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## Investment council launches review to help ensure pension fund remains one of the nation's best funded and keeps saving Oregonians money

*Fund rated highly for returns, which benefit taxpayers and public-sector retirees*

TIGARD – Oregon's past investment decisions have helped to make the state's pension fund among the best-funded in the nation, and the Oregon Investment Council is launching a comprehensive review to help keep it that way.

The new asset-liability study was launched Wednesday in a joint meeting of the Oregon Investment Council, which oversees the asset mix of the fund, and the Oregon Public Employees Retirement System Board, which oversees the payment of benefits.

The \$51.5 billion Oregon Public Employees Retirement Fund is the largest trust fund in the state's investment portfolio, and the performance of the fund impacts all Oregonians.

"We are doing the responsible thing and embarking on a complete review of the investment structure of the fund," said Harry Demorest, OIC chairman and the former chief executive at Columbia Forest Products Inc. "We want to maximize returns with acceptable risk, but the question is how much risk is acceptable."

The OIC does not set benefits for retirees and nor does it set contribution rates for those entities that put money into the pension system. The OIC oversees only the investment of the Oregon Public Employee Retirement Fund, which protects and invests the financial assets between when money is paid in and when benefits are paid out. The fund is held in trust for its beneficiaries and cannot be utilized for any other purpose.

Compared to other Western states, Oregon relies more heavily on investment returns to pay for contractually promised benefits for public workers, according to an analysis by Mercer, the actuary for the Public Employee Retirement System.

When the pension fund posts significant investment gains, it benefits taxpayers and public employers. That's because the public will be responsible for a smaller share of the contractually required retirement obligations.

Analysts estimate that the Oregon Public Employee Retirement Fund has sufficient assets to cover 80 percent of the promised benefits during the next 30 years. That puts Oregon among the nation's best-funded pension funds – yet the fund still will need to gain an average of at least 8 percent a year to maintain that status.

The pension fund is diversified into several asset classes to help manage risk, including public and private equity, bonds and real estate. Investment managers at the Oregon State Treasury decide how to invest based on those parameters, and the officers have been recognized nationally for their performance, which consistently beats comparison benchmarks.

Based on the results of review launched Wednesday, the OIC could revise the balance of investment classes in the fund.

The fund posted an annual return of 11 percent over the past 25 years through 2009, but for the past decade the return was 4.1 percent, in large part because of the market collapse of 2008, when the fund declined in value by 27 percent. Despite that negative performance, Oregon managers still performed better than their peer benchmarks.

The fund rebounded strongly in 2009 and gained 19 percent in value. In the nine-month period from March to December, the fund grew by \$10 billion, net of benefit payments.

An asset-liability study is typically conducted every three to five years. The OIC's most review occurred in 2007.

The new study is expected to be complete by this summer. The financial models will be prepared by Strategic Investment Solutions Inc., a consultant to the OIC.

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