

NBI #18



2024 FORM FOR NEW BUSINESS ITEMS

Take actions to safeguard MA Pensions

04.22.2024 3:37 PM

| | | | Date and Time |
|-------------------------------|------|-------|------------------------------------|
| Matthew Scheffler | | | Framingham Teachers Assoc. |
| Delegate Making the Motion | Cell | Email | Association Represented or Retired |
| Christine Mulrone | | | Framingham Teachers Assoc. |
| Delegate Seconding the Motion | Cell | Email | Association Represented or Retired |

According to the MTA Standing/Special Rules:

With the exception of items on the agenda, all substantive motions shall be submitted in writing to the Presiding Officer.

MOTION

MOVED:

This motion is submitted on behalf of the elderly who've been abused and killed in portfolio companies owned by our private fund managers with our money. Or, as Senator Warren said bluntly a few weeks ago at the State House, "turning private equity loose in our health care system kills people." ([GBH-Warren, Markey knock 'looting' of health care by private equity](#))

I move MTA to take the following actions to safeguard our pension and address the structural vulnerabilities threatening the PRIT fund due to Mass PRIM's strategic use of third-party investment advisors, all of whom have a history of abuse and mismanagement of other pension systems & institutional investors.

- I. ***NEPC & Capital Market Assumptions:*** MTA will write a public letter to the State Securities & Exchange Commission calling for a review of NEPC practices and take the appropriate actions to secure an independent capital market assumptions analysis informed with PRIT fund performance data by Dimensional Fund Advisors. NEPC is a registered investment advisor with a history of feeding institutional investments into criminal Ponzi schemes such as Bernie Madoff while failing to disclose conflicts of interest to clients. ([Madoff Scandal Casts Light on Investment Advisers](#)- NYT) Currently, they blindly construct Mass PRIM's capital market assumptions without the use of performance data from PRIT funds.

- II. Hamilton Lane Advisors & Performance Reports: MTA will public letter to the State Legislator asking for an independent investigation of Hamilton Lane Advisors reports and take the necessary actions to secure the consultation of Prof. [Ludovic Phalippou](#), a leading academic researcher and expert in PE performance reporting, to independently review Hamilton Lane Advisors reports. Hamilton Lane Advisors was part of an FBI and SEC investigation and then was fired by Pennsylvania School Employee Retirement System (PSERS) in October 2022 for providing false figures to their board and improper "compensation gifts" to their staff. (source: [Latest PSERS development: SEC probes big Pa. pension fund, asking about 'compensation and gifts' to staff & Billions gone from state pension funds](#)).
- III. KPMG & Audits: MTA will write a public letter to the Attorney General of Massachusetts, asking the State to join the class-action lawsuit led by the Norwegian Sovereign Wealth Fund against KPMG for their failed audit of Silicon Valley Bank. [The World's Biggest Wealth Fund Is Suing Over Silicon Valley Bank's Failure](#) The PCAOB found that [KPMG audits had the highest deficiency rating](#) among the 'Big Four' auditors, was the auditor to [all three major banks that failed last year](#), and has had over [20+ years of major auditing scandals and failures](#).
- IV. MTA will initiate a public lobbying campaign to apply Mass Law Chapter 32 - [Section 23, \(5\)](#) universally to all investments, not only "South Africa".

SUBMITTER'S RATIONALE:

True Cost of PE (Elderly) & Private Equity Manager: KKR and Blackstone Group

PESP Reports: Assisted Living, Hospice & Medicare Fraud

[Wall Street's Incursion into the Home Healthcare and Hospice Industries](#)

[MONEY FOR NOTHING How private equity has defrauded Medicare, Medicaid, and other government health programs](#)

Portfolio Company #1: [Brightspring | KKR](#)

Portfolio Company #2: [Apria Healthcare | Blackstone](#)

| | |
|--|--|
| <p>Life and Death in Assisted Living FRONTLINE</p>  | <p>Washington Post: How Private Equity Extracted Hundreds of millions of Dollars from a Firm Accused of Medicare Fraud</p>  |
| <p>Investigate Reporting: The Private Equity Giant KKR Bought Hundreds Of Homes For People With Disabilities. Some Vulnerable Residents Suffered Abuse And Neglect.</p>   <p>Pulitzer Prize-Winning Journalist: Private Equity Runs – and Wrecks – America Amanpour and Company</p> | <p>Private Equity Stakeholder Project: Private Equity at Home: Wall Street's Incursion into the Home Healthcare and Hospice Industries</p>   <p>MONEY FOR NOTHING</p> |

[Private equity firm Blackstone cashes in through health-care company Apria - The Washington Post](#)

Fact:

There's a reason why the MTRS/PRIT fund is one of the lowest-funded and worst-performing public pensions in the country, with our pension never being more at risk due to private investments. 2023 was a record-breaking year for Private Equity.

