating “Our division of investment reviewed the investment merits, including consideration of environmental, social and governance issues, and consistent with its fiduciary responsibility elected to sell the security.”^{xix}
- On Nov. 8, 2018, the California State Teachers’ Retirement System investment committee voted to divest all directly held shares of the GEO Group and CoreCivic within six months. The decision to divest followed months of CalSTRS’ heightened engagement with the GEO Group and CoreCivic regarding their business practices, which included “visits to various detention facilities and face-to-face meetings with senior management concerning operational processes and risk management efforts,” according to the pension fund, which cited risks related to human rights violations of immigrants and children of immigrants detained at the companies’ facilities.^{xx}
- In December 2018, the California Public Employees’ Retirement System, the largest public pension fund in the country, announced that it was engaging in dialogue with management of CoreCivic and the GEO Group, as well as defense contractor General Dynamics, around concerns related to the companies’ involvement in immigrant detention. According to CalPERS’ investment policy, the pension fund must engage with companies on their policies before holding a formal vote on divestment.^{xxi}

Notably, most pension funds that have divested from the private prison industry have divested their direct stock holdings, with the exception of the New York State Common Retirement Fund, whose private prison divestment policy applies to all asset classes prospectively, meaning that the fund screens any new asset manager, including private equity funds, for exposure to the private prison industry.

Who Profits from Mass Incarceration?

The United States hasn’t always been the world’s largest jailer. Most of the explosion in the number of people incarcerated has occurred only over the last several decades, and can be attributed in part to the war on drugs, which officially commenced in the early 1980s. In fact, according to the Sentencing Project, between 1980 and 2016, the number of people incarcerated for drug offenses increased more than tenfold; in 2016, there were more people incarcerated for drug offenses than there were incarcerated for any crime in 1980.^{xxii} In December 2018, the First Step Act—bipartisan legislation making changes to sentencing laws—was signed into law, and it is expected to result in thousands of federal inmates becoming eligible for sentence reductions and early release;^{xxiii} however, this legislation does not apply to the state and local prisons and jails that make up the bulk of the U.S. criminal justice system.^{xxiv} Thus, while the legislation may be an initial step in lowering the U.S. prison population, it does nothing to address the over-incarceration of 2 million nonfederal inmates, a significant portion of whom are serving sentences for nonviolent drug offenses.^{xxv}

While the mass incarceration of people of color has had a devastating impact on entire communities, there are a number of companies, both publicly and privately held, that seek to profit from the imprisonment of people of color. These companies rely largely on contracts with local, state and federal governments to build, manage and operate prisons, or provide ancillary

“As a public school parent, I know teachers work hard to educate our children. We don’t want to see any of our children end up in prison, and it’s heinous that there are companies out there that think prisons are a good way to make billions of dollars. It’s time to rethink how our money is being invested. Our children are our future.”

—Maulana Tolbert,
Journey for Justice member, Detroit

services, such as healthcare and communications services, to prisons, and their growth depends upon the growth of the prison population in the United States.

The private prison industry in the United States is dominated by two publicly traded, for-profit companies, which together account for nearly 85 percent of the private prison market:^{xxvi}

- **CoreCivic** (formerly Corrections Corporation of America), the largest private prison company in the United States, which owns and manages correctional, detention and residential re-entry facilities in the United States, totaling approximately 78,000 beds in 19 states.^{xxvii}
- **The GEO Group**, which owns and manages correctional and detention facilities in the United States, Australia, South Africa and the United Kingdom, totaling approximately 75,000 beds in 71 facilities;^{xxviii} it is also the largest provider of electronic monitoring services in the United States.^{xxix}

About 9 percent of incarcerated people in the United States—and nearly 75 percent of people in immigrant detention facilities—are housed in private prisons,^{xxx} and this number has grown significantly over the last two decades. Between 2000 and 2016, the number of people incarcerated in private prisons grew five times faster than the total prison population, and the number of people in private immigrant detention centers increased by more than 440 percent.^{xxxi} In 2017, CoreCivic earned more than \$22,000 per inmate,^{xxxii} and the GEO Group earned more than \$24,000 per inmate.^{xxxiii}

While public and investor debate around the privatization of prisons, jails and detention facilities has largely focused on publicly traded companies such as CoreCivic and the GEO Group, the firms that provide phone services, commissary services, medical services, bail bonds and other corrections-related services are perhaps more ubiquitous, serving thousands of prison, jail and detention facilities around the country. These firms are largely owned by private equity firms, whose owners stand to profit from mass incarceration—especially recently, as the Trump administration has ramped up immigrant detention. More details on these firms and the companies they own are provided in Table 1.

