

Report
Oregon State Treasury
Investment Division

Analyst: John Borden

Request: Acknowledge receipt of a report on the Investment Division.

Recommendation: Acknowledge receipt of the report.

Analysis: A budget note in HB 5041 (2015) directed the State Treasurer (OST) to report as follows:

The State Treasury is to report to the Legislature in 2016 on the hiring of newly authorized positions and the associated improvements to: risk management; compliance; investment decision support systems; investment analysis; data security; management reporting; internal controls; segregation of duties issues; internal auditing; and the updating of policy and procedures.

Background

Past consultant studies identified significant and systemic deficiencies within the Investment Division. To address these deficiencies, a \$7.3 million Other Funds budget request by the State Treasurer was approved by the Legislature in 2015, which included 24 positions (21.60 FTE). The Legislature added new investment staff; established and staffed a compliance program; added information technology and data management staff; and increased resources for enhanced internal auditing and general agency administrative functions.

In addition to, but apart from, the State Treasurer's budget, the Oregon Investment Council contracted for a state-of-the-art investment information technology application (Blackrock "Aladdin"), risk management consulting services, and a contract for investment accounting services.

Agency Report

OST reports the hiring of 5 of the 24 positions authorized by the legislature and successfully implementing the OIC's Aladdin information technology project. While the agency states that these resources allow for "...the option of scaling -up the division's internal management activities...", it will continue to focus on "...complex, private market investments."

The agency also negotiated, and then instituted, a new compensation plan series for Investment Analysts. The agency has consolidated all Investment Division staff at a newly rented facility in Tigard, Oregon. OST expects to request additional resources at a later date.

Permanent Finance Plan

In December of 2015, OST submitted a permanent finance plan (PFP) that was approved by the Department of Administrative Services (DAS). That action abolished a Deputy Chief Investment Officer position (\$500,016) in order to finance nine other upward reclassifications (\$196,568), among other actions. While DAS has the authority to approve PFPs, the Legislative Fiscal Office (LFO) normally has an opportunity to review these plans before DAS approval. Since agreed upon

procedures were not followed, LFO did not have the opportunity to review the OST PFP in this case.

Recommendation

The Legislative Fiscal Office recommends acknowledging receipt of the report.