

## PA PAC Questionnaire for North Carolina State Treasurer – 2020

Candidate's name: Matt Leatherman

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### **Why Are You Running?**

1. What do you see as the most important issues facing the treasurer's office? If elected, what are your top three priorities in addressing those issues?

I am running on a three-part platform:

- Increasing access and equity in health care
- Valuing our educators and the work that they do with our children
- Strengthening the resilience of our communities

I have chosen these priorities because they reflect the office's purpose, need urgent attention, and draw on my experience working in the office for former Treasurer Janet Cowell. Specifically:

- *Health Care.* The Treasurer's Office was instrumental in saving the life of my second child. My wife felt sick and worried about this pregnancy on a holiday and, after being unable to reach either the OB or our family doctor, it was the preventative care nurse of the State Health Plan – part of the Treasurer's Office – who took her call and got her to the hospital just in time. She could make this call because she's a public-school educator. Since then, the incumbent has cut preventative care in the State Health Plan everywhere that he can and also put rural clinics and hospitals at risk. Investing in preventative care, committing to health access, and working constantly to make health services more equitable are atop my priority list.
- *Valuing Educators and Their Work.* Educator compensation rightly is the core issue for every progressive campaign, and benefits are a part of compensation. We must provide a better health benefit, and we also must recommit to the retirement benefit. The incumbent has pulled \$15 billion of retirement savings out of the investment markets – the equivalent of stashing it in the mattress – and retirement security lessens every day that this continues. Investing and earning a return so that we can fulfill our retirement promise to educators and civil servants is another priority.
- *Community Resilience.* Every bond issued by or within North Carolina is managed by the Treasurer's office. Right now, the incumbent largely sits in Raleigh and waits for communities to come explain their needs for clean drinking water, safe schools, and modern transportation networks. Our state needs strong infrastructure, and I will be a proactive partner with communities to identify upcoming needs and to ensure their funding, when the time comes.

## Your Qualifications and Fitness

2. What in your record as a public official or other experience demonstrates your ability to be effective on the issues you've identified? Please be as specific as possible in relating past accomplishments to current goals.

Experience is one of the qualities that distinguishes me in this primary campaign. Working as policy director for former Democratic Treasurer Janet Cowell gives me a track record of which I'm very proud.

- *Investments:* I led efforts to hold companies accountable for behaving sustainably, for instance in the way that they compensate executives, and supported teammates' efforts, such as advancing diversity in corporate boardrooms. I was the Department's voice to the SEC. And I organized a team effort to invest in longer-term ways specifically with respect to environmental stewardship, social impact, and corporate governance.
- *State and Local Finance.* Climate change, urbanization, and infrastructure neglect challenge public budgets and also our bond-financed infrastructure. I spearheaded an effort to get N.C.'s \$8-billion need for new/improved schools squarely onto the State Board of Education's agenda and helped lay the groundwork for more environmental sustainability by bringing local government leaders together for a day-long working session on regionalization.
- *Health.* Treasurer Cowell and I pushed several health initiatives that were interrupted by the 2016 election, and bringing these to fruition is one of my biggest goals in seeking this office. People are suffering because of the clinics and hospitals that continue to close, and we began work on using remote-medicine practices learned from the international public health sector. Additionally, design of the State Health Plan often interferes with people making healthy choices, and we negotiated for a behavioral-science audit of the plan that Folwell subsequently terminated.

## Public Policy and the Treasurer's Office

3. Is the current system of state taxation and fees fair and adequate to meet the needs of North Carolina residents? What changes should be made, if any?

No. Ten-years of conservative government have shifted our revenue sources from income tax to sales tax, which is massively inequitable. It also is insufficient for meeting the tens-of-billions needed to preserve clean drinking water, schools that are fit for learning, and climate-resilient infrastructure.

The Treasurer's most direct impact on tax policy is ensuring that revenue policy protects the state's credit rating. Capping tax rates hurts the state's credit because it limits our ability to respond to emergencies, like climate change, and I will use the Treasurer's Office to push for the removal of N.C.'s revenue cap.

Additionally, educators have rightly insisted that N.C. stop cutting corporate taxes until (at minimum) education budgets are funded fully, and the Treasurer's Office is in a position to give these educators access to the corporations who benefit from their retirement investments. I will do so in order to show companies the impact of their advocacy to cut taxes and to underline the opposition that they face from their shareholders.

