



THE NEWSGUILD – CWA

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April 7, 2020

Randall Smith
Chief of Investments

Heath Freeman
President

Alden Global Capital LLC
885 Third Ave.
New York, NY 10022

Dear Mr. Smith and Mr. Freeman:

I am writing to ask that Alden Global Capital reimburse the pension funds of Digital First Media/MNG Enterprises employees for underperformance the pension funds experienced during the period that Alden Global Capital invested the employees' pension assets in its own funds.

In the last several months, Alden Global Capital has drawn substantial attention for its actions at news company MNG Enterprises including numerous news articles, letters from elected officials, city council resolutions, and a federal investigation.

In April 2019, the *Washington Post* reported that Alden Global Capital, which owns MNG Enterprises and its subsidiary newspapers, such as the *Denver Post* and *San Jose Mercury News*, took the unusual step in 2013 of investing nearly \$250 million in assets from MNG Enterprises employees' pensions into hedge funds that Alden controlled.¹

As the *Post* and other sources have noted, Alden's actions with regard to MNG Enterprises employees' pensions raise a number of concerns and may have run afoul of the Employee Retirement Income Security Act (ERISA).

Federal law requires that employee pensions be invested solely for the benefit of retirees and not in a way that could benefit the pension managers themselves. In addition, ERISA also requires that managers of pension funds exercise prudence in their investments, including by diversifying a pension fund's investments.²

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Rather than diversifying the investments of MNG Enterprises employees' pension funds, Alden invested them almost entirely in its own funds. As of the end of 2015, Alden had invested almost 90% of the assets of the *San Jose Mercury-News* pension fund in just two of its own investment funds, the AGBPI Fund and the Alden Global CRE Opportunities Fund.³

These investments did not generate strong returns for DFM employees' pension funds. Rather, they appear to have substantially underperformed the returns the funds would have generated had they been invested in the S&P 500 index or a 60/40 stock/bond index fund.

Based on federal filings made by the San Jose Mercury-News Amended Retirement Plan, between 2013 and 2015 the pension fund invested more than \$105 million in the two Alden vehicles, the AGBPI Fund and the Alden Global CRE Opportunities Fund. As of December 31, 2017, the investments had distributed \$92.4 million to the pension funds and had a residual value of \$22.3 million. Between 2013 and 2017, it appears that the pension fund's investments in the Alden-controlled vehicles generated around a 4% annualized return.⁴

During this same period, the S&P 500 index generated around a 15.8% annualized return.⁵ A 60/40 stock/bond portfolio (for example the Vanguard Balanced Index Fund) generated a 9.9% annualized return over the period.⁶ The Alden funds appear to have substantially underperformed both.

As such, rather than providing a boost to returns, the investment of MNG Enterprises employees' pensions in Alden-controlled funds appears to have negatively impacted performance, leaving the funds worse off than if they had invested in a more traditional investment portfolio.

Had the San Jose Mercury-News Amended Retirement Plan been invested in the S&P 500 index between 2013 and 2017 instead of the Alden funds, we estimate that it would have generated \$17.5 million more for the pension fund. Had it been invested in a 60/40 stock/bond index fund, we estimate that it would have generated \$6 million more for the pension fund.

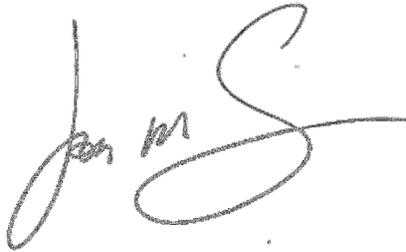
In addition, MNG Enterprises invested \$44.2 million from the MediaNews Group Defined Benefit Plan for Certain Employees and \$46.6 million from three *Denver Post* employees' pension funds in the two Alden vehicles.⁷ The *Denver Post* employees' retirement funds' investments in Alden vehicles appear to have generated a 4.3% annualized return between 2013 and 2018.⁸

The investment of MNG Enterprises employees' pension funds in Alden Global Capital controlled vehicles left the funds millions or tens of millions of dollars worse off than they would have been had they been invested in the S&P 500 or a 60/40 stock/bond portfolio over the same period.

Alden's actions with regard to MNG Enterprises employees' pensions were unorthodox, potentially violated ERISA, and left the pension funds worse off.

We believe Alden should pay back MNG Enterprises employees' pension funds for this underperformance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Schleuss". The signature is stylized with a large, sweeping "S" at the end.

Jon Schleuss
(202) 434-1175
jschleuss@cwa-union.org

¹ ["The hedge fund trying to buy Gannett faces federal probe after investing newspaper workers' pensions in its own funds," Washington Post, Apr 17, 2019.](#)

² <https://www.dol.gov/general/topic/retirement/fiduciaryresp>, accessed Mar 31, 2020.

³ San Jose Mercury-News Amended Retirement Plan Form 5500, 2015.

⁴ San Jose Mercury-News Amended Retirement Plan Form 5500, 2013-2017.

⁵ https://ycharts.com/indicators/sp_500_total_return_annual, accessed Mar 31, 2020.

⁶ <https://finance.yahoo.com/quote/VBINX/performance?p=VBINX>, accessed Mar 31, 2020.

⁷ MediaNews Group Defined Benefit Plan Form 5500, 2013-2015, Denver Post Defined Benefit Plans Master Trust Form 5500, 2013-2015.

⁸ Denver Post Defined Benefit Plans Master Trust Form 5500, 2013-2018.