March 24, 2004

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549-0609

*RE: Concept Release on Measures to Improve Disclosure of Mutual Fund Transaction Costs (the "Concept Release"), Release No. 33-8349; 334-48952; IC-26313; File No. S7-29-03.*

Dear Mr. Katz:

On behalf of pension funds serving over 750,000 Ohioans and managing approximately $75 billion in assets, the undersigned Ohio pension funds offer comments on the SEC's Concept Release on measures to improve disclosure of mutual fund transaction costs. Although we do not directly manage mutual funds, we do invest in such funds, and offer them to our defined contribution plan participants.

We are pleased that the Commission issued a Concept Release regarding disclosure of mutual funds transaction costs and is seeking public comment, particularly in light of the mutual fund scandals that came to public attention six months ago. We fully support more complete disclosure of information about a mutual fund's soft dollar polices and practices, and enhanced transparency where brokerage commissions are paid to obtain brokerage and research services.

Better transparency and disclosure will provide investors with useful information and improve investors' knowledge of their mutual funds' performance and expense structures. Investors would better understand that research costs are paid directly from their account, rather than being paid by the management fees. Although transaction costs are currently taken into account in calculating funds' total returns, they are not generally included in the funds' expense ratios.

Under Section 28 (e) of the Securities Exchange Act of 1934, the determination of whether third party research falls within the safe harbor depends on the nature of the product or service, how the investment adviser uses the product or service, and the investment adviser's good faith determination that the commissions paid are reasonable in relation to the research and brokerage received. We believe comparable, meaningful disclosure of soft dollar costs should also be required of all investment managers.

Fund boards ultimately have a fiduciary obligation to supervise the adviser's direction of fund brokerage transactions, including soft dollar arrangements, and to determine that such arrangements are in the best interest of fund shareholders. Despite this board oversight, a potential for conflict of interest remains between a mutual fund and its investment advisers due to incentives for fund advisers to hide the true costs of such soft dollar services to shareholders. Such potential conflicts include:

- Directing fund brokerage based on research provided to the adviser rather than quality of execution of trades,

- Failing to encourage arrangements to lower brokerage costs for the benefit of the fund and its shareholders, and
- Causing the fund to overtrade its portfolio to meet soft dollar obligations to brokerage firms.

Explicit soft dollars (which involve trading with a brokerage firm for the payment of research services provided by a third party entity) as well as implicit soft dollars (a combined commission rate, which includes payments for both execution and proprietary research in a single rate) are subject to abuse. Thus, an unbundling of commission rates is essential to accurately compute and then properly disclose these transaction costs to shareholders. Under current fiduciary law, best execution does not only mean obtaining the lowest commission rate available. This should also involve identifying the component costs of a commission rate by itemizing and disclosing charges for research and execution as a vital first step in measuring the overall quality of the trade execution and brokerage services being provided. This will help investors make more informed decisions regarding the purchase of non-execution services from their brokers.

Better disclosure of soft dollar research costs would encourage fund adviser discipline, to the extent that they would otherwise be given incentives to procure redundant or superfluous research. We strongly encourage the Commission not to draw a distinction between proprietary and third party research for public policy reasons.

Thank you for this opportunity to publicly comment on this significant matter.

Sincerely,

Richard A. Curtis

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