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HARVARD Kennedy School

**THE HAUSER INSTITUTE  
FOR CIVIL SOCIETY**

at the Center for Public Leadership

**Trustee Leadership Forum for Retirement Security  
5th Annual Convening - June 4 & 5, 2015  
Harvard Kennedy School**

***Summary***

**Day One: June 4, 2015**

**10:00 am to 11:00 am – Introduction – *What's on Trustees' Minds?***

Trustees and staff started the day by sharing pressing issues. We identified a wide range of experience in the room and welcomed brand new trustees and seasoned practitioners.

David Wood, Director of the Initiative for Responsible Investment, led a discussion, explaining the goals and methods of TLF project. He touched on a number of practical questions for trustees to work with, including establishing an investment beliefs statement, developing relationships across funds, establishing places for trustees to wrestle with big picture topics like inequality, and trustee empowerment.

**11:00 am to 12:30 pm - Session 1 – *Rewriting the Rules: Responsible Investment & Inequality, Michael Konczal, Fellow at the Roosevelt Institute; Priya Mathur, CalPERS Trustee***

Mike Konczal presented to the group, presenting data on the growth of inequality, and explaining how financialization and a focus on short term returns are connected to the growing inequality gap. Suggestions for change included full employment, worker power, proxy access, changing CEO pay packages, tax reform and changing stock buyback policies.

The discussion focused on how fiduciary duty affects trustees when considering issues like inequality and investments. Questions raised and discussed included: Are incentives truly aligned with those of managers and CEOs? Is complexity itself a problem? How have changing fiduciary rules had a chilling effect on the ability of funds to think about long term value? Can embedding long-termism into investment beliefs help? Is ERISA reform needed? Can more disclosure and transparency, for instance around fees, benefit the system? And, how do we think about the effects of our investments on the world (ie, on jobs or on the environment) beyond short term returns?

Priya Mathur spoke to the group about CalPERS' focus on inequality. They consider that investors have an affirmative fiduciary duty to consider the impact of inequality on long term performance. This year the CalPERS Investment Committee has made inequality one of its top issues and is issuing a formal call for peer-reviewed papers on inequality, culminating in an academic conference. They are formulating strategies to address inequality such as more attention to corporate governance, proxy access, and executive pay.

Resources related to this topic:

1. [“Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity”](#) by Joseph E. Stiglitz, Chief Economist, Roosevelt Institute, 2015
2. [“A Note on Income Inequality”](#), TLF, 2014
3. [“OECD Sees Continued Rise in Growth-Harming Inequality”](#), by Paul Hannon, *The Wall Street Journal*, May 21, 2015
4. [“Focus on Inequality and Growth – December 2014”](#), OECD, December 2014



**12:30 pm to 1:15 pm – Lunch** – *Updates from TLF Working Group Members on Campaigns & Shareholder Season*

LiUNA and AFSCME shared updates on important campaigns currently underway at their unions.

**1:15 pm to 2:45 pm – Session 2** – *The Business Case for Good Jobs, Zeynep Ton, Adjunct Associate Professor of Operations Management at the MIT Sloan School of Management; Jim Blau, Director of the Capital Stewardship Program at UFCW; Jim Sando, PSERS Trustee*

Jim Blau introduced Zeynep Ton. Dr. Ton presented her research on retail operations, in which she concludes that adopting a “Good Jobs Strategy” is a key part of successful retail chains. She shared a number of case studies which showed, among other things, that having a workforce that is well compensated, has low turn-over, is flexible and is cross-trained is important to the success of the stores in her analysis. Also important in her case studies was that stores not understaff or carry too many products. She introduced her upcoming “Good Jobs Score”, which gives a rating to retail stores based on publicly available data. Her case studies show that good jobs and good returns are compatible, and that under-investing in jobs, or treating jobs as a cost instead of an asset to be invested in, can harm the bottom line.

Attendees engaged in a dialogue with Dr. Ton throughout the presentation on the validating effect of her work. Questions raised and discussed included: How can we share these conclusions effectively at our funds? And, how can we push fund staff be better analysts on this question?

Resources related to this topic:

1. [“Why ‘Good Jobs’ Are Good for Retailers”](#) by Zeynep Ton, *Harvard Business Review*, January-February 2012
2. [Human Capital Management Coalition Toolkit](#) and [Human Capital Management Coalition Questions](#), November 2014
3. [Investment Beliefs Statements](#), a working paper by IRI Founder, Steve Lydenberg

**2:45 pm to 3:00 pm - Break**

**3:00 pm to 4:30 pm - Session 3** – *Focus on Fees, Ray Santander, NYCERS Trustee, Assistant Director for Research and Negotiations at AFSCME DC 37; and Dennak Murphy, AFT Pensions and Capital Strategies*

Ray Santander gave a presentation about NYCERS’ recent work on fees. In their portfolio alternatives underperformed all other categories while fees were 4.5 to 9 times higher. He suggested that pension funds need to work in coalition to negotiate better fees/terms.

Questions raised and discussed included: How can we effectively push for more transparency and disclosure in plan documents? How can funds collaborate around fees? During asset allocation process, how can fees be factored in?

