

Ted Wheeler
State Treasurer
www.ost.state.or.us



FOR IMMEDIATE RELEASE
July 28, 2010

Contact: James Sinks
503-508-0737 (cell)
James.Sinks@state.or.us

State Treasury investment managers negotiate millions in reductions to fund management fees

Efforts will benefit public trust funds and their beneficiaries, including schoolchildren and retirees

SALEM – Oregonians will save millions of dollars thanks to fee reductions negotiated by the Oregon State Treasury with private firms that help manage public investments.

Lowered fees and other improved terms have been reached in separate pacts with six different firms during the past year, and the efforts are ongoing. Treasury and Treasury consultants are currently negotiating new agreements with two additional fund managers.

Based on the performance of the subject investments, the savings in the negotiations thus far could add to more than \$8 million.

“The State Treasury is negotiating to cut costs and squeeze additional value from our investments, and that’s smart business,” said State Treasurer Ted Wheeler. “We are negotiating the best deals possible for Oregon taxpayers and public retirees.”

By lowering management fees, it means the Treasury is getting the same services for less. The financial savings translate into higher balances in investment funds.

The Oregon Investment Council in April 2009 adopted the nation’s first set of guiding principles that seek more favorable terms in a class of investments known as private and real estate partnerships.

Those tenets seek to give limited partners more rights and also ensure that management fees are devoted to actual management costs -- and not profits. Profits occur instead at the end of deals, assuming investments turn out to be successful.

Because of contractual confidentiality, the Treasury does not identify which firms have agreed to new terms and the details of the new contracts. One firm agreed to cut management fees by 20 percent. Another is capping its management costs at a level reduced by 25 percent.

Oregon's highest performing category of investments in the past three decades is known as private equity, and that class of assets returned an average of 16 percent a year. Private equity funds typically assess substantial fees, as well, yet there is still a desire for Oregon to benefit from those ventures, Treasurer Wheeler said.

"We are constantly on the hunt for the best opportunities and that means we do business with some of the best investing minds in the world, but that doesn't mean we will overpay for their services," he said.

Trust funds under investment management by the Oregon State Treasury include the Oregon Public Employees Retirement Fund, Common School Fund and State Accident Insurance Fund.

The Treasury and Oregon Investment Council do not oversee retirement benefits connected to the Public Employee Retirement System or the level of contributions made by government entities.

Rather, the Treasury invests the money in the Oregon Public Employees Retirement Fund in the period between when contributions are paid in and when benefits are paid out – and Treasury investment management has served Oregon well. Mercer, the actuary consultant for the Public Employee Retirement System, says the outstanding performance of the fund has allowed Oregon to rely more heavily than any other Western state on investment returns to pay for promised benefits to retirees.

The Oregon State Treasury protects public assets and saves Oregonians money through its investment, banking, and debt management functions. The office also promotes public outreach and education to help Oregonians learn strategies to save money, invest for college and make smart financial choices.

###