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Oregon Environmental Restoration Fund (OERF)

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Agenda

– Fund Objectives
– Timeline
– Fund Summary
– Distribution

Fund Objectives

Investment Policy Statement

- The Oregon Investment Council (OIC) formulates policies for the investment of funds under the control and administration of the Oregon Watershed Enhancement Board (OWEB), known as the Oregon Environmental Restoration Fund (the Fund)
- Investment policy provides guidance to Oregon State Treasury staff and investment consultants regarding approved asset classes, asset allocation, investment guidelines, and reporting requirements
- The primary objective of the Oregon Environmental Restoration Fund is to generate a real (inflation-adjusted) rate of return that is sufficient to support the mission of the Fund and its spending needs long term

Distribution Policy

- The Oregon Environmental Restoration Council (OERC) sets the distribution policy for OERF
- October 2025 distribution policy was approved by OERC:
    - An annual distribution of 5% of the Fund’s assets, based on the historical 3-year market value average, and subject to a real (inflation-adjusted) $30 million annual ceiling and a $15 million annual floor.

Fund Evolution

2024

- SB 1561 established several funds to invest and distribute proceeds from the Monsanto Settlement Agreement

2025

- Spending and asset allocation study
- OERC- Set distribution policy
- OIC- Created Investment Policy Statement (IPS)

2026

- January- Completed first distribution of $30M (hit ceiling)
- OST began implementation of portfolio
  - Stage 1- liquid investments

2027 and beyond

- Continue implementation of portfolio
- IPS Review- every 2 yrs
- Spending and asset allocation study- every 3-5 years

Fund summary

6/30/2025	$609,232,630
1/2026 distribution	-$30,000,000
6/30/2026	$600,956,615

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Source: OWEB

Total Fund Asset Allocation (as of 6/30/2026)

Asset Class	Market Value	Current Allocation	Long-Term Target	Active Weight	Approved Range
Cash	$93.6M	15.6%	0.0%	15.6%	0%- 3%
Fixed Income	$90.2M	15.0%	20.0%	-5.0%	15%- 25%
Public Equity	$417.2M	69.4%	45.0%	24.4%	40%- 50%
Private Equity	$0	0%	17.5%	-17.5%	0%- 22.5%
Real Estate	$0	0%	5.0%	-5%	0%- 10%
Real Assets	$0	0%	5.0%	-5%	0%- 10%
Diversifying Strategies	$0	0%	7.5%	-7.5%	2.5%- 12.5%
Total Fund	**$601M**	**100%**			

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Source State Street.

Stage 2 implementation- Alternatives

- Incorporating alternatives into the portfolio can expand the investment universe, enhance returns/income, and provide diversification benefits.
- However, it takes time to invest in these strategies and years to get to target allocation
  - Alternatives/private markets have unique characteristics that require a customized implementation approach
    - Private markets commonly invest in close-end partnerships that have finite lives and are “self-liquidating”
    - Open-end or “evergreen” structures are also available, but less prevalent across private market classes.
    - Programs will usually exhibit a “j-curve” where performance is muted, or negative in the early years, as investments are held at cost and fees are assessed on aggregate commitment amounts
    - Return dispersion is wider in private markets and therefore manager selection is a critical component for program success.
      - OST Staff implements a consistent and rigorous due diligence process for private market manager selection

Distribution

5% subject to a real (inflation adjusted) $30M annual ceiling and a $15M annual floor

5% of $600,956,615

$30,047,831

	Inflation (CPI- 3 year average)	min adjusted for inflation ($15M)	max adjusted for inflation ($30M)
6/30/2025		$ 15,000,000	$ 30,000,000
6/30/2026	3.20%	**$ 15,750,000**	**$ 31,500,000**

As of 12/31	CPI	3 year average
2023	4.10%	
2024	2.90%	
2025	2.60%	3.20%

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Source: Distribution via OWEB
CPI- U.S Bureau of Labor Statistics

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