

To the Oregon Investment Council and PERS beneficiaries:

In 2026 the Oregon Investment Council (OIC) will revise its asset allocation goals for the Oregon Public Employee Retirement Fund (OPERF) through a series of conversations with our consultants and other experts. I want to offer my thoughts on Oregon's investment strategy as a fiduciary of not only OPERF but also eighteen other trust funds including the Common School Fund and the State Accident Insurance Fund. This work is important because it affects the beneficiaries, which include the committed public servants who teach our children, respond in emergencies to keep us safe, and provide vital health care, as well as for every Oregonian who depends on services provided by all levels of government and our education systems.

As a physician I believe strongly in making evidence-based decisions. The diversified strategies and asset allocations OIC and Treasury have pursued in the past must continue to meet OPERF's need to generate the necessary growth, liquidity, and security today and tomorrow, at a time of profound change. The evolution of artificial intelligence, increased protectionism, persistent inflation, a weak job market, and the disruptions of climate change all pose uncertainty for investors – as well as financial risks and opportunities that I will consider carefully as I offer input to the allocation strategy that the OIC will ultimately decide upon in 2026, and of which I am one of the five voting members.

I will be guided by four key principles that will inform my approach, outlined below:

Principle 1: A diversified portfolio is a good strategy that balances returns and risks over the long-term.

Intentionally investing in multiple asset classes and sectors of the economy mitigates risk when one part of the economy is down. OIC and staff's strategy of diversification has helped OPERF weather the Global Financial Crisis, the COVID-19 pandemic and its financial fallout, and the market disruptions of the past year. A portfolio that includes a balanced allocation of diversified assets across many sectors of the economy is therefore the best approach.



Principle 2: The OPERF portfolio must be structured to find opportunities in the market conditions of today and the future, not yesterday.

In an environment of high interest rates and stubborn inflation, it is important to balance risk and growth. I am open to shifting our allocations in the future based on a wide range of inputs to navigate this environment. For example, while it is true that historically private equity has added significant value to our funds, I agree with the OIC and staff's decision to reduce our overall allocation in this asset class to better align with the OIC target of 20%. I want to express gratitude for the steps my staff have already taken to shift our allocation in private equity from 28% to 26% in the past two years alone, with an anticipated continued reduction to 25% by the end of 2025.

Principle 3: A clean energy future is coming, and Treasury can adapt its investment strategies to take advantage of the profitable opportunities in this growing sector.

Exciting opportunities to invest in climate-positive technologies and businesses are possible in Oregon, the United States, and around the world. As such, I was proud to lead in the passage of the Climate Resilience Investment Act (CRIA), or HB 2081. CRIA directs the Oregon State Treasury to: (a) pursue clean energy investment opportunities, (b) build a more climate-resilient fund to safeguard OPERF's long-term value, and (c) regularly report to the legislature to ensure public accountability. In addition, I am diligently working with staff and outside experts to produce a report by the end of this year on our progress toward the goals laid out in Treasury's Net Zero plan. The Net Zero plan seeks to: (a) reduce the amount of emissions associated with our investments, (b) track progress over time, and (c) strengthen investment returns. The plan commits to net zero greenhouse gas emissions by no later than 2050, with an interim emissions intensity reduction target of 60% reduction by 2035 relative to a 2022 baseline.

Principle 4: Engagement with beneficiaries is a necessary and critical part of the work to support OPERF over time and in perpetuity.

As a fiduciary I do this work for all of the beneficiaries. This means that they should be a part of the process whenever possible and have ample opportunities to engage and ask questions. As such, I have directed my Chief of Staff to engage with our beneficiaries and to field questions about Treasury's investment strategy. Treasury also coordinates a Beneficiary Advisory Committee (BAC) that meets quarterly to discuss an array of issues related to OPERF. I will continue to seek input about how to best serve the beneficiaries and to honor our fiduciary duties. I also look forward to ongoing discussions with my colleagues on the OIC about the investment decisions and our allocation strategy.

Conclusion

Serving as a fiduciary of all the funds Treasury invests in is an honor and privilege. As OIC moves forward with reviewing and revising asset allocation goals, I commit to using the four principles I outline above to serve the beneficiaries and all Oregonians across our great state. Ultimately, it benefits every Oregonian when these funds grow, and this is exactly why I serve our state.

/s/

A handwritten signature in black ink, appearing to be 'E. Steiner', written over a horizontal line.

Elizabeth Steiner, MD
Oregon State Treasurer