- **Highest Number of PE-backed Bankruptcies**
- **Record-breaking PRIT Management Fee- \$192.7 million**

2023 realized a record-high number of bankruptcies by Private Equity portfolio companies. ([US private equity portfolio company bankruptcies spiked to record high in 2023 | S&P Global Market Intelligence](#)) However, 2024 is on pace to break this record given the recent reporting of [Fortune](#) and [Bloomberg](#) on the continued collapse of Private Equity, as PE fund managers struggle to distribute capital back to investors.

Industry experts also have warned about the start of a 'mass extinction' event for venture capital ([A startup 'mass extinction event' has begun. You can't see it clearly yet, but it's going to be bad.](#)- Business Insider & [From Unicorns to Zombies: Tech Start-Ups Run Out of Time and Money](#)- NYT) and the emergence of pyramid schemes in some parts of the private markets ([Private equity industry like a Ponzi scheme, says Amundi CIO | Reuters](#))

Rather than pausing and reevaluating private investments, Mass PRIM earmarked \$3 billion of new commitments to PE in 2023 ([Mass PRIM Earmarks Up to \\$3 Billion for Private Equity This Year - WSJ](#)) falsely claiming that [long-term PE annualized IRRs are realized](#) and that [private market valuation risks are a "common myth"](#). This \$3 billion included committing another \$200 million toward Insight Partners, the same VC behind [FTX](#) and [WeWork](#), both went bankrupt last year with FTX collapsing due to fraud, and another \$150 million to American Securities, the firm behind Global Tel Link and Air Methods both recently found guilty of illegal activities with Air Methods declaring bankruptcy ([Air Methods Chapter 11 Restructuring Plan Approved](#)). Neither Insights Partner nor American Securities has distributed a positive cash-on-cash 'realized' return (DPI) since inception. [Private Equity Disclosure Report - 06.30.23.xlsx](#)

As a reward for their bankruptcy record and the worst-performing year in over a decade ([Private equity firms face worst year for exiting investments in a decade](#)- FT), our private fund managers charged us the highest management fee ever charged at \$192.7 million ([Private-Equity Professionals Remain Upbeat on Pay Despite Industry Slump - WSJ](#)).

For perspective, Private Equity for the PRIT Fund's cash-on-cash returns (DPI) since inception has still failed to achieve a positive total distribution of capital to total commitments. ([Annual Comprehensive Financial Report- 06/30/2023 & PENSION RESERVES INVESTMENT MANAGEMENT BOARD FISCAL YEAR 2024 OPERATING BUDGET](#))

Since inception to June 30, 2023, the PRIT Fund has committed \$32.8 billion to 560 partnerships (383 active) of which \$27.7 billion has been invested. The program has generated \$32.5 billion in distributions. The net IRR

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

Fiscal Year 2024 Budget Summary

| | <u>FY24</u> | <u>FY23</u> | <u>FY 2024</u> | <u>FY 2023</u> |
|--|---------------|---------------|--------------------|--------------------|
| | <u>(bps)#</u> | <u>(bps)#</u> | | |
| <u>Investment Management Fees ^</u> | | | | |
| Global Equities | 19.5 | 18.9 | 75,681,000 | 78,370,000 |
| Core Fixed Income | 6.2 | 6.3 | 8,500,000 | 9,762,000 |
| Value Added Fixed Income | 73.4 | 73.4 | 50,820,000 | 50,700,000 |
| Real Estate | 44.6 | 46.7 | 48,085,000 | 43,635,000 |
| Timberland | 38.6 | 27.8 | 11,900,000 | 8,250,000 |
| Private Equity | 113.3 | 106.4 | 192,700,000 | 185,600,000 |
| Portfolio Completion Strategies (PCS) | 94.7 | 107.1 | 79,694,000 | 89,018,000 |
| Overlay, Foreign Currency, and Other | 31.2 | 11.5 | 1,025,000 | 1,205,000 |
| | 47.3 | 45.3 | 468,405,000 | 466,540,000 |

Impact:

[New York Times](#) “ In nursing homes, where the firms have been particularly active, private equity ownership is responsible for an estimated — and astounding — [20,000 premature deaths](#) over a 12-year period, according to a recent working paper from the [National Bureau of Economic Research](#).”

No longer can we afford to be silent!

DUES IMPACT: \$1

SUBMITTER'S COST & STAFF TIME ESTIMATE:

MTA COST & STAFF TIME ESTIMATE (For MTA use only):

MTA Cost Estimate: \$100,000

MTA Staff Time Estimate: 400 hours

