



HOUSE OF REPRESENTATIVES

Testimony in Support of HB 2601

February 16, 2023 - [Slidedeck linked here](#)

Chair Grayber, Vice-Chairs Lewis and Tran, and members of the committee:

My name is Khanh Pham, State Representative for House District 46. I am honored to bring forward HB 2601, the Treasury Investment and Climate Protection Act. Today, my colleagues and I, along with our coalition of community advocates, will state the case for why this piece of legislation is so critically needed for our state and for our PERS beneficiaries.

From wildfires to extreme heat, persistent drought to new pests, climate change is already impacting Oregon, and we need to adapt and prepare for the new risks that climate disasters will bring to every part of our lives. Climate change is what is known as a “threat multiplier”. Climate change increases the threat of agricultural crop failure because of its extreme weather. Climate change brings about more extreme weather and more limited resources, increasing the risk of conflict between countries and even states as we battle for scarce resources like water and precious minerals. Our state PERS system is not immune from this threat either. Climate change amplifies the risks to Oregonians’ financial investments also failing, particularly those invested in fossil fuels.

HB 2601 aligns with our statewide climate goals by stopping risky **new** investments in fossil fuel companies and establishes a plan to **end existing carbon-intensive private investments by 2035**, along with public transparency and progress reporting. In the 2022 session, [HB 4115](#) passed in the Oregon House. In a short session, it didn’t have time to get out of the Senate, but if it had passed, that bill would have brought annual **public transparency and reporting** of climate-related financial risk to Oregon State Treasury assets held in investment funds.

I am glad that in Oregon, unlike in a lot of other states, our State Treasurer acknowledges that climate change poses serious risks, not just to our planet and communities, but also to our financial investments. Both the Treasurer and bill sponsors agree that eventually ending investments in fossil fuels is the responsible path to **ensure the future financial performance of PERS.**

The question isn’t IF we need to divest from fossil fuels which we all agree on. The question is really HOW and WHEN fossil fuel investments are phased out. Respectfully, the Treasurer’s “plan to have a plan” to be hopefully approved by a future investment council and Treasurer is not enough – our communities don’t have until 2050 to wait.

What we’re going to explain today is how holding onto fossil fuel investments and conducting business as usual poses serious risks to existing Treasury investments and PERS contributors, and that’s backed up by some of the Treasury’s own consultants.

ORTEC is the consultant hired to conduct the [Treasury's October 2021 Climate Risk Assessment](#) and it warned that the status quo of fossil fuel investments will lead to reduced investment returns to PERS during the transition required by climate risk, as the world moves towards clean energy. So the risk of holding onto these assets long-term is something we all agree on, it's how long we want to risk hanging on to them that is the question.

Investments in fossil fuel companies are volatile. Over the last decade, they have [underperformed](#) when compared with the market as a whole and will become increasingly worthless in the next couple of decades. Allowing the Treasury to maintain and expand fossil fuel investments has already led to lower returns than what we might've seen if we weren't so heavily invested in fossil fuels.

Even with the Russian war on Ukraine, fossil fuel investments are worth no more today than they were nine years ago. Even with the current market downturn, over the past 10 years fossil-free investments have returned five times more than fossil fuels. Russian investments hold a lesson for us, since when the Oregon Treasury finally did decide to sell Russian investments, it was too late to find interested buyers. No one wanted to buy Russian stocks by then. [That's what it means to have a stranded asset](#). We know that fossil fuels will eventually become worthless, if we are to have a livable planet, it's just a matter of when. And by holding onto our assets, we risk Oregon pension recipients being left holding the bag.

Our current investment practices need to be evaluated. Oregon PERS is the **12th largest US pension** fund and one of the [world's dominant investors in private equity](#) (which have had no better returns than other state's pension funds that hold fewer private equity investments). We estimate that around 60% of Oregon PERS, billions of dollars, are leveraged in private equity investments, Investments like these are secret by contractual obligation, long term (with 10-12 year contracts), offer limited control, and difficult to assess valuation. Private equity is a primary source of funds for the fossil fuel industry.

Even the Oregon State Treasurer's consultant ORTEC showed in their February 2022 "Climate Risk Scenario Modelling" that three of the four **highest risk** sectors are oil and gas, coal and manufactured fuels, and fossil-based utilities. The Treasurer delayed release of this report for 11 months, releasing only this January 2023, a few weeks prior to a new tranche of fossil fuel investments by the Treasury.

The **Treasury's own consultants detailed in 2 separate reports** that there will be losses to PERS in the coming years because of the climate crisis. If they divested, PERS would stand to gain. Those reports are available on the Divest Oregon website because the Treasury has not made them available to the public.

**We can do this, we've seen it done.** Many other public institutions and governments have taken this financially prudent step to begin divestment. Globally, [\\$40 Trillion in assets have been divested](#) from cities, states, pension funds, religious institutions, universities, and more. The [New York State](#) Pension Fund has set a 2040 net zero target

for its investments, and has had good returns on their investments during their divestment process.

**This work is possible.** Oregon workers look to PERS for retirement security. The state pension fund can be invested in a way that is much better for the climate and much better for PERS recipients.

And don't forget there's a provision in this bill, an escape clause, that says if this is not within the fiduciary responsibility of the Treasurer, than the Treasury is restricted by statute from doing it. There is nothing in this statute that would force a fire sale or force any sale if it'll endanger the Treasurer's fiduciary responsibility. What our bill aims to do is to avoid waiting until the last minute, so we don't have to do a fire sale. What we're looking for is an orderly transition to protect our investments.

[HB 2601's many supporters](#) include PERS beneficiaries who do not want their retirement investments jeopardized. **All the teachers' unions in Oregon (OEA, AFT-Oregon, AAUP-Oregon), with their tens of thousands of PERS members, support this legislation,** alongside 98 community organizations throughout Oregon.

We need to have the full transparency and disclosure of these investments so we can have an honest conversation. PERS contributors need and deserve to know where their hard-earned money is going and the risks involved.

We all want to do right by the PERS members, HB 2601 is the way to **ensure the financial well being of Oregon's current and future retirees** and to align the \$90 billion in PERS assets with Oregon values.

In closing, climate change is going to transform our lives sooner than we think. No matter how much we might wish that we could kick the can to future legislatures or a future Treasurer to take action, the reality is that many of these investment contracts are 10-12 year pacts, and we need to start the careful, orderly process of divesting now.

Thank you for your attention to this important matter to all Oregonians. I look forward to working with you to pass a version of HB 2601.

Steven Siegel—special ed  
Rep of OEA, 40k members, librarians, teachers,

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