OREGON STATE TREASURY

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Summary of the Oregon State Treasury's (OST) Proposed Amendment to HB 2200 to Establish Oregon's Net Zero Goal in Statute

The Oregon State Treasury (OST) has set a goal to achieve net zero carbon emissions in the Oregon Public Employees Retirement Fund (OPERF) portfolio by 2050. Under Treasurer Steiner, Treasury remains fully committed to the Net Zero goal. OST has a fiduciary responsibility to protect retirees and beneficiaries by maximizing the long-term returns of the portfolio and ensuring that state, county, local and school services are not compromised by unfunded pension liabilities and increased contribution rates that cut into budgets for public services Oregonians depend on. At a time of mounting economic costs driven by climate change (and its destabilizing environmental and social impacts), the net zero emissions goal is necessary to shield OPERF from the risks of declining value in carbon-producing sectors and enterprises.

HB 2200 provides legislative direction that would support Treasury's ability to pursue the near- and long-term investment strategies needed to reduce OPERF's risks of losses from investments in carbon emitting businesses. The amendment would:

1. State that investing with a climate positive agenda aligns with our fiduciary responsibilities to account for financial risks to the portfolio.
2. State a preference for climate positive investments, which includes proactive strategies to address climate-associated financial risk.
3. Require biennial reports from Treasury to the Legislature that are robust and evolve with the best available science.
4. Clarify that the urgency of climate change is increasing the opportunity for climate positive investments with attractive returns, which makes this area a priority investment strategy.

Oregon State Treasury's Efforts in Support of a Climate-Positive Investment Strategy
In February 2024, former Treasurer Read released, "A Pathway to Net Zero: Positioning the Oregon Public Employee Retirement Fund for a Net Zero Carbon Future." This report defined a plan to achieve net zero emissions in OPERF by 2050. According to the report:

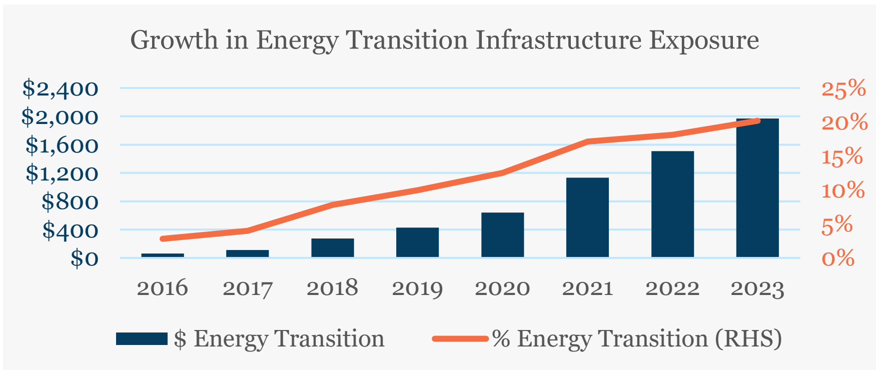
- OPERF's exposure from fossil fuels investments was $3.6 billion in 2021 (3.7% of the overall $93.8 billion OPERF portfolio).
- OPERF's absolute emissions from our investments are 3,876,933 (TCO2).

Oregon's Net Zero Plan meets the urgency of the moment to protect the portfolio from the risks of climate change and is distinct from others states by:

- At this time, OST is not aware of any other state that includes 80% of its portfolio in the greenhouse gas emissions reduction plan. For example, New York State's public employee retirement fund would subject 50% of its portfolio to it net zero goal by 2050.

Treasury has already taken significant steps to leverage its investments and its role as an institutional investor to fulfill its fiduciary responsibilities by reducing OPERF's exposure to climate-related financial risks.

- As one example, OPERF's investments in energy transition infrastructure have increased 20% since 2016.



- Treasury encourages companies to take meaningful action on climate change through responsible investment integration and Treasury will continue to be a responsible shareholder through corporate engagement and proxy voting.

Net Zero FAQs

Why can't Treasury immediately eliminate all fossil fuel holdings?
Treasury must ensure it has the flexibility to maintain its fiduciary responsibilities to retirees and beneficiaries. In addition, to support the transition to a clean energy future, Treasury needs flexibility to pursue "brown-to-green" investments that may include some fossil fuel investments that promote the transition to carbon neutral emissions over time.

Why does Treasury invest in private equity?
Private equity investments have produced strong rates of return that are consistent with Treasury's fiduciary responsibilities and private equity holdings are important in balancing the portfolio, offsetting volatility in public markets and providing stability during downturns.

Despite these benefits, Treasury recognizes that 1) private equity may lack transparency to the public, 2) our limited partner role precludes us from directing the investment decisions private equity managers make, and 3) the OPERF portfolio is currently overallocated in private equity investments. Treasury is developing a plan to rebalance the portfolio.

Is Treasury adequately considering climate risk in its financial models?
Climate change threatens the long-term performance of OPERF, which is why Treasury set the Net Zero goal. We recognize that our financial models must stay up to date with the evolving climate science and plan to continue to incorporate the best available climate science and investment strategies.

January 28, 2025