



Retirement News Highlights

Tuesday, April 23, 2024

White House calls on pension funds to adopt stronger labor standards

The push comes as many public funds are ramping up investments in private equity, which has drawn criticism over poor labor practices

Lauren Kaori Gurley

The Washington Post

April 23, 2024

White House officials met Tuesday with leaders from five major pension funds who have committed more than \$1 trillion in capital requiring robust labor standards in private-equity investments, in an effort to push more funds to follow suit.

The Biden administration is touting these commitments as public pension funds amass growing holdings in private-equity firms, which have been blamed for driving down wages, fighting unionization and cutting jobs.

Administration officials, including National Economic Council Director Lael Brainard and acting labor secretary Julie Su, have been in talks to encourage pension fund managers to adopt higher labor standards in their private equity investments.

“This is very good for the economy,” Brainard told The Washington Post.

“It is doing what the president has emphasized, which is building the economy from the middle out and the bottom up. And it ensures that workers have careers with family sustaining wages,” she said.

The White House’s announcement arrives as President Biden seeks to buttress his election-year case to voters that his administration has improved the lives of millions of American workers and helped grow the middle class.

The five funds include the New York state public-sector workers pension fund, which unveiled Tuesday a new commitment to strong labor standards in private-equity investments, and California’s public worker pension fund, CALPERS, which vowed last year to promote strong labor standards in such investments. CALPERS manages retirement funds for some 2 million workers, making it the largest fund in the United States.

Also in attendance were leaders from worker pension funds for New York City, the state of Illinois and the International Brotherhood of Electrical Workers union, which all have also adopted labor-friendly policies governing their private equity investments.

The five funds have committed to standards that promote unionization, the ability to negotiate union contracts, workplace safety standards, and the elimination of the use of forced labor, including child labor.

They will also encourage their portfolio companies to remain neutral when workers unionize, according to the White House.

New York State Comptroller Thomas DiNapoli, who helped craft the new standards in the state's public employee pension fund, said that in recent years "some of the portfolio companies and our private equity funds have run up with some labor concerns."

"It really occurred to us that it would make sense to upfront more clearly articulate our expectations with regard to private equity," he added.

The challenge for the federal government is that it can govern only private pension funds, whereas states administer public pension funds. But states are strongly influenced by pension policy set by the federal government and are beginning to adopt pro-labor policies with support from Washington.

Analysts estimate that public pensions constitute anywhere from a third to half of all assets under private-equity management. CALPERS recently approved a proposal in March to raise its private-equity investment from 13 to 17 percent of its fund.

"Private equity is massively invested in public pension funds, to the point where it's nearly existential," said David Webber, a law professor at Boston University. "The key thing that's happening now is that a growing number of public pension plans are paying far more attention to the labor issues in their private equity investments."

Last year, the Labor Department found that Blackstone-owned Packers Sanitation Services had illegally employed more than 100 children as young as 13 to work overnight shifts cleaning slaughterhouses. (CALPERS and the New York State Common Retirement Fund have previously invested in Blackstone.) A Blackstone official told The Post at the time that it opposes child labor and was "pleased" that Packers had resolved this matter with the Labor Department.

<https://www.washingtonpost.com/business/2024/04/23/pensions-labor-white-house-private-equity/>