



Chair Tran, Vice-Chair Grayber, Vice-Chair Lewis, and Members of the Committee,

[House Bill 2200](#) relating to sustainable investing only serves to render Oregon's Public Employees Retirement System (PERS) further unsustainable. Any effort to "achieve net zero carbon emissions within the [Public Employees Retirement Fund] by the year 2050" is unachievable, detrimental to Oregon taxpayers and current and retired public employees, and a breach of fiduciary duty. **Oregon Freedom Coalition strongly opposes House Bill 2200 and the proposed Amendment-1 on these grounds.**

First, achievement of net zero carbon emissions within the Public Employees Retirement Fund by 2050 is difficult, if not impossible. The systems used to rate companies and investment portfolios as being in line with net zero carbon emissions are vague and inconsistent, often ignoring gimmicks used to achieve net zero. These metrics contradict sound traditional investment strategies and, as will be discussed, open the State of Oregon to litigation for breach of fiduciary duty.

Second, as noted in the most recent edition of the American Legislative Exchange Council's [Unaccountable and Unaffordable](#), Oregon has unfunded pension liabilities totaling \$118.8 billion, which breaks down to just under \$28,000 per Oregonian. The publication calculates the unfunded pension liabilities for each state using a fixed discount rate. A fixed discount rate creates a more accurate picture of unfunded pension liabilities than the typical assumed return rates of most state pension systems. (For more information, see pages 8-12 and pages 20-21 of [Unaccountable and Unaffordable](#).) These liabilities stem from issues with PERS's structure and assumptions and would only be exasperated by the politically motivated investment scheme required by HB2200.

The evidence is clear: politically motivated investment schemes are damaging to investment portfolios. [A 2015 study](#) conducted by University of Chicago Law School Professor Daniel Fischel showed a hypothetical portfolio divested from fossil fuels was significantly outperformed by a hypothetical portfolio which had investments in fossil fuels. But the evidence is more than hypothetical. In 2001, [California divested from tobacco companies](#), and according to [a 2022 report](#) from Wilshire Advisors, the divestment cost the state \$4.3 billion in foregone investment profits.



The consequences of politically motivated investment schemes are primarily borne by and quite damaging to those who have a stake in the financial wellbeing of these plans. In the case of HB2200, those harmed the most will be Oregon's public employees, both past and present, and the already downtrodden Oregon taxpayer, who will be on the hook for the unfunded liabilities when the bill comes due. When it comes time for the State to pay more into PERS, there are three options; first, renege on the promise of secure retirement income made to public employees; second, gouge the Oregon taxpayer by raising taxes to pay down the unfunded liabilities; or third, make cuts to government programs to pay down the unfunded liabilities. These choices are likely to be faced given the flawed structure and assumptions of PERS. HB2200 would only serve to increase the likelihood of this happening, if not speed up the process.

Finally, given the evidence that politically motivated investment schemes, such as that found in HB2200, are harmful to the financial wellbeing of plans and outside the norms of investment practices, HB2200 will open the State of Oregon up to litigation for breach of fiduciary duty. This further threatens the taxpayer as the funds used to litigate such cases are funded by the taxpayer. As previously stated, there is no evidence that the methods required by HB2200 or its proposed amendment will be beneficial in the long run, and that evidence indicates that these strategies will be less profitable than traditional methods. The proposed amendment implicitly acknowledges this fact when it states that "The Oregon Investment Council, jointly and individually, the State Treasurer and employees of the office of the State Treasurer shall be indemnified and held harmless by the State of Oregon from all claims and damages incurred pursuant to this section."

PERS already has enough issues. The last thing it, PERS beneficiaries, or Oregon taxpayers need is for elected officials to play politics with the pension fund. Oregon Freedom Coalition asks that you vote "no" on HB2200 and its proposed amendment.

Thank you for your consideration,

Nick Stark  
Executive Director  
Oregon Freedom Coalition