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June 11, 2013

Honorable Charlie Hales
Portland City Hall
1221 SW 4th Ave # 110
Portland, OR 97204

Dear Mr. Hales,

This is in response to comments you made at a recent event calling on the State of Oregon to divest from fossil fuel companies.

Oregon has the top-ranked public pension portfolio above \$1 billion in the United States because of our smart, disciplined approach to investing. This success benefits our schools, communities, taxpayers and public employees (who are beneficiaries in the PERS fund managed by the Oregon Investment Council and staffed by Treasury). As State Treasurer, my primary focus is on maintaining that success for Oregonians. That said, climate change is an issue we take very seriously in the Treasury and I would like to outline for you the leadership we have exercised over the past few years to accelerate the transition towards renewable energy sources.

To start, let me state clearly that I firmly agree the vision is the correct one: Our world absolutely must transition away from fossil fuels towards more climate friendly renewable energy. When I was Multnomah County Chair, my colleagues and I jointly committed with the Portland City Council to the 2009 Climate Action Plan, a national model for carbon emissions reduction. Reducing our demand for fossil fuels is the hardest - and most important - thing we can do to reduce carbon emissions as it the foundation for changing the market.

Naturally, there is also discussion about the benefits of divestment from oil and gas companies. This is an understandable response to policy gridlock in Washington D.C. on regulatory efforts to price the impact of carbon, and I share the long-term goal to make the world a safer, cleaner and more sustainable place. However, like most complex issues, some detail is required to understand Oregon's portfolio and our role in this shift.

The Oregon Investment Council manages an \$80 billion global portfolio. Energy represents a significant segment of our investments due to the importance of energy in the global economy. Our portfolio includes, in part, index funds (like the S&P 500 which includes energy), private equity (private partnership holdings in energy) and renewable energy. As you know, most of these investments are illiquid and cannot be immediately sold (but eventually will be to earn returns) or they are a small portion of much larger passive index funds that include a whole host of other industry sectors (including renewable energy). In short, as the world transitions from fossil fuels, investments will transition as well, but a globally diversified portfolio like ours will necessarily hold fossil fuels in the meantime.

But that doesn't mean we only will sit passively and wait for the market transition to renewable energy. As a responsible investor, the Oregon Treasury has for years used our clout to advocate for better disclosure of climate risk and to hold energy companies accountable when their practices impair investment value. Oregon was one of the first institutional investors in a clean energy private equity fund. We were a co-convenor of two United Nations investor summits on climate risk in 2010 and 2012. Former Treasurer Randall Edwards was a founding member of the Investor Network on Climate Risk, an organization that works to understand the impact of our investments in an attempt to shift the market.

This work continues under my administration. I joined this week with businesses across the country, including Intel Corp., Nike, and Oregon ski areas, to help focus attention on the imperative to increase demand for less-polluting energy.

There are other things we can do to help highlight the logic of renewable energy investments. For example, as shareholders of energy companies, we have the opportunity to exercise our proxy powers to make practical change from within. After the catastrophic oil spill in the gulf, we pooled our strength with other institutional investors to sue British Petroleum and recently helped create momentum to replace board members from an irresponsible mining company.

I recently invited a renewably energy-focused investment firm to Oregon to discuss its new fund. In fact, we also introduced this firm to both leaders at the Portland Public Schools and the City of Portland to talk about how they could partner to invest in local energy efficiency projects. My team is aggressively seeking similar opportunities.

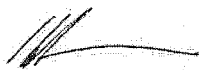
Finally, as a matter of legal understanding, you should know that the Oregon Investment Council is held to the standard of fiduciary duty to beneficiaries of the assets under management. Selling off our energy holdings would undermine the portfolio diversity that has served every Oregonian well -- and would potentially expose the state to lawsuits.

On the other hand, it is responsible to choose a more deliberate, sustainable, long-term approach. We will continue to look for new profitable opportunities in alternative energy, and as global demand evolves, there will be more and more of them. Oregon will help to lead the way.

Through our continued advocacy and wise investment decisions, we will continue to choose the responsible path.

I trust you find this background helpful. As always, feel free to call me anytime.

Sincerely,



Ted Wheeler
State Treasurer

cc: Gail Shibley, Chief of Staff
Josh Alpert, Policy Director