



**OREGON
STATE
TREASURY**

Tobias Read
Oregon State Treasurer

Michael Kaplan
Deputy State Treasurer

January 18, 2023

Members of the Oregon Legislature:

I've been asked in recent days about my position on HB 2601 and other investment-related legislation. I'll be direct: Statutorily limiting the investment opportunities of the Oregon Public Employee Retirement Fund (OPERF)—no matter how well-intentioned—will lead to lower returns, higher employer rates, and a less robust retirement for thousands of Oregonians.

Nearly 400,000 current and former public employees receive or will receive retirement benefits via OPERF. The average annual benefit is \$33,550. Money in OPERF, currently valued at more than \$91 billion, belongs to these individuals and no one else. This money comes from two sources. The first is contributions from employers and approximately 181,000 public employees, who currently pay into the fund and rightly expect that someday it will make their retirement possible. The second is earnings from the investment of these contributions, managed at Treasury under my leadership and the oversight of the Oregon Investment Council.

Just under 75 percent of all benefits paid out to retirees are made possible by Treasury-managed investment earnings. In 2022, OPERF returns outperformed policy benchmarks by nearly 7 percent and the standard market portfolio by over 15 percent, proving that our investment strategies are beating expectations and resilient in all market conditions. Under Treasury's management, OPERF investment strategies have returned billions of dollars in net revenues to beneficiaries.

Legislation that imposes blanket or even targeted restrictions on how or where Treasury can invest will affect these numbers and would mean that funding retirement incomes is no longer the sole purpose of OPERF. Claims that limiting Oregon's investment choices through statute will automatically or easily be revenue-neutral or yield higher returns are pure fiction.

Instead, these restrictions will almost certainly lead to a reduction in investment returns and the benefits OPERF payments afford communities across our state. Lower returns would mean an increase in OPERF's unfunded liability. This could potentially erase the progress in funding status we've achieved from 75.4 percent when I was elected Treasurer in 2016, to 86 percent in 2021. A larger unfunded liability will require larger contributions from employers and their employees. When public entities must direct more money to cover their retirement system obligations, they have less money for the classroom, the firehouse, child welfare offices, and other state and local government services. Further, disregarding existing state law about investing for the sole benefit of OPERF beneficiaries will invite lawsuits and threaten our tax-exempt status while breaking beneficiaries' trust in our stewardship of their personal retirement dollars.



Treasurer's Office - Capitol
900 Court Street NE, Room 159
Salem, OR 97301-3896
503.378.4329

Main Office
867 Hawthorne Ave SE
Salem, OR 97301
503.378.4000

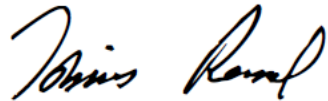
oregon.gov/treasury
oregon.treasurer@state.or.us

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It's one thing to offer commentary and criticism of how this money is invested or which companies to pick; it's quite another to have a fiduciary and statutory responsibility to make participants' money as productive as possible, and to earn a rate of return each and every year, in good markets and bad, to ensure Oregon meets its promises to public servants. Our team of investment professionals has proven to be more than capable of meeting our fiduciary responsibilities while navigating changing market conditions and macro industry shifts, and I am confident in our ability to anticipate and respond to future market conditions.

Our obligation extends far into the future, and so does our planning. As legislation is introduced and debated this session, I urge you to reach out to me and my team, which includes 69 investment professionals who have taken great care to construct and manage diversified portfolios that deliver for Oregonians. I would be happy to provide details about work underway at Treasury to develop a responsible pathway to a net-zero portfolio that still allows us to respond to dynamic market conditions as the energy transition continues.

Sincerely,



Tobias Read

CC:

Governor Tina Kotek
Bob Livingston, Legislative Director and Labor Liaison, Office of the Governor
Kevin Olineck, Director, Oregon Public Employees Retirement System
Cara Samples, Chair, Oregon Investment Council
John Russell, Vice-Chair, Oregon Investment Council
Lorraine Arvin, Member, Oregon Investment Council
Pia Wilson-Body, Member, Oregon Investment Council
George Naughton, Chief Financial Officer, Department of Administrative Services
Amanda Beitel, Legislative Fiscal Officer, Oregon State Legislature
Chris Allanach, Legislative Revenue Officer, Oregon State Legislature
Misty Mason Freeman, Legislative Policy and Research Director, Oregon State Legislature