

July 16, 2015

Ms. Maryann Motza, Chair
Board of Trustees, Colorado Public Employees' Retirement Association
1301 Pennsylvania Street
Denver, Colorado 80217

Mr. Donald Opatrny, Chair
Investment Committee, Cornell University Office of University Investments
35 Thornwood Drive, Suite 200
Ithaca, New York 14850

Mr. James Rothenberg, Chair
Harvard Management Company
600 Atlantic Avenue, 26th Floor
Boston, Massachusetts 02210

Mr. Mark Noennig, Chairman
Montana Board of Investments
2401 Colonial Drive, 3rd Floor
Helena, Montana 59601

Mr. R. Michael Kraus, President
New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, New York 12211

Ms. Lindsay Anderson, Chairperson
State Universities Retirement System of Illinois
P.O. Box 2710
Champaign, Illinois 61825

Mr. Paul Wachter, Chairman
Committee on Investments, The Regents of the University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607

Mr. Robert Greene, Chairman
Board of Trustees, Virginia Retirement System
1200 East Main Street, P.O. Box 2500
Richmond, Virginia 23218

Dear Sir or Madam:

It has recently come to my attention that each of your respective retirement systems or endowments made substantial investments in 2005 in JLL Partners Fund V, LLC

(“Fund”).¹ Assets that were invested in the Fund were subsequently used to acquire Ace Cash Express, Inc. in October 2006.² As you may know, the Consumer Financial Protection Bureau (“Bureau”) entered into a consent order with Ace Cash Express on July 8, 2014, finding that the company engaged in “illegal debt collection tactics – including harassment and false threats of lawsuits or criminal prosecution – to pressure overdue borrowers into taking out additional loans they could not afford.”³ It is our understanding that the activity that was penalized by the CFPB occurred while each of your retirement plans or endowments were invested in the Fund as Ace Cash Express was one of its portfolio companies.

This is unacceptable. I firmly believe that the assets of public employees and alumni and other supporters of the some of the country’s most prestigious universities should not be leveraged to support investments in companies that violate federal law⁴ and whose business model depends on extending credit to our nation’s most vulnerable borrowers often on predatory terms. Upon learning of this unfortunate association, one such entity, the New Jersey State Investment Council has taken steps to remove themselves from the Fund. I urge each of you to follow the Council’s lead by beginning the process of divesting your holdings in JLL Partners Fund V and to reconsider your funds’ investment policy to prevent future similar investments.⁵

¹ Colorado Public Employees Retirement Association, Alternative Investments Portfolio, Performance as of December 31, 2014 at 5, <https://www.copera.org/sites/default/files/documents/altinvest.pdf>; Montana Board of Investments, Regular Meeting of the Montana Board of Investments, February 16-17 2006 at 10, <http://investmentmt.com/Portals/96/shared/Meetings/docs/2006/2006FebAgendaMin.pdf>; Ted Sherman, *How N.J. pension money financed the purchase of a 'predatory' lender*, The Star-Ledger (May 6, 2015), http://www.nj.com/politics/index.ssf/2015/05/consumer_group_questions_nj_investment_tied_to_pay.html; Dow Jones, The Directory of Alternative Investment Programs at 351, http://fis.dowjones.com/PDF/AIP_pages.pdf; State Universities Retirement System Standard Investment Reports as of December 31, 2008 at 46, http://www.surs.com/pdfs/minutes/x_inv/ex03_20.pdf; The Regents of the University of California Alternative Investments as of March 31, 2013 at 4, http://www.ucop.edu/investment-office/files/invinfo/pe_irr.pdf; Issac Saul, *They're More Common Than McDonald's, But You Probably Shouldn't Go In* (Apr. 30, 2015), <http://aplus.com/a/payday-lenders-ace-cash-express-loans>; Securities and Exchange Commission, Form D Notice of Sale of Securities (June 14, 2005), <http://www.sec.gov/Archives/edgar/vpr/05/9999999997-05-029226>.

² PR Newswire, *JLL Partners Completes Acquisition of ACE Cash Express, Inc.* (Oct. 5, 2006), <http://www.prnewswire.com/news-releases/ace-cash-express-inc-enters-into-merger-agreement-with-jll-partners-55974777.html>.

³ Consumer Financial Protection Bureau, CFPB Takes Action Against ACE Cash Express for Pushing Payday Borrowers Into Cycle of Debt (July 10, 2014), <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-ace-cash-express-for-pushing-payday-borrowers-into-cycle-of-debt/>; *see also*, In the Matter of: Ace Cash Express, Inc., File No. 2014-CFPB-0008 (July 8, 2014), http://files.consumerfinance.gov/f/201407_cfpb_consent_order_ace-cash-express.pdf.

⁴ Id.

⁵ Andrew Seidman, *N.J. to consider divestment over payday lender*, The Philadelphia Inquirer (May 29, 2015), (<http://www.pionline.com/article/20150601/ONLINE/150609983/nj-council-may-sell-pe-fund-stake-because-of-payday-loan-investment>).

The adverse impact of payday and other small-dollar lending products on low and moderate-income borrowers is well documented.⁶ Yet, even as states like New York and New Jersey have banned payday lending products, resources from their state retirement plans are being used to push products that violate their own state laws.⁷ State policymakers in states like California, Montana and Illinois have taken steps to rein in abusive payday lending practices, but retirement and endowment assets are still being used to fund predatory products in other states that would be illegal in their own states.

Absent substantial changes in the small-dollar lending industry's business model, I believe that public employee retirement assets and university endowments should not be used to support an industry that raises as many concerns as the small-dollar lending industry – especially in support of companies like Ace Cash Express with well-documented consumer abuses. Public sector retirement plan and endowment divestment initiatives have historically been important levers of change, and I believe that these initiatives can continue to play an important role in reining in abusive financial products. I commend New Jersey for its leadership in initiating the divestment process and for taking steps to ensure that similar investments are not made in the future. I would urge each of you to take similar action. I will continue to closely monitor this situation, and I look forward to hearing from each of you as you revisit your participation in the Fund and review your policies regarding investments in industries that severely impact the communities that you all serve.

Respectfully,

MAXINE WATERS

⁶ See, e.g., Brian Melzer, *The Real Costs of Credit Access: Evidence from the Payday Lending Market*, *The Quarterly Journal of Economics* Vol. 126(1) at 517-555, <http://qje.oxfordjournals.org/content/126/1/517.full>; and, Susanna Montezemolo, *Payday Lending Abuses and Predatory Practices* (Sept. 2013), <http://www.responsiblelending.org/state-of-lending/reports/10-Payday-Loans.pdf>.

⁷ See, N.Y. Banking Law §§ 340 *et seq.*, N.Y. Penal § 190.40; and N.J. Stat. Ann. §§ 2C: 21-19 and 17:15A-47.