

TESTIMONY for HB 4115-1

Chair Nathanson and Members of the House Revenue Committee.

My name is David Labby. I gave testimony on HB 4115-1 at the February 4, 2021 public hearing.

I would like to respond to Treasury's assertion at the hearing that that this bill would compromise its ability to invest: that by publicly reporting its investments Treasury would be revealing its investment strategy, or, as it was stated, its "secret sauce" for success, putting it at competitive disadvantage.

I have looked at the publicly available data on statewide pension fund performance. Attached is a more detailed brief of what I found regarding the questions posed by Treasury:

1. Is their evidence that Oregon is outperforming its State pension peers with a "secret sauce" strategy?
2. Would revealing Oregon's investment undermine its ability to invest?

Here, in summary, is what I found:

There is no evidence that the Treasury has a "secret sauce" that produces better than market average results. Despite the opportunity of the record market of 2021, Oregon PERS returns were about average for statewide pension funds nationally, as they have been over a longer period.

Oregon PERS performance (25.5% gain) was somewhat below the national average (27.5% gain) during this remarkable market advance. Of the 144 different State plans reporting as of 6/30/21 in a recent national report, 72 had significantly better returns, 29 were similar to Oregon, and 27 had significantly worse returns. Oregon's investment gains improved its asset funding against future liabilities to a bit over 80%, but that level is still considered "fragile," at greater risk in face of a future downturn.

Transparency does not appear to decrease competitive performance. The New York State pension system publishes detailed investment data in an annual report with monthly updates. There is no evidence this has compromised its market results. It outperformed Oregon in 2021 investment gains and has increased assets to a fully funded "resilient" level.

Withholding detailed information about State investments has no positive rationale. HB 4115-1, the Treasury Transparency Bill, is about public accountability and basic good governance. It will only make Oregon stronger.

I hope the attached information allows the committee to make a data informed decision on this bill.

Thank you for allowing me to respond.

David Labby PhD MD