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Insurance giant AIG will pay \$8 million to settle lawsuit over its role in causing Oregon pension fund losses

Oregon Public Employees Retirement Fund filed suit to recoup losses for workers and retirees

SALEM – The Oregon Public Employee Retirement Fund will recover losses that were attributable to a pattern of poor disclosure and bid-rigging by insurance giant American International Group Inc. (AIG), under a settlement announced today by State Treasurer Ben Westlund and Attorney General John Kroger.

The company agreed to pay \$8 million to settle the lawsuit, which alleged securities fraud. The suit was filed by the State Treasurer's Office and Public Employee Retirement System Board.

"We go to great lengths to protect Oregonians and their public investments," said Treasurer Westlund. "This settlement is another example of how your State Treasury is protecting the public good."

The State Treasury, with the guidance of the Oregon Investment Council, manages the state's investment portfolio. The largest fund is the Oregon Public Employee Retirement Fund, which is invested globally and had a value of \$51.5 billion as of Jan. 31.

Oregon's public employee retirement system (PERS) has roughly 320,000 working and retired members, including police officers, firefighters and schoolteachers, who rely on the pension fund for a substantial part of their retirement security.

"We will take decisive against Wall Street when they violate the law," said Attorney General Kroger.

According to the initial legal complaint, AIG's actions caused the pension fund to lose about \$15 million because shares of the company were inflated in value between 2000 and 2005. The too-high price was caused because the company repeatedly failed to disclose unethical and improper activities, including a bid-rigging scheme with other insurers, the lawsuit said.

AIG was one of the major players internationally in the proliferation of credit default swaps, a debt accounting maneuver that has been cited as a catalyst for the market collapse of 2008 and 2009.

The company was found to have employed more of the credit default swaps than they could pay for, and it failed to properly account for that debt in regulatory filings.

The value of AIG stock declined repeatedly after the corporate behavior was unearthed, and after the company corrected what were then-misleading corporate disclosure documents.

AIG admits no guilt as part of the settlement. The state will receive the \$8 million in March. AIG is a Delaware company whose principal location is in New York.

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