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FIFTH DISTRICT, MISSOURI

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Congress of the United States House of Representatives

November 15, 2017

Mr. Thomas Shull
Director/Chief Executive Officer
Army & Air Force Exchange Service
3911 S. Walton Walker Blvd.
Dallas, TX 75266

Dear Mr. Shull:

The “Rooney Rule” was developed by the National Football League in 2003 to ensure that minority applicants are not excluded from consideration for high level coaching positions. The rule requires that at least one minority candidate be interviewed when league franchises screen potential hires. The rule is still in effect, and, since 2003, numerous organizations, corporations, and institutions have adapted some form of the Rooney Rule as a corrective measure against latent biases that disadvantage the consideration of qualified minority applicants.

Similarly, in the interest of the fair consideration of women and minorities in the asset management industry, I urge that federal investment managers and appointed boards managing public funds are directed to interview at least one minority- or woman-owned firm when contracting for open asset management opportunities.

A May 2017 study commissioned by the Knight Foundation reports that a dismal 1.1% of the assets in the \$71 trillion asset management industry are managed by firms owned by either women or minorities.^[1] Asset management industry surveys reveal that low demand for firms with diverse ownership is attributable, in part, to an incorrect assumption that minority- and women-owned firms are low-return social investments. While it is true that investing in firms with diverse ownership produces social value, the assumption that social gains come at the expense of financial ones is false. Studies consistently show that diverse-owned firms perform at or above industry norms. Additionally, a 2015 McKinsey study found that companies in the top quartile of racial, ethnic and gender diversity were 35 percent more likely to have above-median financial returns.^[2] The incorrect belief that recruiting from a diverse pool of quality investment managers is in conflict with stakeholder obligations is injurious.

In line with fiduciary duties, a number of state-level public funds have eagerly moved to invest in diverse and/or emerging management teams. The California Public Employee Retirement System, California State Teachers’ Retirement System, New York State Common Retirement

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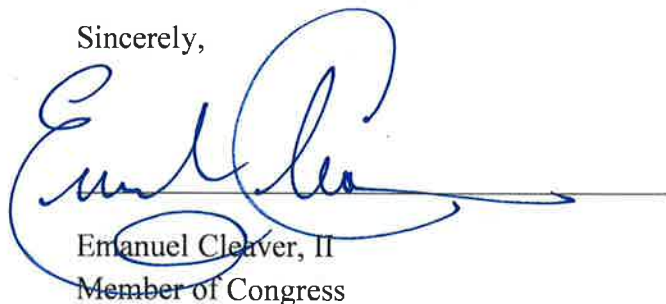
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In this case, a federal-level Rooney Rule would direct federal investment managers and appointed boards to interview at least one minority- or woman-owned firm before awarding an asset management contract. A Rooney Rule is in line with recent Government Accountability Office recommendations for increasing opportunities for minority- and women-owned asset management firms, and would encourage consultants and internal staff to continually identify, track, and recommend diverse candidates.^[3] Additionally, such a rule would broadly incentivize asset management firms to consider inclusive corporate governance programs, and revise data collection procedures, in order to meet federal standards of diverse qualification. And while a Rooney Rule does not dictate which firms will ultimately be hired, it will reduce the effect that unexamined assumptions have in limiting the pool of diverse talent and profit potential.

Therefore, with the intent of providing fair opportunity to diverse asset management firms, and with the understanding that such opportunity is mutually beneficial, I urge the adoption of a mandate similar to the Rooney Rule when federal investment managers and appointed boards are looking to place federal resources with asset management and private equity firms.

Sincerely,



Emmanuel Cleaver, II
Member of Congress

^[1] <https://bellaresearch.com/diversity-report.pdf>

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Congress of the United States
House of Representatives
November 15, 2017

Janet L. Yellen
Chair
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Dear Chairwoman Yellen:

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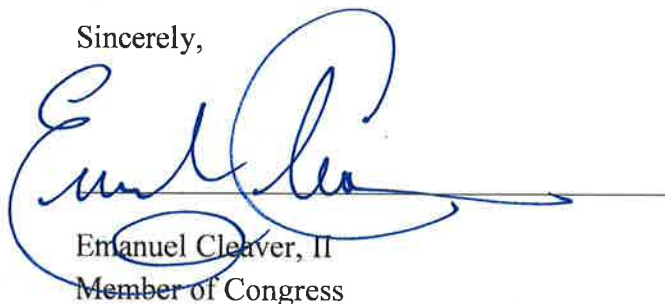
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Congress of the United States
House of Representatives
November 15, 2017

Mr. Ravindra Deo
Executive Director
Federal Retirement Thrift Investment Board
77 K Street, NE, Suite 1000
Washington, DC 20002