Private Equity and Mass Incarceration

A handful of private equity firms, drawing on capital from pension funds, foundations, endowments, insurance companies and other institutional investors, have invested heavily in companies providing services to prisons, jails and detention facilities around the United States and the more than 2 million people housed at those facilities.

Over the last several decades, local, state and federal governments, facing increasing budget constraints, have outsourced an increasing share of prison-related services, such as medical care, food services, telecommunications and parole/probation services, to private companies that promise to deliver these services in a more cost-effective manner.

Unfortunately, while these companies turn a profit by paying workers less and providing fewer and lower quality services than public institutions, research has shown that these privatized services can cost more than government-provided services, even considering the fact that private prisons sometimes serve healthier and less costly inmates.^{xxxiv}

This report includes a watch list of seven private equity firms that own corrections companies that profit from mass incarceration (see Table 2 below).

Although private equity firms acquire corrections companies in an attempt to make money for their principals and investors, the cost-cutting involved has led to allegations that some of these companies neglect, mistreat or abuse prisoners and take advantage of the families of the incarcerated, which in turn poses litigation, regulatory and headline risks to investors.

Private Prisons and Investment Risks | Part Two

The problems that can result from privatized prison services have been well-documented; below are case studies of three private equity-owned corrections companies and related investment risks.

Company: Wellpath (formerly Correct Care Solutions and Correctional Medical Group Companies)

Private equity owner: H.I.G. Capital

- Until October 2018, Correct Care Solutions was owned by a trio of private equity firms, including GTCR, the private equity firm founded by former Illinois Gov. Bruce Rauner; while Rauner no longer runs the private equity firm, his most recent financial disclosures indicate that he still earns money from his investments in GTCR.^{xxxv} On Oct. 1, 2018, H.I.G. Capital announced that it had acquired Correct Care Solutions and would be merging it with another correctional healthcare company in its portfolio, Correctional Medical Group Companies.^{xxxvi} Prior to this merger, Correct Care Solutions provided medical and behavioral health services to local, state and federal correctional facilities in 38 states, reaching nearly 250,000 patients.^{xxxvii}
- According to the *Daily Beast*, there were more than 140 lawsuits against Correct Care Solutions filed between 2005 and 2017.^{xxxviii} In 2017, Fulton County, Ga., terminated its contract with the company after five inmates died within a span of 75 days, with the county concluding that the only connection between the deaths was the fact that all of the inmates were being treated by Correct Care Solutions.^{xxxix}
- A lawsuit filed in May 2018 alleged that more than a dozen inmates under the care of Correct Care Solutions were denied medical treatment for serious ailments, including a stroke, a broken hip and lung cancer. According to the lawsuit, the company's contract with the county detention center created "perverse incentives" because Correct Care Solutions "makes more money under the contract when they refuse to provide inmates with necessary medical care."^{xl}
- And in August 2018, a video was released as part of a wrongful death lawsuit against Correct Care Solutions that showed an inmate in a Westchester, N.Y., county jail collapsing on the ground and being wheeled back to his cell in a wheelchair by Correct Care Solutions staff. The inmate died soon after from a heart attack, and a state legislator concluded that "looking at this video, it would take more persuasion to get me to go along with the point of view that we should have CCS or another for-profit entity running the medical department [inside the jail]."^{xli}

Company: Corizon Health

Private equity owner: BlueMountain Capital Management

- Corizon Health, the nation's largest correctional healthcare company, owned by private equity firm BlueMountain Capital Management, provides healthcare services to 220,000 prisoners at 301 correctional institutions in 22 states.^{xlii} According to the American Civil Liberties Union, Corizon Health has been named as a defendant in more than 600 malpractice lawsuits since 2011, including allegations of medical neglect.^{xliii} The company has paid out millions of dollars in settlements over the years, including a record \$8.3 million settlement in 2015 for a detainee who died after not receiving an intake assessment by a registered nurse as required by state law.^{xliiv}
- In one recent case, a prisoner under the care of Corizon Health died in 2017 from a rare fungal infection after reporting troubling symptoms for more than eight months; according to the lawsuit, the inmate suffered a "staggeringly slow, physically and mentally excruciating death."^{xliv} Stated one expert witness about Corizon, "They're private, their goal is to make money, so they put policies in place that aren't necessarily [intended] to benefit the patient."^{xlvi}

