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State's investment decisions

The editorial "Tenet is not best investment for state pension fund" (June 10) got one thing right: "Public pension monies should hope for a good return on their assets." The editorial went downhill from there, though, in suggesting that Tenet Healthcare was a bad investment for failing to adhere to a "moral standard."

First, the way in which investment decisions are made deserves mention. As treasurer, I serve as principal fiduciary of the state's pension funds, and am responsible for the investment and custody of these funds. To carry out these responsibilities, I retain external money managers, as well as in-house investment professionals, to assist in the management of these assets.

An investment policy statement, approved by the state's independent Investment Advisory Council and required by state law, sets forth the general standards that govern all investments, and these external managers are given discretion to select individual investments that they believe offer value and provide portfolio diversification within the constraints of our investment guidelines.

With respect to the state's investment in Tenet, it has proven to be a good one for the Connecticut pension plans and its 212,000 beneficiaries. With our $6.8 billion investment in U.S. equities, we have exposure to Tenet stocks through the Russell 3000 and S&P 500 indices. Tenet has generated impressive returns: For the three-year period ending May 31, its average annual return of 41 percent compares favorably to average annual returns of 20 percent and 30 percent for the S&P 500 and the S&P500 health care index, respectively, over the same horizon.

Performance aside, other factors do, in fact, impact the merits of a particular investment. We take seriously any allegations of malfeasance that could harm the value of our investment, and have taken an active role as a shareholder in advocating for transparency, disclosure, and other common-sense corporate governance practices that have proven to be positively correlated with long-term outperformance.

My administration has, historically, exercised the divestment option only with the explicit endorsement of the state legislature, as was the case with the McBride Principles with companies doing business in Northern Ireland, or with divestment from companies doing business in Sudan. The failed acquisition by Tenet of Connecticut non-for-profit hospitals does not rise to this level.

Tenet, like nearly every other company on the S&P 500 — as well as every firm on Wall Street, for that matter — has faced varying degrees of legal and regulatory scrutiny. Were we to divest from every company that faced a legal challenge there would be virtually no public companies in which to invest.

Whether as an investor or shareholder, we can’t second-guess the business decisions of the companies in which we have a stake, nor should we try to compete directly with those companies by making our own investments simply because that company had an unsuccessful business transaction. That would hardly serve well our beneficiaries who look to us for level-headed thinking and long-term investment growth.

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