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Friend or foe?

AFL-CIO study rates the worker-friendliness of 37 funds

Put your money where your mouth is. The **AFL-CIO** thinks it can help sponsors of Taft-Hartley funds do just that with the publication of a report rating investment funds marketing themselves as "worker-friendly." Released last fall, the 75-page "Investment Product Review" looks at 37 investment products marketed to institutional investors. The Washington, DC-based AFL-CIO believes it can systematically determine whether investment vehicles that promote themselves as providing collateral benefits to workers live up to their claims.

Its study, available by mail or via the Web, examines whether the funds actually benefit workers by investing in companies that have collective-bargaining agreements, create and sustain jobs, support management accountability and maintain good corporate-governance practices, and contribute to broad-based economic growth. Damon Silvers, AFL-CIO associate general counsel, stresses that the study does not evaluate financial performance.

The AFL-CIO estimates that only 5% to 10% of Taft-Hartley pension money is in funds that promote themselves as worker-friendly. A total $10 billion worth of Taft-Hartley investment resides with the 37 investment products studied. But Bill Patterson, director of the AFL-CIO Office of Investment, sees interest growing. "The vast majority of Taft-Hartley assets are invested in plain vanilla investment products," he says. "On the other hand, there is far more interest in worker-friendly funds than there was five years ago." While quantitative information about most funds is easy to get, he says, a study of worker-friendly investments was needed because "there is not much objective information available about the kinds of issues and claims made in this area."

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The AFL-CIO first launched its project in August 1998, appointing a total of 25 union leaders and fund trustees to an evaluation committee that interviewed fund officials and studied their investment products. The committee classified funds into four types—real estate and mortgages, public equity, private capital and international—and developed specific criteria for each. Using a combination of quantitative and qualitative information, the committee gave four grades: excellent, good, satisfactory, and fail. The definition of the grades differed for each of the four investment types evaluated.

Which funds rate

No real estate and mortgage investment vehicles earned an outright excellent rating, although two received a good-to-excellent mark: the AFL-CIO Housing Investment Trust/Building Investment Trust and Union Labor Life Insurance Company's Jobs Mortgage Investment Account. Two public equity providers, meanwhile, rated "excellent": Amalgamated Bank of New York's LongView family of indexed equity funds and MFS Investment Management's Union Standard Trust. Two private capital funds received the top mark: the KPS Special Situations Fund and ULLICO's Separate Account P. No international funds received an excellent rating.

How that term is defined differs in each category. For example, in the real estate and mortgages category, the AFL-CIO defines excellence as a product that has "a strong record of creating new employment in the construction trades by requiring the exclusive use of union contractors and [that] aggressively invests in markets with low union density to promote the use of union labor."

The product would also ensure that "building services and maintenance, and subsequent tenant improvements, are performed by union contractors, and/or the firm has adopted a Responsible Contractor Policy. In addition, the investment vehicle aggressively works to ensure that tenants employing significant workforces agree to provide meaningful rights for employees to organize through card-check and neutrality. The product should also provide additional collateral benefits to workers such as low- and moderate-income housing or community economic development."

The AFL-CIO hopes its study will boost sponsor interest in worker-friendly funds and lead to development of new funds in this area. But, Patterson is not suggesting that all union plan sponsors rush to transfer money to these funds, particularly without first getting a consultant's evaluation of their financial performance. "This is not a list of funds for people to go out and dump money into," he says. "We want to encourage plan sponsors, when they invest in these types of funds, to look closely at what they are getting."

—*Judy Ward*