

Submitter: Janice Karpenick
On Behalf Of: Washington County Democrats
Committee: Senate Committee On Finance and Revenue
Measure, Appointment or Topic: SB681

Chair Meek, Vice Chair McLane, and Senators Patterson, Starr, and Taylor,

Thank you for the opportunity to comment in strong support of SB 681, The Pause Act.

The Washington County Democrats believe climate change is real, and the fossil fuel industry is a significant contributor to a warming planet. There are thousands of residents in Washington County that depend on PERS for their retirement, either now or in the future. We strongly support the Net Zero Plan submitted in early 2024 to the OIC by then Treasurer Read. The Pause Act, much like the Coal Act passed last year, codifies an element of said Net Zero Plan. The Pause Act calls for no NEW investments in the fossil fuel industry for only 5 years, and there are plenty of alternative investments with better returns that are safe and secure. Unfortunately, many, if not most, of the private equity companies are heavily invested in fossil fuels.

Currently, PERS is over invested in private equity, which is problematic and out of line with the OIC's own policies. Private investments were doing well after the 2008 financial crisis, but no longer as the market is oversaturated. Private investments ballooned as a share of the portfolio because staff kept investing heavily in them even as their valuation decreased. Private investment is well beyond the targets set by the OIC, and well beyond levels of investment of similar pension funds in other states. A significant rebalancing must occur, which will be an essential opportunity to move out of fossil fuel investments into less risky, planet friendly investments.

Private equity funds often operate with limited regulatory oversight, making it difficult for public entities—such as pension funds and municipal investment programs—to assess the true risks and costs involved. Additionally, private equity investments tend to have high fees and complex structures that can erode returns over time. Private investments are actually underperforming, and they are one of the main reasons school districts are facing increases in PERS payments. Getting out of high-risk fossil fuel dominant private investments frees up funds for investments with better returns, lower risk and better liquidity.

In fact, current investment levels are out of line with OIC's own policy targets: Public equity investments are under allocated by 59% of the OIC's target, and private equity is over allocated by 141% of the target amount set by the OIC. In a report to the OIC on January 22, 2025, OPERF private equity investments have underperformed the Russell 3000 + 3% benchmark set by the OIC by 32%, a significant figure.

Unfortunately, Oregon School districts and employees now face a \$670 million increase in payments to PERS. According to Kevin Olineck, Director of PERS, "The latest PERS increases are the consequence of an uptick in post-pandemic hiring, public sector wages growing faster than anticipated, a pre-2003 investment formula that made employers liable for massive contributions and several years of underperforming investments," Oregon Capitol Chronicle 11/13/24. Mr Olineck also stated "The Oregon Investment Council is highly invested in private equities, and they did less well than what the public equity market did..."

Not only is investment in private equity and fossil fuels bad for the planet, it is unsound investment practice given the current level of underperformance of these funds. On the contrary we should be investing in green energy, especially since solar is now the world's cheapest source of energy and renewable capacity is growing at an incredible speed. Its place in Oregon's energy profile reflects our state's support of renewables...not of carbon-based energy.

Quite simply, investment in private equity and fossil fuel companies is bad for the planet and bad for the portfolio.

Please vote the Pause Act out of committee. Thank you for your support of SB 681.