

To the Senate Committee on Finance and Revenue:

Oregon Treasury’s testimony in opposition to SB 681 makes two main arguments, both of which are problematic:

- 1) That SB 681 is against diversification, and
- 2) That private investments have been returning higher rates than public equity and are, by implication, key to the success of the portfolio.

SB 681 does not stop OST from having a diversified strategy. There is **nothing** in the bill that says OST should stop investing in private equity, real estate, or real assets – which are the major components of their private investments. Argument #1 has no basis.

As for argument #2, have private investments really had higher rates of return than public equity? They make this claim by showing the following graphic:

Five- and Ten-Year Performance Comparison: Private and Public Equity*

Asset Class	Five Year Performance	Ten Year Performance
Private Equity	12.36%	12.14%
Public Equity	12.24%	9.59%

*These data align quarterly reporting timeframes for Private Equity and Public Equity.

But showing that Private Equity outperformed Public Equity is only part of the story of private investment returns. When one looks at the other two components of private investments, real estate and real assets, the picture looks very different. Below is the full OST reported portfolio returns for January 2025, the most up to date data:

Returns for periods ending JAN-2025

Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 95,240,259		0.88	6.35	5.35	4.08	7.42	7.58	7.06	7.57
OPERF Policy Benchmark					1.42	12.52	10.44	5.25	7.23	8.30	7.76	8.31
Value Added					(0.55)	(6.17)	(5.09)	(1.17)	0.20	(0.72)	(0.69)	(0.74)
Oregon Reference Portfolio					2.38	13.87	11.79	4.92	5.58	7.28	6.38	7.10
Public Equity	22.5-32.5%	27.5%	\$ 16,746,421	17.6%	3.45	20.23	17.02	9.30	10.44	11.38	8.74	9.93
MSCI ACWI IMI Net					3.27	19.91	16.66	7.94	9.01	10.68	8.47	9.53
Private Equity	17.5-27.5%	20.0%	\$ 25,254,789	26.5%	0.15	4.07	5.23	3.80	12.19	12.30	12.97	12.15
Russell 3000+300 Bps Qtr Lag					1.12	34.42	30.08	12.59	17.50	18.08	16.83	16.25
Total Equity	45.0-55.0%	47.5%	\$ 42,001,210	44.1%								
Fixed Income	20-30%	25.0%	\$ 21,817,773	22.9%	0.62	3.18	3.59	(0.11)	(0.56)	0.52	2.02	1.96
Oregon Custom Fixed Income Benchmark					0.53	2.07	2.08	(1.52)	(1.77)	(0.50)	1.22	1.25
Real Estate	9.0-16.5%	12.5%	\$ 13,426,281	14.1%	(0.01)	(3.23)	(6.99)	0.86	5.31	4.83	5.63	6.56
Oregon Custom Real Estate Benchmark					0.32	(6.15)	(9.55)	(1.75)	2.43	2.03	3.17	5.14
Real Assets	2.5-10.0%	7.5%	\$ 10,106,253	10.6%	0.13	10.50	8.78	11.86	13.67	10.52	7.83	6.21
CPI +4%					0.98	7.11	7.16	8.31	9.16	8.41	7.74	7.23
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,963,402	5.2%	1.20	7.18	5.38	9.68	9.19	5.24	1.46	2.47
HFRI FOF: Conservative Index					0.73	6.79	5.83	4.37	4.99	5.27	4.40	3.84
Opportunity Portfolio	0-5%	0%	\$ 2,889,563	3.0%	0.68	10.82	12.34	8.55	11.94	11.57	10.34	9.05
Opportunity Custom Benchmark					1.42	12.52	11.05	11.27	11.65	10.60	9.59	8.83
Cash w/Overlay	0-3%	0%	\$ 35,776	0.0%	0.40	5.52	5.46	4.02	2.97	2.64	2.68	2.17
91 Day Treasury Bill					0.37	5.19	5.16	4.02	3.01	2.51	2.39	1.80
Target Date Funds			\$ 4,944,062									
TOTAL OPERF Variable Account			\$ 272,740		3.36	20.31	16.95	8.24	9.33	11.00	8.81	9.88

<https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-Performance-and-Holdings/2025/OPERF-01312025.pdf>

Here you can see that the 10 year returns for Real Estate is 6.56% and for Real Assets, 6.21%. You can also see that the total dollars invested for Real Estate and Real Assets is \$23.5 Billion, which is about the same as for Private Equity at \$25.2 Billion.

So, while private equity did well, real estate and real assets, which have about the same dollar amount invested, dragged down the overall returns for all private investments. (A quick and approximate average return for private investments overall would be around 9.2%, less than public equity, at 9.93%).

Bottom line: When you look at *all* the data – and not just choose the “best” data -- private investments as a group are not the goose that lays the golden eggs. They may even do less well overall than public equity investments over the long run.

Given these returns, it is hard to see how avoiding private investments with a stated intent of including fossil fuels, as proposed by SB 681, threatens OST’s overall performance. The vast majority of private investments do not include fossil fuels. If Treasury has data that shows otherwise, that might be a compelling, but we have found no such evidence.

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