

The Retirement Standing Committee of the Ohio Federation of Teachers

Ohio STRS Hedge Fund Investments

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WHEREAS, the American Federation of Teachers released a study in 2017 titled “The Big Squeeze” which documented the harm to pension funds caused by the standard fund manager fee structure, where managers are paid up to 2 percent of assets under management, plus a “performance fee” (also known as carried interest) of up to 20 percent annual profits, and

WHEREAS, this report also found that if the fee structure (2 and 20) had been halved, the 12 funds examined would have saved \$3.8 billion per year in alternatives fees, for a total of \$19 billion over the last five fiscal years, and

WHEREAS, this report concludes by urging pension fund overseers to work to reduce the fees they pay and adopt policies requiring a full accounting and disclosure of all fees by alternative investment managers, and

WHEREAS, we support the Ohio SERS’s reducing the amount it pays hedge funds managers from 2 percent to 1.5 percent of assets managed, and

WHEREAS, the Ohio STRS Board has, thus far, failed to demand an end to the “2 and 20” fee structure in order to reverse the transfer of wealth from our teachers and hard-working taxpayers to Wall Street’s wealthiest players, and

BE IT RESOLVED, the OFT urges the Ohio STRS to require full and public fee disclosure from hedge fund managers and consultants, and

THEREFORE, BE IT FURTHER RESOLVED, the hedge fund model of “2 and 20” needs to be cut in half to “1 and 10” in order to reverse this transfer of wealth to billionaires especially since the rate of return has been less than favorable, and

THEREFORE, BE IT FINALLY RESOLVED, the OFT also encourages the Ohio STRS to conduct an asset allocation review to examine less costly and more effective diversification approaches and continue its current diversification efforts.