Company: Securus/JPay

Private equity owner: Platinum Equity

- Securus provides telecommunications services to more than 3,400 correctional facilities in the United States and Canada;^{xlvii} in 2015, the company acquired JPay, which provides money transfer, email and video visitation services to inmates in 36 states and Washington, D.C.^{xlviii}
- The company's high rates and fees charged to inmates and their families have been reported in the *New Yorker*^{xlix} and the *Guardian*.^l In 2015, the Federal Communications Commission established rate caps on inmate phone calls, with one commissioner pointing to an example of a family of one inmate that had spent \$28,000 over 10 years to communicate with him.^{li} However, Securus, along with other prison telecommunications companies, challenged the rule,^{lii} and the Trump administration announced in 2017 that it would no longer defend the FCC's ruling,^{liii} giving prison telecommunications companies an opening to charge exorbitant rates going forward.
- In addition to allegations of overcharging its captive consumer base, Securus has also made headlines for alleged illegal activity. Earlier this year, a lawsuit was filed alleging that the company's agreement with Bristol County in Massachusetts involved an illegal kickback arrangement that resulted in the cost of phone calls from the county jails nearly doubling.^{liv} In 2016, Securus settled a lawsuit alleging that the company illegally recorded privileged and confidential conversations between inmates and attorneys and then provided these recordings to prosecutors.^{lv} And in January 2018, a former inmate filed a proposed class-action lawsuit against JPay, alleging that the company's policies, including charging a monthly \$3 maintenance fee and a \$1 ATM decline fee for inmates and former inmates to access their money, are monopolistic and illegal.^{lvi}
- Securus, along with other correctional telecommunications providers, has also pushed online video visitation as an alternative to in-person visitation of inmates, including writing bans of in-person visits into its contracts with facilities.^{lvii} While this certainly has the effect of driving more business to video visitation, which can cost users \$1 per minute, compared with free in-person visits,^{lviii} it also has a negative impact on prisoners: Research has shown that in-person visits reduce subsequent crime and recidivism.^{lix} Perhaps due to growing public outcry over this practice, in 2015 Securus stated that going forward it will defer to its clients' policy on visitation.^{lx}

As these cases illustrate, the privatization of public services introduces a profit incentive that can result in companies taking extreme measures to cut costs—putting employees and inmates at risk in the process. Some AFT members have witnessed firsthand the dangers that can occur when their jobs are privatized. In 2013, the Milwaukee County Jail in Wisconsin hired a private company, Armor Correctional Health Services, to provide health services at the jail, replacing the unionized registered nurses, members of the Wisconsin Federation of Nurses and Health Professionals.

“As a public school parent who works closely with teachers who serve black and brown children, I know the devastating impact that mass incarceration has on classrooms and on families. Private prison companies make headlines all the time for the way they cut corners and put workers and inmates at risk—and it’s hurtful to think that they profit by putting people behind bars.”

—Angel Gober,
Journey for Justice member, Pittsburgh

Upon taking over healthcare services at the jail, Armor began slashing staffing levels, with a former WFNHP member describing Armor's approach as "an accident waiting to happen." In 2016, four inmates died in the jail over the course of just a few months, including the child of an inmate who had given birth in jail^{lxvi} and an inmate who died of dehydration after being denied water as punishment.^{lxvii}

As reported in the *Milwaukee Journal Sentinel*, "The private contractor responsible for medical care at Milwaukee County's jails has failed to meet basic standards of care and staffing mandates," with Armor failing to fill 30 percent of all medical positions at the jail.^{lxviii} In 2018, Milwaukee County prosecutors brought criminal charges against Armor for falsifying health records.^{lxix}

The AFT represents public employees who work in a variety of professions, including corrections officers and parole and probation officers who work in prisons and with the formerly incarcerated every day. As a result, these workers understand the criminal justice system and are strong advocates for fair and equal treatment for prison workers and the incarcerated. AFT public employees recognize that private prison companies put both public safety and public employee pensions at risk, and believe that privatizing our justice system threatens our democracy.

