



Phil Mullin

Bill Analysis
Legislative Service Commission

H.B. 354

126th General Assembly
(As Introduced)

Reps. T. Patton, McGregor, Reidelbach

BILL SUMMARY

- Requires any state agency with authority to invest state funds to report on those investments using the Global Investment Performance Standards established by the CFA Institute.

CONTENT AND OPERATION

State agencies' use of the Global Investment Performance Standards

Agency reporting

Under the bill, when a state agency reports on the performance of investments of assets of funds that it has the authority to invest, it must comply with the Global Investment Performance Standards (GIPS) established by the CFA Institute (see **COMMENT**). The bill requires the state agency to have an independent party verify that the investment performance report is in compliance with the GIPS. (R.C. 9.75, first paragraph.)

Other person reporting

If a state agency contracts with another person, including an agent or an investment manager, for the administration, management, or investment of assets of funds that it has the authority to invest, the state agency must require that person to comply with the GIPS when reporting on the performance of those assets. The bill similarly requires such a state agency to have an independent party verify any investment performance report submitted by that person is in compliance with the GIPS. (R.C. 9.75, second paragraph.)

Covered entities

The bill defines "state agency," by a cross-reference to R.C. 1.60, to mean every organized body, office, or agency established by the laws of the state for the

exercise of any function of state government. The bill also defines an "agent" to have the same meaning as in the Corporation Securities Law.¹ (R.C. 9.75(A) and (B).)

Compliance date

The bill requires all state agencies with authority to invest assets of funds to comply, on or before January 1, 2007, with the bill's requirements relating to compliance with the GIPS (Section 3).

Elimination of Performance Presentation Standards as criteria for reporting on investment performance

Under current law, the Public Employees Retirement Board, Board of Trustees of the Ohio Police and Fire Pension Fund, State Teachers Retirement Board, School Employees Retirement Board, Ohio Tuition Trust Authority, Administrator of Workers' Compensation, and State Highway Patrol Retirement Board, when reporting on the performance of investments, must comply with the Performance Presentation Standards (PPS) established by the Association for Investment Management and Research (see **COMMENT**). The bill eliminates these PPS compliance requirements, thus causing the seven entities to be subject to the bill's GIPS compliance requirement for state agencies. (R.C. 145.11(B), 742.11(B), 3307.15(B), 3309.15(B), 3334.11(L), 4123.44, and 5505.06(B).)

COMMENT

According to the CFA Institute (Centre for Financial Market Integrity), the GIPS were introduced in 1999 and are "universal, voluntary standards to be used by investment managers for quantifying and presenting investment performance that ensure fair representation, full disclosure and apples-to-apples comparisons." The CFA Institute is working to converge the PPS of the Association for Investment Management and Research (the predecessor organization to the CFA Institute) to the GIPS so that performance reports containing data for periods after January 1, 2006, include the GIPS compliance statement, not the PPS statement.

¹ Although the word "agent" is used in a few definitions in the Corporation Securities Law, there is no definition of an agent in that Law. Therefore, a technical correction is necessary to the bill in this regard.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	09-27-05	p. 1646

h0354-i-126.doc/kl

