

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action:	Do Pass and Be Referred to the Committee on Ways and Means by Prior Reference
Vote:	8 - 0 - 1
Yeas:	Barnhart, Berger, Harker, Holvey, Jenson, Kennemer, Smith Warner, Hoyle
Nays:	0
Exc.:	Hicks
Prepared By:	Erin Seiler, Administrator
Meeting Dates:	2/17

WHAT THE MEASURE DOES: Establishes Oregon Investment Department (OID) as public investment agency to be supervised by director appointed by Oregon Investment Council (OIC). Specifies duties, functions and powers of OID. Transfers duties of State Treasurer as investment officer to OID. Establishes Oregon Investment Department Fund. Continuously appropriates moneys in fund to department for expenses of OID and OIC. Exempts OID and OIC from certain laws regulating governmental entities. Limits investment of local government funds to statutory investment pool for local and tribal government funds. Authorizes State Treasurer or OID to require local or tribal government to enter into investment agreement as condition of placing funds in investment pool. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Modernization of Oregon’s investment structure
- Increase in oversight over investment programs and staff
- Decrease in reliance on third party consultants
- Reduction in administrative costs and long-term savings

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Oregon State Treasurer’s Investment Division employees approximately 25 people to oversee nearly \$70 billion in assets from the state pension, school and accident insurance funds. The current structure of the Investment Division has remained essentially unchanged since the 1970s, while the size and complexity of the investment portfolio has changed significantly, as the portfolio of traditional stocks and bonds has been replaced with investments in illiquid and less transparent private partnerships. Under the current investment model, decisions are divided among three different entities: the Treasurer who has authority over hiring of investment staff; the Legislature who has financing authority; and, the Oregon Investment Council (OIC) who has responsibility for investment management. As a result of this structure, the state must rely on outside, third party consultants to help us manage much of our investments.

House Bill 4144, the Investment Modernization Act, establishes the OIC as the state investment agency separate from the State Treasury, and moves the State Treasurer’s Investment Division under the authority of the OIC. The OIC would be responsible for the managing Oregon’s investment program and staff, which would reportedly enable investment functions to be in-sourced--reducing investment costs--and improve portfolio management.