



STATE OF OREGON  
OFFICE OF THE STATE TREASURER

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A Message from the Oregon Treasury

Thank you for taking the time to learn more about the Oregon State Treasury. Recently, Treasury has been the focus of some confusing news coverage. Specific responses are included, with the goal to help increase public understanding.

The State Treasury remains dedicated to making the best investment choices for Oregon assets and to keep protecting Oregon's financial interests.

The imperative of Treasury is to invest prudently and to seek the highest investment returns – and we remain strongly committed to that mission. We are doing our job and standing up for Oregonians. We are always looking for ways to help make Oregon a better place for all of us to live and work.

**FACT: Oregon benefits from the consistently excellent performance of The Oregon State Treasury.**

The Oregon Treasury provides outstanding results for Oregonians and it does so in a manner that is highly transparent and accountable to taxpayers.

- Oregon's investment results are consistently among the best in the nation, earning Oregonians hundreds of millions of dollars in excess returns and beating industry benchmarks. The pension fund earned more than 19 percent in 2009 and more than 12 percent in 2010. (Source: TUCS comparison service)
- Standard & Poor's in March [upgraded Oregon's overall credit rating to AA+](#), citing Treasury's performance.
- We are characterized by outside experts [as among the most cost-effective public](#) investors, based on a database of large institutional investors.
- The measurable [savings we earn for taxpayers](#) in a single year from just one program (cash management) more than pays for Treasury's entire annual budget.
- We have earned coverage from national publications like Pensions & Investments for our level of transparency.

- Our investment decision-making process is characterized by a system of rigorous, and unique, checks and balances to protect taxpayers and public retirees, including reviews by the Department of Justice.
- Our [investment managers are paid less](#), and in some cases much less, than our national peers.
- Our employees are subject to the highest financial disclosure requirements of any public employees in Oregon. (ORS 244.055)
- New Treasury innovations have saved Oregon taxpayers millions of dollars in just the last year, while the Treasury continues to vigorously pursue remedies against those who have jeopardized Oregon's investments.

We hope this information helps increase public understanding of these important issues.

Please visit the Oregon Treasury's website for more information. It is at <http://www.ost.state.or.us>

We will continue to inform the public about Oregon's investments and what we are doing to improve Oregon's financial security, and to make our efforts both accountable and transparent. Feel free to contact us with questions at [Oregon.Treasurer@state.or.us](mailto:Oregon.Treasurer@state.or.us) or 503-378-4329.

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#### RESPONSE TO COVERAGE

**FACT: The Treasurer holds the Oregon Government Ethics commission in the highest regard, and Treasury is working in collaboration with the ethics commission to verify policies are in accordance with ethics laws.**

In fact, Treasurer Wheeler was the first Oregon agency official to ask the ethics commission to review polices under the law passed in 2007.

An idea for legislation proposed by Treasury to protect all state employees if they follow their agency policies arose through conversation with ethics commission members. The amendment to SB 269 Treasury has proposed to protect public employees at all levels of government still leaves the ethics commission in the driver's seat by allowing the commission the discretion to overrule any agency rule or policy. Those amendments have also been discussed with ethics commission staff.

The proposed amendment is not retroactive, and thus would not have any bearing on any case currently in front of the ethics commission.

Members of the commission are volunteers and Oregonians owe them much for their service.

**FACT: Treasurer Wheeler believes employees should follow agency policies, and a review showed Treasury employees made clerical errors but also found "no pattern of abuse." He**

**is concerned about the costs of the current ethics case, but also believes an employer has an obligation to his or her employees.**

The Treasury did not have the option to simply walk away and make its employees face potentially career-ending allegations when a review by the Secretary of State found “no pattern of abuse” of the previous Treasury policies. The Department of Justice was unable to provide legal representation and advised Treasury to hire outside counsel. The Treasury also has much at stake, and hired its own attorney.

These were the right business decisions, but we still do not like the cost. Treasurer Wheeler sent [a letter to Governor Kitzhaber](#) about this topic outlining a potential solution to prevent this kind of situation from happening in the future.

**FACT: The State Treasury has been forthcoming with information and is considered a model when it comes to transparency.**

The Oregon State Treasury has been as transparent as any other Treasury in the country in its requests to private investment firms to disclose travel information. Treasurer Wheeler has also taken the unusual step of asking firms to keep travel-related costs low. You can see the letter by following the link at the bottom of this letter.

