HB 2200 -1, -2 STAFF MEASURE SUMMARY

House Committee On Emergency Management, General Government, and Veterans

Prepared By:	Beverly Anderson, LPRO Analyst
Sub-Referral To:	Joint Committee On Ways and Means
Meeting Dates:	1/28, 3/13, 4/1

WHAT THE MEASURE DOES:

The measure requires the Oregon Investment Council (OIC) and the State Treasurer to reduce the carbon intensity of the state's investment portfolio.

<u>Detailed Summary</u>

The measure requires the OIC and State Treasurer to act within their current objectives of investments and standard of judgment and care in state investments that will:

- Reduce carbon investments.
- Address the investment risk resulting from climate change to the Public Employees Retirement Fund.
- Make efforts to achieve net-zero carbon emissions within the fund by the year 2050.
- Track and report on carbon intensity investments within the Fund.

Fiscal impact: No impact

Revenue impact: Revenue lite

ISSUES DISCUSSED:

- Concerns that a new law is not needed to define the investment responsibilities of the Oregon Investment Council and the State Treasurer.
- Questions about the constitutionality of the measure.
- Concerns about the impacts on climate change on businesses and industries.

EFFECT OF AMENDMENT:

-1 Replaces measure.

- Defines terms.
- Adds effective date.
- Requires the Oregon Investment Council (OIC) and State Treasurer to act reasonable and in a manner consistent with state statutes, including general objectives of investments; standards of judgment and care in state investments; public record disclosure laws, and contractual obligations to:
  - Analyze and manage the risks of climate change to the Public Employees Retirement Fund, including fossil fuel investments; analyze how the integration of climate change analysis will help achieve portfolio return objectives; and pursue the goal of reducing carbon intensity of the fund through investment preference
- Requires a report to the Legislative assembly each biennium on progress.
- Requires beneficiary input on report; describes reporting requirements.
- Holds OIT, the State Treasurer, and its employees harmless from claims and damages incurred.
- Does not require OIT or the State Treasurer to take action unless a good faith determination is consistent with their fiduciary responsibilities.
- Takes effect on the 91st day following adjournment sine die.

-2 Replaces measure.

- Titles measure the Public Pension Protection Act.

- Adds definitions for 'Fiduciary'; 'Material'; 'Nonpecuniary'; "Pecuniary factor', "Benefit Pension Plan' and 'Public Body'.
- Requires the fiduciary to discharge duties related to the pension benefit plan solely in the pecuniary interest of the participants and benefits for exclusive purposes; lists purposes.
- Requires a fiduciary's evaluation of investments or exercises must only take into account pecuniary factors and not promote nonpecuniary benefits or goals; identifies environmental, social, corporate governance, and other similarity-oriented considerations are pecuniary factors only if the risks and opportunities would be treated as material economic considerations by investment professionals and generally accepted investment theories.
- Requires the weight given to those factors must be based only on an assessment of risk and return; requires the examination of diversification, liquidity, and risk-return in comparison with other investments.
- Requires all shares of a pension plan be voted solely in the pecuniary interest of plan participants.
- Requires a fiduciary may not adopt a practice of following the recommendations of a proxy advisory firm or service provider unless they provide in writing a commitment to the fiduciary's obligation to act based only on pecuniary factors, unless no economically practicable alternative is available.
- Requires benefit plan assets may not be entrusted to a fiduciary under certain conditions unless no economically practicable alternative is available; describes conditions.
- Requires the authority of vote shares held by a pension benefit plan be in the hands of a politically accountable official of the public body responsible for the plan.
- Allows the Attorney General to enforce violations of the Act.

BACKGROUND:

The Oregon State Treasury is charged with fiduciary responsibility for managing investments for several large funds, including the Oregon Public Employee Retirement Funds (OPERF), the Industrial Accident Fund, the Consumer and Business Services Fund, and others. The Oregon Investment Council oversees the investment and allocation of all State of Oregon trust funds. Council members are appointed by the Governor and establish investment policies, asset allocation, risk levels, and targeted returns.

HB 4083 (2024) directed the Oregon Investment Council and the State Treasurer to try to ensure that OPERF are not invested in thermal coal companies or any fund containing a thermal coal company.