Dear Mr. Deo:

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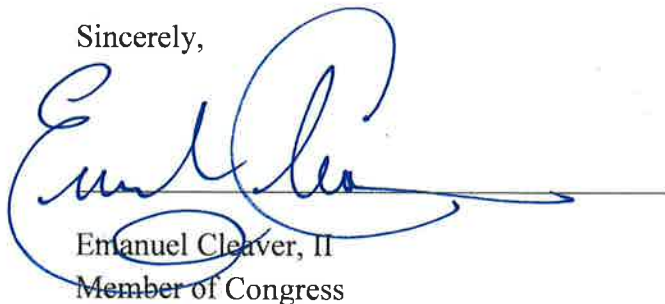
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OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE

Congress of the United States House of Representatives

November 15, 2017

Mr. William Carr, III
Chief Executive Officer/Chief Investment Officer
National Railroad Retirement Investment Trust
844 North Rush Street
Chicago, IL 60611

Dear Mr. Carr:

The "Rooney Rule" was developed by the National Football League in 2003 to ensure that minority applicants are not excluded from consideration for high level coaching positions. The rule requires that at least one minority candidate be interviewed when league franchises screen potential hires. The rule is still in effect, and, since 2003, numerous organizations, corporations, and institutions have adapted some form of the Rooney Rule as a corrective measure against latent biases that disadvantage the consideration of qualified minority applicants.

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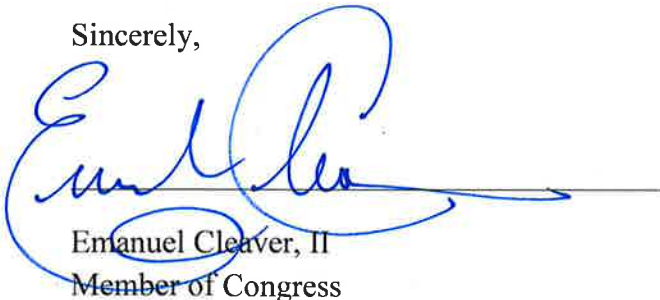
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Congress of the United States
House of Representatives

November 15, 2017

Mr. Robert J. Bianchi
Chief Executive Officer
Navy Exchange Service Command
3280 Virginia Beach Blvd.
Virginia Beach, VA 23452

Dear Mr. Bianchi:

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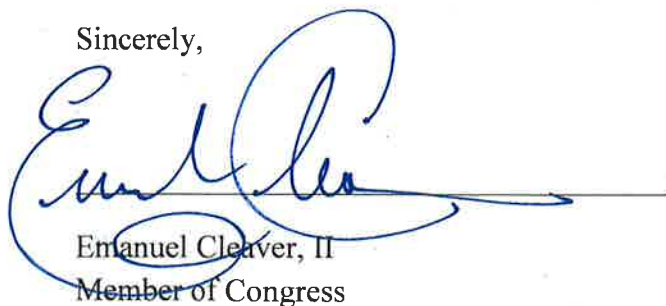
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Congress of the United States
House of Representatives

November 15, 2017

Mr. W. Thomas Reeder
Director
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005

Dear Mr. Reeder:

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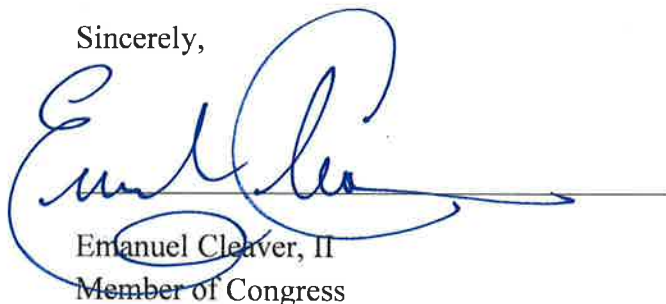
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Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611

To whom it may concern:

The “Rooney Rule” was developed by the National Football League in 2003 to ensure that minority applicants are not excluded from consideration for high level coaching positions. The rule requires that at least one minority candidate be interviewed when league franchises screen potential hires. The rule is still in effect, and, since 2003, numerous organizations, corporations, and institutions have adapted some form of the Rooney Rule as a corrective measure against latent biases that disadvantage the consideration of qualified minority applicants.

Similarly, in the interest of the fair consideration of women and minorities in the asset management industry, I urge that federal investment managers and appointed boards managing public funds are directed to interview at least one minority- or woman-owned firm when contracting for open asset management opportunities.