4. Should state investment policies be changed, if at all, from current practice?

Yes. For example:

- The most important and immediate change should be the creation of a trustee board to oversee state investments. Currently the Treasurer is the sole trustee, and that absolute authority is inappropriate and dangerous, as Folwell is showing us now. This plan is sponsored by the state on behalf of educators and civil servants, and each of these stakeholders should be part of a trustee board, along with several professionals with institutional-investing backgrounds.
- Statute currently sets ranges for asset allocation, including the share of investments that can be held in stocks, bonds, and other securities. Once a trustee board is created, that decision should be given to the board and taken away from the legislature, which lacks the attention or expertise to make the decision prudently.
- Policy and law currently allow for a sitting Treasurer to serve simultaneously on corporate boards. That is an inherent conflict of interest. I will prohibit it by policy and advocate to make this change in statute.
- Folwell has suspended the policy on long-term stewardship of investment assets that I helped to create. This policy is a vital first step toward sustainable environmental-, social-, and governance-informed investing. I will immediately reinstate this policy and begin work to advance it further.

5. How should the State Treasurer influence the pace and composition of state spending?

The Treasurer's Office has more of a role regarding state spending than many expect, given that the power of the purse belongs to the legislature. This office sets the "annual required contribution" that agencies pay to service pension and health benefits. The way in which the Treasurer's Office stewards our credit also affects the money that we have to spend on interest, rather than on program priorities. Both of these are very significant budget items, and I will stand firm on fully funding the annual required contribution and protecting the state's credit.

The Treasurer's ex-officio roles on the State Board of Education and State Board of Community Colleges also provide influence over education spending, and I will use that influence to advocate for competitive educator pay and the prioritization of public-school needs over charter schools and voucher programs.

Finally, I expect to have a unique opportunity to help expand Medicaid, which involves a modest cost to the state. The Treasurer's Office lacks direct involvement on this issue, but my family is a Medicaid family right now, and I am driven to step forward on that basis, to personally exemplify the life-saving and life-altering benefits of this program, and to demand expansion. My youngest daughter, born at 27 weeks and 1.5 pounds, receives supplementary Medicaid coverage, and this coverage has spared my family from bankruptcy, allowed my wife and me to remain in the workforce, and provided my daughter with stable access to prescriptions that have cost more than \$8,500 each month.

6. What policy changes do you recommend on bond issues and other forms of government debt?

Bond policy needs to modernize in at least three respects: accounting for climate change, discerning local governments' capacity, and prioritizing school construction.

- *Climate.* All of the physical infrastructure that we build has to be resilient for scientific projections about climate change, including extreme weather like hurricanes and landslides, but climate resilience is not an explicit or priority factor when evaluating the cost of an infrastructure project or the risk associated with it. We pay for these projects with bonds, and prudence requires that we include climate costs and risks in the bond evaluation.
- *Discernment.* Many progressive communities have strong credit and use it in innovative ways, like Durham's affordable-housing bond and Asheville's green bond. The Treasurer's office does not evaluate them as individual communities, however, but rather applies rote, one-size-fits-all criteria. Pioneering communities help the entire state through their leadership, and the Treasurer's office should evaluate their bond projects relative to their individual circumstances.
- *Schools.* North Carolina has not passed a school-construction bond in more than 20 years, in part because lottery revenue was intended for this purpose. The legislature has used that lottery revenue as a substitute for school construction appropriations, though, not an addition. Today school facilities are in such poor repair that they pose a public-health hazard, including lead in the drinking fountains and mold in the ceiling tiles. We must return to state bonds for meeting school construction needs because of the scale of this need and the legislature's unwillingness to use lottery revenue as the voters intended.

7. Should public employees have the right to bargain collectively in North Carolina?

Yes.

8. The State Treasurer is an ex officio member of the North Carolina State Board of Education and the State Board of Community Colleges. If elected, what would you do to affect education policy in North Carolina?

Educators' compensation, school facilities, and student equity are my top three education policy priorities.

- *Compensation.* Any conversation about educators' pay involves the Treasurer's Office. The retirement and health benefits that this office administers are part of total compensation, in addition to salary or wages. I will secure the benefits that we provide to educators, champion the restoration of health coverage for future retirees, and support Governor Cooper's effort to increase pay.
- *Facilities.* Learning requires a learning environment, and we often do not provide it. North Carolina has an \$8-billion unmet need for school construction, and I will advocate to the legislature and support Governor Cooper to approve a state school-construction bond immediately.

