



February 2, 2022
Testimony by Tom Sanzillo
Director of Financial Analysis, Institute for Energy Economics and Financial Analysis
To the Oregon State Legislature, House Committee on Revenue
on House Bill 4115

My name is Tom Sanzillo, and I am the Director of Financial Analysis for the Institute for Energy Economics and Financial Analysis (www.ieefa.org). I present testimony in support of House Bill 4115. The proposed bill calls upon the Oregon Investment Council to make available to the public a complete list of assets currently held in its investment funds.

This very short and simple bill will serve the citizens of Oregon well. State law charges the council with the management of public investment funds that serve the needs of state and local workers, veterans, retirees and the disabled. The council is also charged with managing funds that support the state budget, land management, and consumers and businesses.

House Bill 4115 directs the council to provide a complete list of assets currently held by these funds. Over the last several decades, public investment fund administration has increasingly become the subject of scrutiny over the environmental, social and governance aspects of their investments.

Increased transparency or greater disclosure is the standard place to start when interested parties begin to ask questions on these topics. The essential question asks which companies are in the portfolio. Dialogue can then commence about the companies, their track records and any efforts Oregon fund managers have taken to address known issues. On the climate issue, investors today expect a clear plan from fossil fuel producers about how they are addressing the risks of climate change.

For pensioners and other interested parties, increased disclosure allows a better understanding of the funds' solvency for the purposes of meeting their investment targets. This topic is particularly important when reviewing fossil fuel investments. For the last 10 years, these investments have underperformed the market.

Annual returns and the long-term outlook each have an important role in Oregon's annual budget process. If fund managers miss their financial targets, there are budget consequences that can lead to higher taxes. This is a poorly understood issue—weak financial performers in investment funds like the fossil fuel sector have fiscal consequences.

Improved pension fund transparency allows for informed and intelligent discussion about state investment policy and about the consistency of its policies with other areas of the public interest, such as the environment or public safety.

On the climate front, opening up Oregon’s investment list and encouraging more public discussion helps create a broad set of policy options for the state. A recent study from the investment manager BlackRock for City of New York pension funds explored a range of climate actions and surveyed how different funds addressed the climate issue.¹ Oregon now has the benefit of dozens of other public funds’ experience. More than 1,000 other funds, both public and private, have taken action to address climate concerns.²

Beyond the issue of fossil fuels, this initiative puts Oregon among a small group of pension funds that publish their asset holdings.³ As a former state official in New York who worked on the New York City and State pension funds for 17 years, I had the honor of helping introduce an asset listing into the state pension fund’s Comprehensive Annual Financial Report. The fund publishes the document every year, which covers its investments in equities, bonds, venture capital, private equity, real estate, in-state investments and other funds. It also publishes a listing of the fees paid by the fund to money managers and advisors.

At the time New York State adopted the kind of listing that is prescribed in your bill, I remember some concerns expressed by members of the investment community that releasing this type of information would put the pension fund at a competitive disadvantage. The asset listing has been published every year for more than 20 years now, and there have been no adverse impacts.

The document is used as a valuable reference for state budget and policy makers and pension fund professionals in and outside of New York State. I have attached a copy of the most recent one to my testimony as an example for the committee.

House Bill 4115 requests not only that the list of all assets be published but that the council release documents related to climate change and the risks it poses to the funds’ investments. There are many studies that address these issues, such as the BlackRock piece I mentioned above. My organization is willing to assist in gathering or interpreting these materials in any capacity.

In the end, the study you will need to pay the most attention to is the one that the council and its board develops—the study that asks the question, “Can the Oregon Investment Council divest fossil fuels from its portfolio in a manner that is consistent with its investment targets?” Many others have asked and answered that question in the affirmative, and today we are witnessing more and larger funds actively taking constructive action to combat climate change.

Passing HB4115 is an important first step. It reflects an open-minded approach to the issues and will put ensuing dialogue on solid footing.

¹ IEEFA. “[Major investment advisors BlackRock and Meketa provide a fiduciary path through the energy transition,](#)” March 22, 2021.

² [Global Fossil Fuel Divestment Commitments Database](#), last accessed January 31, 2022.

³ Common Dreams. [Revealed: US Public Pension Funds Are ‘Quiet Culprits of Climate Chaos.’](#) December 8, 2021.