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Date: Thursday, April 18, 2013 8:04 AM
To: "AFT General Distribution" <aftjim@pacbell.net>
Subject: Managers Of Hedge Funds Hit By Union

THE WALL STREET JOURNAL.
WSJ.com

April 17, 2013, 8:27 p.m. ET

Managers Of Hedge Funds Hit By Union

By MICHAEL CORKERY

The nation's second-largest union for teachers said some prominent managers of hedge funds get investments from public pensions while supporting groups that attack traditional pensions.

In a report to be released on Thursday, the **American Federation of Teachers** listed 34 executives at hedge funds and other investment firms that help lead or make contributions to organizations with a hostile stance toward traditional defined-benefit plans, according to the union.

The teachers union urged pension-fund trustees to consider such ties when deciding whether to invest with a specific money manager.

"Does the American Federation of Teachers think they should divest [from firms named in the report?] The answer would be yes," said Michael Powell, an assistant to the union's president, Randi Weingarten.

American Federation of Teachers members belong to public pension plans across the U.S. with combined assets of about $800 billion.

Hungry for higher returns, many of those pension systems are plowing money into outside hedge funds.

"I have an issue with people thinking they can play both sides," said Jay Rehak, president of the Chicago Teachers' Pension Fund. "They come to us with their hand out, and then they are stabbing us in the back."

The findings are largely based on fundraising records, the groups' websites and other publicly available sources.

One of the hedge-fund managers in the union's report, Daniel Loeb of Third Point LLC, withdrew from a scheduled speaking engagement Thursday at a Council of Institutional Investors conference.

In a letter, Mr. Loeb cited "false" media reports about his affiliation with an education group.

Mr. Loeb is a trustee of the Manhattan Institute and a director of Students First New York.

In February, the Manhattan Institute released a paper that recommends switching government workers to 401(k) accounts.

In a statement, a spokeswoman for Students First New York said, "teachers should be empowered to choose between a properly funded portable defined contribution plan and a properly funded defined benefit plan for their retirement."

In a letter announcing that he wouldn't speak at the conference, Mr. Loeb said he has never taken "a position against" defined-benefit plans, "nor has any philanthropic organization I lead."

Mr. Loeb added that he shows his "support" for traditional pension plans "by maximizing returns for union members who rely on us to deliver their pensions' goals."

A spokeswoman for the Manhattan Institute said it "doesn't take institutional positions" but "stands behind the work that it publishes."

The report also noted that Paul Singer of Elliott Management is chairman of the Manhattan Institute, while AQR Capital Management executive Clifford Asness is a trustee.

An Elliott spokesman declined to comment. In a statement, an AQR spokesman said the firm "helps many defined-benefit plans achieve their investment objectives. It is critical that defined-benefit plans survive and thrive to provide secure retirements for their beneficiaries."

William Attwood, executive director of the Illinois State Board of Investment, said trustees would likely have to take the issues raised by union's report seriously, citing the pension system's "duty of loyalty" to participants.

"It becomes one more data point in a broad sea of data points that we process," said Mr. Attwood.