- *Equity.* State Board of Education agendas increasingly are consumed by programs that result in the re-segregation of public schools and the consignment of students of color to decrepit and understaffed schools. Structural racism underpins the way in which North Carolina authorizes charter schools, uses vouchers (so-called “opportunity scholarships”), permits the drawing of district lines, and disinvests from educators, education facilities, and education. Equity will be my lens for every item on these agendas.
9. What is the state government's role in its citizens' financial literacy? What can the treasurer's office do to increase that literacy and how would you measure the results?

Providing equitable services is the most important role of state government. Inside the classroom, financial literacy is a critical skill for all students and an important part of the public education curriculum. Outside of the classroom, well-meaning financial-literacy policies often function as standards that individuals have to meet in order to benefit from baseline state services, like fair taxation, qualification for public loans, and access to retirement-savings options. The job of the state is not to set such standards but rather to provide services so that everyone can access them equitably. I will do so by having a diverse staff that can design inclusive programs and by incorporating the science of human behavior into these designs.

For example:

- *Retirement Savings.* President Obama’s Labor Department authorized states to sponsor retirement savings programs for people who work for smaller employers. I will create this savings account within the Treasurer’s Office, collaborate with other branches of state government to ensure that enrollment is part of standard new-hire paperwork, and set a default so that the rate of savings increases as people earn more. Providing this sort of streamlined, low-cost, and durable retirement savings account is far better than setting a financial-literacy standard that would have everyone navigate retail 401(k)s on their own.
  - *Family Savings.* The Treasurer’s office runs the ABLE program in N.C., a special kind of savings account that does not compromise Medicaid or Social Security benefits for people with disabilities. Fully staffing our ABLE program, advocating to extend eligibility to people who onset after age 26, and reaching out directly to families where they live is far better than holding family members accountable for planning their loved ones’ entire financial futures after their passing.
  - *Individual Savings.* Rigorous empirical research from the Urban Institute, among many others, shows that local governments can only be as healthy financially as their constituents are.<sup>i</sup> The Treasurer’s Office has responsibility for overseeing local governments’ budgets, and one way in which it does so is by maintaining an early-warning list (i.e., “Unit Assistance List”). Local governments know their communities better than anyone else, and having an early-warning criteria based on constituents’ financial well-being will give them an incentive to support and encourage personal savings far better than any one-size-fits-all program from Raleigh.
10. As member of the Council of State, you would have input on the issue of the death penalty. Do you feel qualified to vote on such issues? If so, how would you vote on the execution protocol and other death penalty matters that may come before the Council? Is the Council of State an appropriate body to deliberate these issues?

The Council of State has not been an institutional part of the legal or judicial process with respect to capital punishment since the legislature removed it from execution-protocol approval in Session Law 2012-136. As such, it is not an appropriate body to deliberate the death penalty.

My education and experience are not legal in nature, so I will rely on expert counsel and my own values in the event that a death-penalty vote nonetheless arises in Council of State. As a matter of values, I believe that the way we treat inmates reflects directly on our ethics as a society, and killing a person who, by virtue of already being imprisoned, poses no threat to society is more of an indictment of us than of them.

My goal in expressing this opposition to the death penalty is in no way to diminish the suffering or loss of victims. To the contrary, my focus will be on them. Murder has affected friends of mine, and I learned again from the experience how essential it is to remember and honor the love one who is lost. Society has an interest in public safety, which the judicial system is able to serve without recourse to execution, but to the family, attention paid to the perpetrator distracts from the loved one who is lost. I am not seeking a legal or judicial office, so my attention as a representative of the people will go to those families and their loved ones.

11. How can the State Treasurer leverage investments to generate additional environmental and social returns, including race equity, gender fairness, and climate change and environmental sustainability?

At the most fundamental level, the State Treasurer can leverage investments to generate additional environmental and social returns by being engaged and active. Too many investors today accept financial statistics uncritically, fail to know the companies that they own, and interpret their fiduciary duty narrowly enough to ignore the impact of how they invest on society.

Every way in which the Treasurer's Office invests with a longer-term focus will add to the return that we provide. Specifically, having a longer-term focus in the Treasurer's Office will rightly frame our investing to deliver for generations of educators and civil servants still to come, which in turn requires stewarding our environmental and societal resources to reduce cost and increase benefit.