In fact, Treasurer Wheeler took the unusual step of committing to paying the cost of a recent public records request out of his own pocket, to assist in the newspaper’s understanding of a topic -- and after the publication signaled it might not be able to pay for it.

The Treasury is viewed as a leader in transparency, and you can see volumes of information online about the state’s investments and the fees Oregon pays in connection with them.

The reality is Oregon does not have access to all the proprietary information of every fund in which it invests, Oregon invests in a class of highly profitable investments called “private equity” partnerships.

Oregon has invested for years in these private partnerships, with other investors including sovereign wealth funds, private foundations, private university endowments, private and public pension funds, and individuals, because of the potential robust profits. But Oregon also had to agree to abide by the terms set by those investors, including that certain information is confidential. It was a trade-off and Oregon agreed to play by those rules, but it proved to be a good investment for Oregon. Private equity investments have generated an estimated \$2.5 billion in excess returns over the past decade, versus the public markets.

The Treasurer will not violate these existing agreements and jeopardize the ability to invest in these funds. He has pushed for more transparency for investments approved since he took office.

The Treasury has improved its public records process in the past year and created a new online process to make sure requests are properly catalogued and processed efficiently.

**FACT: Over the last year, Treasury has completely overhauled its policies related to travel to increase transparency, oversight and accountability.**

The Treasurer asked for an independent review to ensure employees were following policies they were asked to follow. He banned certain previously authorized practices, such as playing hosted golf as part of a meeting. Though rare, it had happened and the Treasurer took decisive action to fix it.

After receiving the findings of the Secretary of State Audits Division, the Treasurer convened a panel of independent Oregon leaders to rewrite the travel policies.

Treasurer Wheeler was the first agency leader in Oregon ever to ask for the ethics commission to review internal policies under the safe harbor provision passed in 2007. He has pushed for more transparency than his predecessors when it comes to the state's investments, even in private firms. He has worked with legislators to create more reporting for our employees, and has increased transparency about who is proposing investments to the state

**FACT: Treasury has some of the strictest accountability measures of any state agency.**

Oregon has a unique, and stringent, system of accountability for our \$74 billion investment portfolio, and includes frequent reporting by investment staff, independent review of recommendations and review of all negotiations by the Department of Justice.

Oregonians have reason to be confident of the accountability built into the investment process. We are constantly looking for ways to make it even better, and are open to workable improvements.

Investment officers are among the most highly scrutinized state employees. They must report all of their personal investment transactions every calendar quarter to the Secretary of State, Treasury compliance office, and the Department of Justice. The Treasurer has also asked investment officers to begin submitting an annual public report known as the Statement of Economic Interest. The Treasurer has worked with the legislature to champion increased disclosure for Treasury employees.

While investment officers are responsible for vetting proposed investments and making recommendations, the state also gets a second opinion from independent investment consultants. Investment officers recommend private equity and real estate investments, but they do not actually approve them. This is the responsibility of the [Oregon Investment Council](#), which includes the Treasurer and four others appointed by the Governor and confirmed by the State Senate. The PERS director is an ex officio and nonvoting member. That independent decision-making committee helps to ensure Oregon makes sound investments. Meetings are open and the public is encouraged to attend.

Investment officers have part of their salaries based on the performance of the investments they recommend and oversee, which is a powerful incentive to make the right choices.

Finally, Oregon's portfolio is one of the best performing in the nation, compared to peer funds. You can review our returns and comparative data on the Treasury web site. This is the strongest indication that investment officers are making the best recommendations for Oregon, and monitoring the state's investments well.

**FACT: The state pays for investment oversight travel, either directly or as a partner in private partnerships, through the management expenses it pays.**

The State Treasury is in the investment business. Treasury investment officers travel as part of their jobs, to check on the status of Oregon's billions of invested assets, including real estate holdings and private partnerships. The state pays for these costs, either directly by booking travel, or through management expenses it pays.

Private partnerships typically organize regular meetings for limited partners, known as advisory boards, to meet with fund managers and to make sure investment objectives are being met. Oregon does not choose the locations of these meetings, but it is in the state's best interest to attend.

Most often, the limited partners, of which Oregon is but one, negotiate to have travel booked through those private partnerships, so the costs come from the management expenses the limited partners, including the state, contractually pays.

Thank you for taking the time to learn more about the Oregon State Treasury.

Attachment:

[Letter to private partnerships](#)