A May 2017 study commissioned by the Knight Foundation reports that a dismal 1.1% of the assets in the \$71 trillion asset management industry are managed by firms owned by either women or minorities.^[1] Asset management industry surveys reveal that low demand for firms with diverse ownership is attributable, in part, to an incorrect assumption that minority- and women-owned firms are low-return social investments. While it is true that investing in firms with diverse ownership produces social value, the assumption that social gains come at the expense of financial ones is false. Studies consistently show that diverse-owned firms perform at or above industry norms. Additionally, a 2015 McKinsey study found that companies in the top quartile of racial, ethnic and gender diversity were 35 percent more likely to have above-median financial returns.^[2] The incorrect belief that recruiting from a diverse pool of quality investment managers is in conflict with stakeholder obligations is injurious.

In line with fiduciary duties, a number of state-level public funds have eagerly moved to invest in diverse and/or emerging management teams. The California Public Employee Retirement System, California State Teachers’ Retirement System, New York State Common Retirement Fund, among others, have led the way in developing investment portfolios that tap into changing demographics and mine for diverse talent. Additionally, the State of Illinois has applied a version

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of the Rooney Rule as part of a legislative mandate with success. In each case, social goals were ancillary to maximizing return on interest and achieving true diversification of investment. The success of state-level models should encourage the stewards of federal assets to aggressively follow suite.

In this case, a federal-level Rooney Rule would direct federal investment managers and appointed boards to interview at least one minority- or woman-owned firm before awarding an asset management contract. A Rooney Rule is in line with recent Government Accountability Office recommendations for increasing opportunities for minority- and women-owned asset management firms, and would encourage consultants and internal staff to continually identify, track, and recommend diverse candidates.^[3] Additionally, such a rule would broadly incentivize asset management firms to consider inclusive corporate governance programs, and revise data collection procedures, in order to meet federal standards of diverse qualification. And while a Rooney Rule does not dictate which firms will ultimately be hired, it will reduce the effect that unexamined assumptions have in limiting the pool of diverse talent and profit potential.

Therefore, with the intent of providing fair opportunity to diverse asset management firms, and with the understanding that such opportunity is mutually beneficial, I urge the adoption of a mandate similar to the Rooney Rule when federal investment managers and appointed boards are looking to place federal resources with asset management and private equity firms.

Sincerely,



Emanuel Cleaver, II
Member of Congress

^[1] <https://bellaresearch.com/diversity-report.pdf>

^[2] <http://www.diversitas.co.nz/Portals/25/Docs/Diversity%20Matters.pdf>

^[3] <https://www.gao.gov/products/GAO-17-726>

EMANUEL CLEAVER, II
FIFTH DISTRICT, MISSOURI

FINANCIAL SERVICES COMMITTEE
HOUSING AND INSURANCE SUBCOMMITTEE
RANKING MEMBER

OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE



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Congress of the United States
House of Representatives
November 15, 2017

Dr. David J. Skorton
Secretary
Smithsonian Institution
600 Maryland Ave, SW
Washington, DC 20002

Dear Dr. Skorton:

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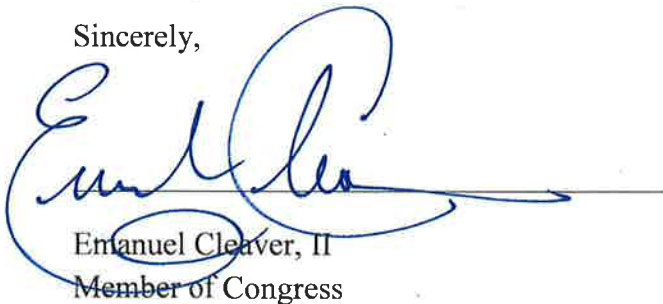
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Fund, among others, have led the way in developing investment portfolios that tap into changing demographics and mine for diverse talent. Additionally, the State of Illinois has applied a version of the Rooney Rule as part of a legislative mandate with success. In each case, social goals were ancillary to maximizing return on interest and achieving true diversification of investment. The success of state-level models should encourage the stewards of federal assets to aggressively follow suite.

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Congress of the United States House of Representatives

November 15, 2017

Mr. William D. Johnson
President/Chief Executive Officer
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902

Dear Mr. Johnson:

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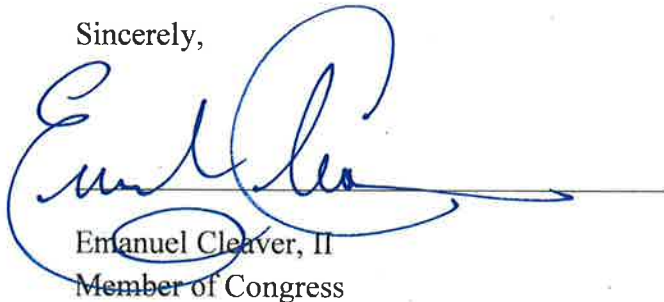
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