Dennak Murphy gave a presentation on hedge funds, asking if they provided protection during downturns and how they performed in non-downturns. He shared his research based on publicly available data for several large public pension funds, which indicate that hedge fund allocations have failed to provide downside protection and have generally provided lower returns than index funds, though fees have been extraordinarily high.



Resources related to this topic:

1. [“13 Questions Trustees Can ask about Hedge Funds”](#), TLF, 2014
2. [“The Time Has Come for Standardized Total Cost Disclosure for Private Equity”](#), CEM Benchmarking, April 2015
3. [“Chicago Treasurer Sees Power in Numbers: New Treasurer Kurt Summers Wants Aggregated Pricing, More Local Investment”](#), *Pensions and Investments*, February 5, 2015
4. [“Wall Street Fees Wipe Out \\$2.5 Billion in New York City Pension Gains”](#), by Patrick McGeehan, *New York Times*, April 9, 2015
5. [“CalPERS Pulls Back From Hedge Funds”](#), by Dan Fitzpatrick, *Wall Street Journal*, July 23, 2014

**6:30 pm to 7:30 pm – Cocktails – Harvard Faculty Club**

**7:30 to 9:00 pm – Dinner - Harvard Faculty Club, with Dinner Speaker, the Honorable Kurt Summers, Treasurer, City of Chicago**

Treasurer Summers talked about his work with the Chicago Trustee Network and Chicago city funds to aggregate fees.

**Day Two: June 5, 2015**

**8:30 am - Breakfast**

**9:00 am to 10:30 am – Opening – Reflections on Previous Day’s Discussions and Updates from the Field**

The morning discussion focused on fees, why fees matter, and strategies trustees can use to push for lower fees. Part of the problem is lack of disclosure on fees and hidden fees.

Questions raised and discussed included: How can we incentivize staff to prioritize pensioners over Wall Street? How can we empower investment staff to carry out trustee priorities? Are our investments helping or hurting when it comes to providing taxpayers themselves with jobs that pay a living wage, healthcare, retirement? When the SEC has found violations in 50% of private equity funds it has investigated, why isn’t there more enforcement action? With Private Equity, we need to ask how many jobs were there before and after your exit, what were the wages and benefits before and after, etc. for last five exits?

**10:30 am to 12:00 pm - Session 4 – Diversity – Board Development and Recruitment; Renaye Manley, SEIU Capital Stewardship Department**

Renaye presented recent numbers on the lack of diverse trustees, corporate board members, and under-utilization of diverse money managers. She highlighted 75 companies without black board members, asking “We own these companies – does that make sense?” She highlighted the work of NYCERS, ILSBI and the Chicago Teachers’ Pension Fund in their leading work on diversity, and discussed SEIU’s work to create a pipeline of diverse trustees. There was robust discussion and agreement on the need for more diversity, both because we value inclusion, and because there is a business case for diverse boards. Trustees openly shared some of the structural barriers that exist, as well as successful strategies to increase board and investment diversity.

Questions raised and discussed included: How can we support in-house investment staff diversity, as well as the diversity of external money managers? What resources are available for making the business case to staff and colleagues at our funds? Can we improve corporate board diversity through our corporate governance process? Through proxy access? How does the system of electing trustees from certain populations/geographies/fields (ie, active teacher, retired



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firefighter, representative of a certain burrough of NY City) affect the diversity of trustees? How can trustees help move investments through barriers that are in place for “emerging managers” like “institutional readiness”, being too young, or being too small? How can trustees enlist allies in this effort? Why does this work fall to those who are diverse themselves?

Resources related to this topic:

1. “Diversity and Inclusion Resources”, TLF, 2015
2. “[ABFE’s Resource List for Foundations Seeking Diverse Managers](#)”, ABFE, 2015
3. “[The Business Case for Racial Equity](#)”, Altarium Institute, August 2013
4. “[Diversity Matters](#)”, McKinsey & Company, February 2, 2015

**12:00 pm to 1:00 pm – Lunch** – *Updates from TLF Working Group Members on Campaigns & Shareholder Season*

AFT, AFL-CIO, and UFCW shared updates on important campaigns currently underway at their unions.

**1:00 pm to 2:30 pm - Session 5** – *Trustee Collaboration in Action: Driving Agendas on Boards & Working with Funds*

David Wood facilitated a final discussion in which we asked the trustees and allies in the room “What can we do as a network to help you do something different?”, “What can we do to help with education?”, and “How can we facilitate information sharing?”

Attendees identified six areas for collaboration that the convening discussions had sparked:

1. Information Sharing
2. Fee Collaboration
3. Elect, Recruit and Support Great and Diverse Trustee Leaders
4. Trustee Networks
5. Board Education
6. Proxy Votes

There was support for regional networks and other forums for continued collaboration.

Others shared that there is a need for more educational resources, from one page explanations of issues, to having speakers come out to their boards, or to their regional trustee network.

There was also a productive discussion about trustee relationships with investment staff, and the importance of having productive working relationships with these staff at their funds.

Trustees shared that the conversations and relationships in the room are valuable and they need ways to keep in conversation.

Many resources related to these issues can be found at the TLF website: <http://hausercenter.org/iri/about/tlf>.

**2:30 pm – 3:30 pm: Conclusion and Next Steps**