Fiduciary Arguments for Divestment

It is well within the scope of a pension fund trustee's fiduciary responsibility to consider the legitimate risks associated with investments in the private prison industry, and to consider whether to divest entirely. CoreCivic and the GEO Group rely on incarcerating people to turn a profit and, therefore, have an incentive to forgo spending to ensure the health and safety of those incarcerated in order to increase payouts to shareholders and executives. There are clear financial, headline and regulatory risks associated with investing in these companies:

- A 2016 report from the Justice Department's inspector general revealed that privately operated federal prisons are more dangerous than federally managed prisons, with higher rates of assaults.^{lxx} This is evident in the numerous lawsuits against CoreCivic and the GEO Group, including a lawsuit alleging that understaffing at a CoreCivic facility in Idaho led to inmates being beaten and stabbed by members of a prison gang,^{lxxi} and a lawsuit in which a federal judge ruled in 2012 that a GEO Group facility in Mississippi failed to protect inmates from gang violence.^{lxxii}
- Because private prison companies do not have to respond to requests for information under the Freedom of Information Act, it is difficult for investors and the public to access clear information regarding conditions and possible abuses.^{lxxiii} This can result in headline risks to investors when these issues become public—for example, the *Guardian* reports that over the last year, four different lawsuits have been filed alleging that the companies "violated the federal Trafficking Victims Protection Act by threatening solitary confinement or withholding basic necessities, such as food, toilet paper and soap, if detainees refused to work" at five CoreCivic facilities and one GEO Group facility.^{lxxiv}
- Private prison companies face vulnerability to political changes because of the humanitarian issues associated with their business. For example, in 2016 the Obama administration announced it would phase out the use of private prisons for federal detainees, and in 2017 the Trump administration reversed the decision.^{lxxv} And in December 2018, the First Step Act was signed into law,^{lxxvi} which is expected to lead to thousands of federal nonviolent drug offenders qualifying for early release or reduced sentences.^{lxxvii} In another example of how private prisons are subject to political events, in January 2019, a federal jail in Brooklyn, N.Y., experienced an electrical failure, leaving more than 1,000 inmates with minimal heat and no lights in their cells for at least a week. The power failure happened during the federal government shutdown, which impeded lawyers' ability to meet with their clients at the jail and monitor the situation.^{lxxviii}

Private equity-owned companies that privatize corrections services present many of these same investment risks—including regulatory, litigation and headline risks:

- Changes to state laws can impact these companies' ability to operate; for example, California recently passed legislation outlawing cash bail,^{lxxiv} which could have a significant impact on companies such as Aladdin Bail Bonds, particularly if other states follow suit.
- Similarly, changes to federal policies can impact corrections companies' bottom lines. For example, the FCC's decision to cap prison phone call rates in 2015, and its subsequent reversal in 2017, illustrates just how vulnerable prison telecommunications companies are to political wind shifts.
- Harmful practices on the part of corrections companies—particularly those that generate lawsuits and/or media attention—can lead states to terminate their contracts, compounding financial risks to investors. At least five states have canceled contracts with Corizon Health over the last several years, including Indiana, which terminated its contract not long after the *South Bend Tribune* reported that the company faced dozens of lawsuits in the state, including allegations of wrongful death.^{lxxv}
- As outlined above, prison healthcare companies face a number of lawsuits alleging mistreatment of prisoners, withholding of care and wrongful death. These lawsuits can result in settlements or judgements compelling the company to pay millions of dollars, posing a financial risk to investors in addition to headline risks.

Private Equity Watch List

To be included in our watch list in Table 2, a private equity firm must have reported ownership of a company for which a significant portion of business is derived from providing services to correctional facilities. This list is not a comprehensive overview of all private equity ownership of corrections companies, and private equity portfolios are subject to change.

In addition to reviewing their portfolios for direct holdings of CoreCivic and the GEO Group, we encourage pension fund trustees to review their portfolios for exposure to private equity firms included in this report and to consult our watch list when making asset allocation decisions.

Furthermore, pension fund trustees should raise concerns with any private equity manager on this watch list with which their pension fund is currently invested or considering investing, including asking them to take meaningful steps to address the risks associated with the corrections companies in their portfolios, to remove corrections companies from their portfolios and to commit publicly to not investing in private prison-related holdings. Pension fund trustees should also consider divesting from companies that fail to take steps to ensure their business practices do not contribute to the problem of mass incarceration and that put prisoners, their families and communities at risk.