I was part of preliminary efforts in Treasurer Cowell's administration to achieve exactly these goals, including the creation of policy governing long-term stewardship of investments, allocation of assets to small and emerging asset managers in which women and persons of color are better represented, and engagement with companies to include more diverse board directors. These programs need rejuvenation immediately and, once complete, they provide a strong foundation.

## **Retirement**

12. Are the state's retirement systems sustainable? Should they be modified or discontinued? In your answer please address issues such as eligibility, health benefits, and cost of living increases.

North Carolina's pension is more than sustainable – it is strong, among the very best funded among U.S. states. At the same time, Folwell is putting the pension at risk with his political decision not to invest \$15 billion. Keeping the promise of retirement to educators and civil servants is a core purpose of the Treasurer's Office, and I will renew that commitment in part by fully investing their assets.

The General Assembly governs eligibility and cost-of-living increases, as well as related issues like risk-return parameters for investments. I will champion a legislative agenda that provides regular cost-of-living increases while maintaining the strength of our pension.

State Health Plan benefits for retirees additionally require urgent attention. Retirees currently can continue to receive State Health Plan coverage, but individuals who begin work in January 2021 no longer will be eligible and could face a coverage gap of ten years or more between retiring and becoming eligible for Medicare. Losing health coverage destroys the security that we promise to retirees, hamstrings our efforts to recruit the next generation of educators and civil servants, and furthermore is unnecessary. Restoring these benefits in a fiscally-sustainable way will be one of my top priorities upon taking office.

13. North Carolina has the tenth largest public pension fund in the country. How should the State Treasurer best manage these funds? Should these policies on pension fund investments be geared to strengthening the North Carolina economy and/or addressing specific North Carolina issues?

Investing in North Carolina is wise on its merits, and I will redouble these efforts.

The investment industry has a deficit of diversity and a surplus of groupthink, and one result is that too much money goes to the same people in the same places – in geographic terms, Boston, New York, and San Francisco. That creates high prices and complacency, both of which reduce returns. Everything that expands diversity and reduces groupthink has the opposite effect, stimulating creativity and price competition. Investing in North Carolina is one example, and I contributed to efforts that do just this, including creation of the Venture Capital Multiplier Fund and the extension of NC Innovation Fund into a second vintage.

Investing in North Carolina is far from the only example of expanding diversity and reducing groupthink, of course. Allocating to more woman- and minority-owned asset managers is another vital example, as is supporting the election of more diverse corporate directors, and I have these as equal priorities.

Maximizing returns for educators and civil servants requires access to the entire economy and all of humanity's creative potential. Getting out of the Boston-New York-San Francisco rut and investing in North Carolina is one vital component of that larger effort.

14. Fewer than half of private sector workers in our state (47%) have access to a workplace retirement plan. What can the State Treasurer do to increase the number of private sector workers that have an opportunity to save for retirement through their employer?

President Obama's Labor Department authorized states to sponsor retirement savings programs for people who work for smaller employers. I will create this savings account within the Treasurer's Office, collaborate with other branches of state government to ensure that enrollment is part of standard new-hire paperwork, and set a default so that the rate of savings increases as people earn more. Providing this sort of streamlined, low-cost, and durable retirement savings account is far better than setting a financial-literacy standard that would have everyone navigate retail 401(k)s on their own.

## **Personal and Political**

15. How do you define yourself politically, and how does your political philosophy show itself in your past achievements and present campaign platform?

Political identity is a label for values, and I reflect much more on my values than on the label that others (or even I) would assign them. My campaign uplifts the values of equity, empowerment, stewardship, and experience. The shared root of these values is my very deep-seated belief that government and elected office are about serving the people.

While very few people would openly disagree with my belief, many behave oppositely, using government and elected office for power-brokering, enrichment, and ultimately the subjugation of people who they are meant to serve.

My answers to Question 2 cover the ways in which my past achievements as a leader in the Treasurer's Office reflect my values, so I will use this opportunity just to provide the single most important example of how these values imbue my campaign platform.

Access and equity in health care are at the absolute center of my campaign as a tribute to Kennedy Comer and the millions of North Carolinians that she represents. I got to know Kennedy as a roommate to my daughter, Josie, in NICU. Josie was born very prematurely because of medical necessity, but Kennedy arrived even earlier because Dominique - her mom, an African-American woman - received insufficient and inequitable obstetric care. About ten days before we came home with Josie, Kennedy contracted an infection, and it killed her in an hour. Dominique and Kennedy were treated inequitably and were not empowered by their own government to get better care. The Treasurer's office can lead North Carolina to do better, and I am seeking it for this purpose.

