



## State Representatives Haraz Ghanbari and Brigid Kelly

Chairman Brinkman, Vice Chairman Lampton, Ranking Member Miranda, and members of the House Insurance Committee, thank you for the opportunity to provide sponsor testimony on House Bill 540.

This legislation requires the boards of state retirement systems to disclose financial information regarding alternative investments. This bill will specifically request financial information from the following boards: Ohio Public Employees Retirement System (OPERS), Ohio Police and Fire Pension Fund, State Teachers Retirement System (STRS), School Employees Retirement System (SERS), and State Highway Patrol Retirement System. This bill will increase transparency for participants and taxpayers, create more accountability for the hardworking Ohioans who rely (or will rely) on pension benefits, and serve as a safeguard against unfair management fees and profits.

Within a year from the passage of this bill, all retirement system Boards would be required to gather and then publicize financial information from alternative investment vehicles (any limited partnership, limited liability company, or other legal structure in which board invests).

The Boards must disclose:

- Fees and expenses the public employees retirement system pays directly to the alternative investment vehicle;
- Retirement system's share of aggregate fees and expenses paid;
- Alternative investment vehicle's gross and net rate of return; and
- Investment multiple of each alternative investment vehicle.

This information must then be published in a yearly written report as well as presented to the public in an open meeting. The bill would apply to contracts entered by the Board after the bill's effective date; it would not place any additional limitations or restrictions on how or in what alternative investments the Boards may invest, rather, the legislation would simply provide more transparency for participants, policy makers, and the public.

A 2016 Pew brief on making state pension investments more transparent<sup>1</sup> notes:

*"...because many alternative investments involve greater risk and complexity, boosting transparency is essential. Policymakers, stakeholders, and the public need full disclosure on investment performance and fees to ensure that risks, returns, and costs are balanced in ways that follow best practices and meet funds' policy needs."*

The issue of making these fees more transparent is not new, but is as important as ever. We have attached to this testimony an Ohio specific excerpt from "All that Glitters is not Gold: An Analysis of US Public Pension Investments in Hedge Funds<sup>2</sup>," a 2015 study from the American Federation of Teachers, Roosevelt Institute, ReFund America Project, and Haas Institute. Among its recommendations are to "Require full and public fee disclosure from hedge fund managers and consultants[, and to] consider legislation and/or policies requiring full fee disclosure by hedge funds."

Again, this legislation does not add any restrictions or requirements to the Funds and their investment choices, it simply increases transparency for plan participants and for taxpayers.

We ask your support for this legislation to ensure transparency and accountability for the folks who spend their careers in service to our state - teachers and school employees, law enforcement officers, and other public servants – who have earned these retirement benefits. We are happy to answer any questions you might have.

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<sup>1</sup> [Making State Pension Investments More Transparent: Accountability varies widely and could be improved. A brief from The Pew Charitable Trusts. Feb 2016](#)

<sup>2</sup> <https://www.aft.org/sites/default/files/allthatglittersisnotgold2015.pdf>