"I find it immoral that a company could make money off of something that affects people's lives so deeply."

—Eric Olson,
Colorado WINS (Workers for Innovative
and New Solutions) member

We also urge pension funds to consider adopting comprehensive policies similar to that of the New York State Common Retirement Fund that prohibit new exposure to private prisons in any asset class, and/or policies that restrict investments in private equity firms or other companies that privatize public jobs. For further recommendations for pensions and employee benefit plans, see "What Can Pension Fund Trustees Do?" below.

What Can Pension Fund Trustees Do?

We urge pension fund trustees wishing to consider exposure to the private prison industry as part of their investment decision-making process to consider taking any or all of the following measures:

1. Consult our watch list when making asset allocation decisions.
2. Review your pension fund's investment portfolios for exposure to private prison and corrections companies in public and private markets across all asset classes.
3. Direct your pension fund staff to evaluate the impact to the fund of divesting from the private prison industry, and consider divesting from directly owned shares. Similarly, ask your index fund provider and consultant to undertake an analysis of the risk-and-return profile of index funds that do not hold companies in the private prisons/corrections industries, and consider investing in index funds that do not have this exposure.
4. Engage with CoreCivic and the GEO Group to demand that they adopt policies to ensure just and humane treatment of detainees and proper oversight over the corrections companies providing services to inmates who are incarcerated in their facilities. Consider filing or supporting shareholder proposals that emphasize these demands.
5. Engage with private equity companies in your portfolio that own corrections companies and ask what steps they are taking to address the investment risks associated with these companies. Mandate similar engagement with private equity firms that are soliciting new or additional investments from your pension fund. For new private equity agreements, include provisions similar to [those adopted by CalSTRS regarding firearms manufacturers](#) that exclude investments in corrections companies, and protect your fund with opt-out options should such investments occur.
6. Develop and adopt investment beliefs or other policies that restrict investments in the private prisons/corrections industry specifically and in companies involved in human rights abuses more broadly. As part of this process, reach out to public pension funds that have already taken action to divest from private prisons to learn about their decision-making process and to access policy language that may serve as a guide for your own fund.
7. Develop and adopt policies prohibiting investments in firms that privatize public sector jobs; consider using the [CalPERS investment policy on restricting private equity investments in public sector outsourcers](#) as a model policy for your own pension fund.
8. Investigate the companies and private equity managers named in this report and their compliance with your fund's beliefs if your pension fund has already adopted investment beliefs that apply across asset classes, and request that staff produce and share compliance reports on the subject.
9. Support state-level legislation requiring greater transparency and disclosure from companies that profit from mass incarceration, and/or legislation banning the privatization of correctional services.

Conclusion

As this report clearly demonstrates, companies that profit from mass incarceration—including publicly traded private prison companies and private equity-owned corrections services companies—make millions off of the criminalization and incarceration of communities of color. However, these millions come with significant regulatory, litigation and headline risks to investors.

Mass incarceration of black and brown people in the United States is a civil rights and humanitarian issue that impacts communities across the country, including places where AFT members live and work. The AFT is committed to working together with our allies to put an end to mass incarceration so that no child or family we serve has to endure the injustice of this practice, and so that for-profit corporations can no longer enrich themselves off of locking up communities of color.

Special note to private equity managers: If you feel that your fund has been placed in the incorrect category, please let us know. Contact the AFT's Center for Workers' Benefits and Capital Strategies at either 202-585-5817 or aftresearch@aft.org.

Table 1: Private equity-owned firms providing services to prisons, jails and detention facilitiesData compiled by the [Private Equity Stakeholder Project](#).

