Political Donations and Public Pension External Manager Selection

Evidence from Pay-to-Play

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Central takeaway

Political giving predicts pension manager selection; regulation and independent boards weaken the link.

Question and setting

Research question

- Do political donations help fund companies win public pension external-manager mandates?
- The paper studies whether donations operate as a pay-to-play channel in pension fund management.
- The setting is high stakes: public pensions delegate large asset pools to external managers.

Data sources

- Sample: U.S. public pension funds and fund companies, 2000-2022.
- External managers: manually collected from CAFRs and matched to Public Plans Data.
- Donations: DIME campaign contributions, linked to fund companies and affiliated individuals.
- Institutions: SEC Rule 206(4)-5 and state corruption variation.

Empirical design

Firm-state-year regressions

External manager status is regressed on lagged donations, with firm fixed effects and state-year fixed effects.

Robustness and identification

Propensity score matching addresses observable selection; DID/DDD exploits the 2011 SEC rule and high-corruption states.

Main evidence

+3.3 to +6.5 pp

Higher probability of becoming a pension external manager after political donations.

5.37M

Firm-state-year observations in the full panel.

2000-2022

Study window spanning pre- and post-regulation periods.

PSM robust

Results survive nearest-neighbor, caliper, and Mahalanobis matching.

Mechanism: donations matter most where pay-to-play is plausible

The SEC pay-to-play rule sharply weakens the donation-externalization link in high-corruption states, consistent with a rent-seeking channel rather than pure relationship-building.

Key DDD estimates: Don x Corr x Post-2011 is negative and significant for both CI candidate donations and total donations.

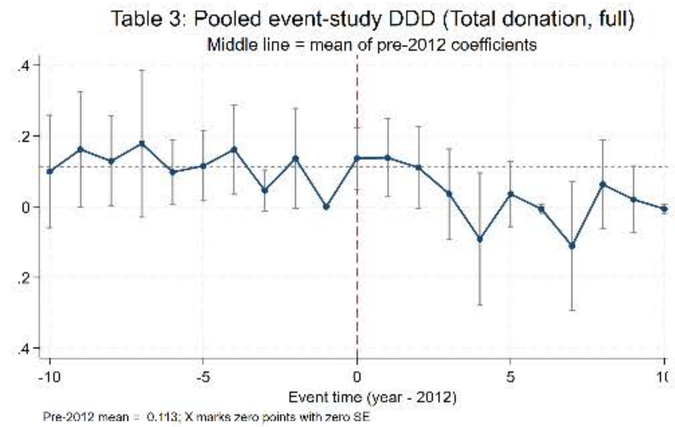
Interpretation

What the evidence suggests

Political donations are associated not only with obtaining mandates, but also with higher management fee ratios among existing external managers.

Regulation and governance

Updated Table 3 event-study DDD evidence



Pre-rule coefficients are positive; after the SEC rule, the high-corruption-state relationship moves toward zero or negative values.

Pension-level CSDID evidence

CSDID estimates from the slide deck show negative ATT estimates after pay-to-play law adoption, across A1A and A1A+A1B definitions.

-1.06 to -3.12

ATT range in CSDID table

4,732-5,704

Pension-year observations

Governance dampens pay-to-play

Pensions with separate investment boards show a much weaker donation-selection association.

-0.049

Inv. board x CI donations

-0.066

Inv. board x total donations

Sources: paper/term_paper.tex, results/table3 event-study outputs, and slides/csdid materials. Outcome: external manager selection by fund company-state-year; main sample covers 2000-2022.

Academic poster | May 2026