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## **COMMITTEE LEADERS CALL FOR OVERSIGHT OF PENSION INVESTMENTS IN HEDGE FUNDS, PRIVATE EQUITY**

*GAO says greater federal guidance could prevent risky investments of pension money*

*Washington, DC* – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa), House Ways and Means Chairman Charles Rangel (D-N.Y.), House Financial Services Committee Members Paul Kanjorski (D-Penn.) and Mike Capuano (D-Mass.) commented today on a new Government Accountability Office (GAO) report that found increasing levels of investment by private pension plans in hedge funds and private equity funds. These investment vehicles have lower levels of liquidity, less transparency, are more financially unpredictable, and have greater levels of risk than traditional investments. The report suggests that the Secretary of Labor – currently charged with monitoring the investments and other aspects of pension plans – provide more guidance in the area of investments in hedge and equity funds by pension plans. The full text of the GAO report can be found at <http://www.gao.gov/new.items/d08692.pdf>.

**“It is crucial that we take great care as pensions invest more in hedge funds and private equity. This new investment strategy has not been tested in an unstable market,”** said Baucus. **“If the pension investments sour, the retirement savings of millions of Americans could suffer. I support the GAO recommendation that the Secretary of Labor take a proactive role in reviewing the pension investment trends to prevent unnecessary exposure to risks.”**

**Investments in hedge funds and private equity are risky,”** Grassley said. **“Plan sponsors and the investment managers they hire are investing more and more pension assets in these risky investments in pursuit of big returns. But these healthy returns could go south overnight. When the bottom falls out, it’s the plan participant, or in the worst case, the taxpayer, who pays the price. Increased disclosure in pension plan investments in hedge funds and private equity on a pension plan’s information return – the Form 5500 – may be appropriate to ensure better oversight. I intend to work with my colleagues to explore whether the Form 5500 could be a source of more transparency in these types of investments.”**

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**“We must balance the competing interests of plan sponsors, who seek to maximize investment returns, and plan participants who will depend on benefits from these plans to live during retirement,”** said Ways and Means Committee Chairman Charles B. Rangel (D-NY). **“It is crucial that we bear in mind the importance of prudent selection of investment options in order to provide this financial security for our workers. More work is needed in the area of pension plans’ investment in hedge funds and private equity funds to ensure that this level of prudence can be met.”**

**“Pension plans, whether public or private, must not gamble with the retirement resources of average Americans,”** said Rep. Paul Kanjorski (D-Penn.), Chairman of the Capital Markets, Insurance, and Government Sponsored Enterprises Subcommittee. **“As a step toward greater accountability, I therefore support GAO’s recommendation that the Secretary of Labor provide further guidance for qualified pension plans on hedge fund and private equity investments. States, like Pennsylvania, that allow hedge fund and private equity investments by public pension funds should take similar steps, as well. The current turmoil in our financial markets reminds us of the need to discourage excessive risk-taking and inappropriate speculation. We must encourage prudence and transparency in order to help restore investor confidence in our markets and protect taxpayers.”**

**“According to the GAO’s recent study, pension funds are increasingly investing in hedge funds and private equity. Additional reports have also found that some states are changing state law to allow public pension funds to invest beyond their currently allowed caps,”** said Rep. Mike Capuano (D-Mass.), also a member of the Capital Markets panel. **“Given these findings, it is imperative that the Department of Labor promptly issue their pending guidelines on alternative investments so that investors and pensioners are thoroughly aware of the challenges and risks of these ventures.”**

Because hedge funds and private equity investments are exempt from Federal regulations that generally apply to other pension plan investments, the GAO further recommends that the Secretary of Labor provide greater clarity on the differences between safe and unsafe investments with respect to hedge funds and private equity funds.

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