| Company | Industry/Service | Scope | Private Equity Owner |
|--|---|--|---|
| Securus/JPay | Telephone/ Communications | Securus, which owns JPay, serves more than 3,400 public safety, law enforcement and corrections agencies and more than 1.2 million inmates across North America. ^{lxxvi} | Platinum Equity ^{lxxvii} |
| Global Tel Link | Telephone/ Communications | Global Tel Link serves approximately 2,300 facilities and 1.8 million inmates in 50 states, the District of Columbia and Puerto Rico. ^{lxxviii} | American Securities ^{lxxix} |
| Keefe Group/Trinity Services Group/Swanson Services/ICSolutions | Commissary/ Food/ Telephone/ Communications | Keefe Commissary Network serves more than half a million inmates weekly and 12 out of 14 outsourced state departments of corrections. ^{lxxx} Telecommunications provider ICSolutions serves 180,000 inmates housed in more than 200 correctional facilities nationwide. ^{lxxxi} | H.I.G. Capital ^{lxxxii} |
| Aladdin Bail Bonds/Seaview Surety | Bail | Aladdin is the largest retail pre-trial release service provider in the United States. ^{lxxxiii} | Endeavour Capital ^{lxxxiv} |
| Corizon Health | Healthcare | Corizon Health provides healthcare services to more than 220,000 prisoners at 301 correctional institutions in 22 states. ^{lxxxv} | BlueMountain Capital Management ^{lxxxvi} |
| Wellpath (Formerly Correct Care Solutions/Correctional Medical Group Companies) | Healthcare/ Probation | Wellpath provides medical and behavioral health services for more than 275,000 patients located in local, state and federal correctional facilities, as well as state hospitals and other facilities. It acquired competitor Correctional Medical Group Companies in October. ^{lxxxvii} | H.I.G. Capital |
| Attenti | Electronic Monitoring | Attenti is a global provider of electronic monitoring technologies, serving hundreds of national, federal, state and local correctional and law enforcement agencies around the world. ^{lxxxviii} | Apax Partners |
| Sentinel Offender Services | Probation | Sentinel Offender Services is a private probation company that partners with community corrections, courts and law enforcement. ^{lxxxix} | Bison Capital Asset Management ^{xc} |

The information contained in the above table attempts to identify major private equity firms that own companies in the corrections industry and may not be comprehensive. The Corrections Accountability Project maintains [a database](#) of private ownership of corrections companies that may provide additional information.

Table 2: Asset manager watch list

| Private Equity Firm | Correctional Companies Owned |
|---------------------------------|---|
| American Securities | Global Tel Link |
| Apax Partners | Attenti |
| Bison Capital Asset Management | Sentinel Offender Services |
| BlueMountain Capital Management | Corizon Health |
| Endeavour Capital | Aladdin Bail Bonds/Seaview Surety |
| H.I.G. Capital | Keefe Group/Trinity Services Group/Swanson Services/ICSolutions Wellpath |
| Platinum Equity | Securus/JPay |

Table 3: Public pension fund ownership of CoreCivic and the GEO Group, as of Jan. 21, 2020*

This data comes from the most recent available Form 13F filings made with the Securities and Exchange Commission.

| Pension Fund | CoreCivic Shares Owned (1,000s) | GEO Group Shares Owned (1,000s) |
|--|--|--|
| Alaska Retirement Management Board | 53 | 54 |
| Arizona State Retirement System | 74 | 76 |
| Colorado Public Employees' Retirement Association | 20 | 21 |
| Louisiana State Employees' Retirement System | 29 | 29 |
| Michigan Department of Treasury (Investment Management) | 35 | 35 |
| Municipal Employees' Retirement System of Michigan | 22 | 22 |
| New Mexico Educational Retirement Board | 21 | 21 |
| New York State Teachers' Retirement System | 198 | 146 |
| Ohio Public Employees Retirement System | 192 | 104 |
| Oregon Investment Council | 49 | 50 |
| Pennsylvania Public School Employees' Retirement System | 21 | 21 |
| Retirement Systems of Alabama | 155 | 158 |
| State Board of Administration of Florida Retirement System | 83 | 99 |
| State Teachers Retirement System of Ohio | 138 | 137 |
| Teachers' Retirement System of the State of Kentucky | 19 | 22 |
| Tennessee Consolidated Retirement System | 78 | 86 |
| Utah Retirement Systems | 34 | 20 |

* Share ownership subject to change. This table was updated in January, 2020, to remove California Public Employees' Retirement System, California State Teachers' Retirement System, Employees' Retirement System of Texas, Illinois State Board of Investment, New Jersey Division of Investment and South Dakota Investment Council, which as of January 21, 2020 did not report owning shares of CoreCivic and GEO Group.

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A Union of Professionals

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

aft.org [f AFTunion](https://www.facebook.com/AFTunion) [@AFTunion](https://twitter.com/AFTunion) [AFTunion](https://www.instagram.com/AFTunion)