In parallel, I express my values - and, by extension, my political identity - in how I conduct my campaign. I have spent the last eight months bringing this office to people across our state and working hard to earn their support because I want to be State Treasurer, not because I want a steppingstone to higher office. This is what it will take to beat Dale Folwell and, when I do it, I will bring the same commitment and focus to doing the job of Treasurer for this term and the subsequent one as well.

16. For whom did you vote for in the 2012 and 2016 presidential and gubernatorial elections? For whom did you vote in the 2016 U. S. Senate election?

I voted for Barack Obama in 2012 and Hillary Clinton in 2016 on the Presidential ticket. I additionally voted for Roy Cooper and Deb Ross in 2016. In 2012, I did not live in North Carolina but supported the Democratic slates.

*Thank you for completing this questionnaire.*

*Please do not forget to provide us with your resume or biographical statement.*

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<sup>i</sup> <https://www.urban.org/research/publication/thriving-residents-thriving-cities-family-financial-security-matters-cities>

# MATT LEATHERMAN

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## INVESTMENT BOARD SERVICE

### **John Rex Endowment**

**10/2016-Present**

- Oversee a strategy of supporting an environment in which children and families in greater Wake County have healthy lives, approve ~\$3.5m in annual grants aligned with that strategy, and lead efforts to integrate mission-related priorities into management of a \$75m investment corpus.

## EXPERIENCE

### **Focusing Capital on the Long Term (FCLTGlobal)**

**03/2017-Present**

- Lead behavioral-intervention efforts for financial market participants, including public retirement funds like New Zealand Superannuation and Ontario Teachers' Pension Plan and sovereign wealth funds like the Hong Kong Monetary Authority and the Government of Singapore Investment Corporation, aimed at boosting economic growth while still achieving target financial returns. For example:
  - Facilitated deliberations between owners and managers to develop longer-term contracts.
  - Led a team of owners, managers, behavioral scientists, and quantitative experts to isolate the short-term biases in standard financial risk practices and provide alternate, longer-term tools.

### **NC Department of the State Treasurer**

**06/2014-03/2017**

- Led implementation of Treasurer Cowell's health, pension, investing, and bond-finance policies. For example:
  - Strengthened the Department's approximately \$100 billion portfolio by standardizing investment staff's management of environmental, societal, and governance factors.
  - Convened local government officials and financial-services representatives in conversation about methods of financing core infrastructure, like water/sewer systems, in a way that communities can durably afford and that is environmentally resilient.
  - Explored the possibilities for using practices from the international public health sector, like mobile tele-medicine, to extend access to care in rural North Carolina communities.

### **Harvard Kennedy School (Consulting)**

**09/2012-10/2013**

- Contributed research, analysis, and publication-ready data on health management and budgets for business case on the merger of Walter Reed Army and National Naval Hospitals.

### **Stimson Center**

**02/2010-05/2013**

- Studied, published, and advocated on the human dimension of security policy, ranging from more equitable retirement and health policies for service-members to grand strategy – much of which was subsequently adopted by the Obama Administration – that keeps us secure at a lower fiscal and human cost.

### **DFI Government Services**

**01/2004-07/2007**

- Gathered, analyzed, and presented data on military health, retirement, compensation, and family policies.

## SELECTED PUBLICATIONS

- “Balancing Act: Managing Portfolio Risks Across Multiple Time Horizons,” *FCLT*, 2018
- “Institutional Investment Mandates: Anchors for Long-term Performance,” *FCLT*, 2017
- “Re: File No. 87-06-16, Request for Public Comments on the Securities and Exchange Commission's Disclosure Effectiveness Initiative,” *North Carolina Department of State Treasurer*, 21 July 2016.
- “A Leaner and Meaner Defense,” *Foreign Affairs*, January-February 2011 – with G. Adams.
- Opinion columns in the *Washington Post*, *International Herald-Tribune*, *McClatchy-Tribune News Service*, *US News & World Report*, *Bloomberg Government*, *Politico*, *Philadelphia Inquirer*, and *Raleigh News & Observer*.

## EDUCATION

- **Columbia University**, M.A., School of International and Public Affairs **2007-2009**
- **University of North Carolina at Chapel Hill**, B.A., Political Science and B.A., American History **1999-2003**