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Gov rivals spar over tax havens

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SPRINGFIELD - Fifteen hundred miles away, the Cayman Islands dominated Illinois' governor's race for a third straight day Wednesday with Republican Bruce Rauner going on the offensive by calling on Gov. Pat Quinn to "divest his own pension" from state retirement systems that invest in the offshore tax haven.

Quinn shot back, calling Rauner's new focus a "canard" meant to distract from his refusal to disclose a full set of his tax returns that might show how deeply invested the Winnetka multimillionaire is personally in funds domiciled in a three-island country known as much for its beaches as tax avoidance.

The back-and-forth Wednesday came after a report in Sunday's Chicago Sun-Times that outlined how Rauner has channeled part of his fortune into at least five investment funds based in the offshore tax haven - an investment strategy Quinn called "unpatriotic."

Firing back, Rauner demanded an apology and accused Quinn of declaring "war" on government employees whose pensions are partly invested overseas, including in the Cayman Islands, and urged the governor to apologize to them, too.

"The governor's own pension fund, just like the state pension fund for teachers and all state workers, is heavily invested overseas, including in the Cayman Islands," Rauner's campaign said in a prepared statement. "Pat Quinn either needs to apologize to Bruce Rauner for lying about the facts or apologize to Illinois teachers and state workers for calling them unpatriotic."

Rauner's campaign said the Teachers Retirement System has invested $433.5 million in Cayman Islands-based funds while the State Board of Investment has $2.3 billion in offshore holdings, which includes some Caymans-related funds though the agency could not specify how much.

Both are tax-exempt entities and, unlike individual investors, derive no direct tax benefit from investing in funds based there, spokesmen for both agencies said.

TRS invests on behalf of current and retired suburban and downstate teachers. The State Board of Investment oversees pension investments for current and retired state workers, university employees, judges, lawmakers and state officials, including the governor.

"If Pat Quinn refuses to apologize and tell the truth, he should immediately move to divest all state investments from companies and funds domiciled overseas, including in the Cayman Islands," Rauner's campaign said.