

Oregon's pension funds may go clean and green

State considers clean technology, sustainability funds

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Some of Oregon's top investment officials are exploring the idea of seeding a new sustainability or clean technology fund with state pension dollars, perhaps in collaboration with other states.

Oregon's pension fund, at \$68 billion, is one of the largest in the country, and its management team has won nationwide recognition for its investment savvy.

That's why state Treasurer Randall Edwards and venture capitalist Dave Chen think Oregon's pension fund could drive more investment in clean technology and sustainability, much as California's two huge pension funds have done.

Chen is an adviser to the Oregon Investment Fund, which channels a small portion of Oregon's pension funds to firms that invest in startups and growth companies. He's also a former managing partner at OVP Venture Partners, one of many firms that invest some of Oregon's pension funds. Chen is now in the process of raising money for a new sustainability-investing fund, Equilibrium Capital Group LLC.

Edwards also believes that Oregon could help start up a large-scale fund, particularly if the state does it in partnership with Washington or California or both.

"Part of my strategy is to share risk," said Edwards. "Time is ticking by, and all three states are in the same boat, in terms of setting policies and requirements for where and how energy will be produced, for renewable [energy] portfolios, and for tailpipe emissions."

It's in the interest of all three states to promote development of clean technologies that will help cut energy consumption and emissions that harm the environment. Investing together is one effective way to do that.

Oregon's reputation for being out in front on environmental issues, coupled with the stellar reputation of the state's



Edwards

firms and former Missouri Congressman Richard Gephardt.

If Oregon's pension fund took a leading role in launching a sustainability fund, that could draw attention and investment to Oregon's alternative energy, clean technology and sustainability-focused companies.

While the concept of investing state pension funds in clean technology is certainly on the leading edge, it's not unique.

California's teachers' pension fund has invested \$510 million of its nearly \$180 billion fund in "green" investments. The state's \$250 billion public employees' pension fund has committed \$600 million to clean technology investments, including



Chen

wind farms, solar power plants, geothermal energy, pollution control technologies and more.

California has gone still further, proposing a \$5 billion bond measure to retrofit the state's public buildings with solar panels and other clean energy technologies.

California has also invested \$10 million in the nation's first commercial "green" bank, the New Resource Bank of San Francisco, created to lend money to companies with environmentally sound businesses, such as energy-efficient construction, sustainable products and materials, or organic farming.

The state also screens \$500 million worth of stock investments for environmentally sound practices.

Oregon committed \$50 million last week to a new clean-technology fund that Vantage Point Venture Partners, located in San Bruno, Calif., New York and Montreal, Canada, is now raising. The fund, expected to be at least \$350 million, is the second clean-tech fund for Vantage Point. Oregon's pension fund has previously invested in a Vantage Point fund that has 25 percent of its assets invested in clean technology companies.

Oregon's cautious approach — the \$50 million commitment to clean tech represents a minuscule fraction of total pension funds — is similar to its caution in other forms of social investing. The state Legislature recently increased the amount that Oregon's pension funds could invest in local startups to \$150 million, less than three-tenths of a percent of the total pension fund.

That's because using public pension funds to accomplish a social purpose is fraught with difficulty. Pension fund managers are obliged to get the best possible return on investment, using a "prudent man" standard, to ensure that they can pay out promised pensions.

Still, many states surveying these giant pots of money are tempted to use some of it for economic development or other social benefit, said Michael Beasley, managing director of Strategic Investment Solutions Inc. Beasley's San Francisco firm provides consulting services to pension funds in nine states, including Oregon and California.

Chen believes that because of its history and reputation, Oregon's investment council has the financial credibility to launch, or help launch, some kind of new sustainability investment vehicle.

"Because Oregon believes this sector is geared for growth, [state investment officials] view it as a prudent investment thesis," Chen said.

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Dave Chen

Oregon Investment Fund adviser

pension fund and chief investment officer, Ron Schmitz, put Oregon in the position to lead on sustainability-focused investing, said Chen.

"Oregon has the power to convene, calling attention to issues and bringing the world's fund managers here," Chen said.

He was referring to a June 27 workshop in Portland held by the Oregon Investment Council, which oversees \$75 billion of state investments, and Meyer Memorial Trust, Oregon's largest private foundation. The workshop, which focused on sustainable investing, drew more than 80 people from all over the country, including representatives of large investment