



## JP Morgan Scrutinized by Pension Client after Reports of Race Discrimination

By Lisa Fu March 13, 2020

The **Kansas City Public School Retirement System** questioned its relationship with its longtime asset manager, J.P. Morgan Asset Management, after a *New York Times* article revealed incidents of racism in the affiliated commercial banking division, but ultimately decided to take no action.

The \$660 million pension fund sent a letter on Feb. 4, 2020, voicing its displeasure with the discrimination within the company. The letter, addressed to J.P. Morgan chairman and CEO **Jamie Dimon**, expressed disappointment after reading the article, which recounted several instances of racism and discrimination within the commercial banking division. The letter noted that the commercial banking division and the asset management division are closely affiliated and share the same senior corporate leadership, meaning the same policies and practices in the banking division carry over to the asset management group. J.P. Morgan manages a \$13.9 million real estate mandate for the pension.

After seeing the reporting and statement released from the bank, the pension and Missouri's 5th congressional district congressman representative, **Emanuel Cleaver II**, are asking J.P. Morgan how widespread the discrimination is in the company and what the bank is doing to meet antidiscrimination laws, according to the letter.

The pension has a responsibility to prudently invest money to provide retirement benefits, but it also has an obligation to make investments in a socially responsible way with integrity, the letter states.

"We've been questioned and had to question ourselves whether we've met the goal of being socially responsible investors with the monies we've entrusted to JP Morgan Asset Management," write KCPSRS board chairman **Horace Coleman** and executive director **Christine Gierer**. The letter was first reported by *Pensions & Investments*.

KCPSRS said it would monitor J.P. Morgan's response to determine whether the firm can restore confidence and trust.

J.P. Morgan CEO of asset management **George Gatch** wrote back to Coleman and Gierer on Feb. 10, acknowledging that the firm fell short and saying it is gaining a deeper understanding of how it might strengthen existing programs and policies.

KCPSRS reviewed J.P. Morgan's response at its March 2 meeting and took no action.

J.P. Morgan is taking the issue very seriously and is committed to communicating directly with clients on any areas of concern, a spokesman said.

Though investors are interested in financial performance, ESG investors in particular also care about values, says **Sondhelm Partners** CEO **Dan Sondhelm**. Racism and discrimination do not fit into a socially responsible portfolio at the company or management levels, he says.

There can be consequences to bad behavior, even when not tied to investment performance. For example, Fisher Investments lost a number of institutional mandates, after founder **Ken Fisher** told sexist stories on a conference stage, Sondhelm noted.

"I've seen plenty of situations when institutional clients fired a manager just because of the lack of portfolio manager chemistry," Sondhelm says. "I've seen co-managers arguing with each other during a research meeting or not being prepared. None of these ideas have to do with performance."

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