

SENATE ETHICS, ELECTIONS, AND CAMPAIGN FINANCE COMMITTEE

April 15, 1993 Hearing Room B 3:00 p.m. Tapes 43 and 44
MEMBERS PRESENT: Senator Grattan Kerans, Chair Senator Neil Bryant
Senator Joan Dukes - Senator Rod Johnson Senator Dick Springer STAFF
PRESENT: Annette Talbott, Committee Counsel Tamara Brickman,
Committee Assistant MEASURES CONSIDERED: Informational meeting
Invited Testimony from State Treasurer Jim Hill Public Hearing SB 319 SB
323 SB 324

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. TAPE 43, SIDE A

006 CHAIR KERANS: Calls meeting to order at 4:02 p.m.

INFORMATIONAL MEETING INVITED TESTIMONY: State Treasurer Jim Hill

013 JIM HILL, State Treasurer: Presents testimony on the overview of the office of the Oregon State Treasury. (EXHIBITS A and N)

069 CHAIR KERANS: Discusses the reasoning for including the office of the State Treasurer in the definition of "state agency" in SB 323, Section 1, subsection 2, lines 8-10. 085 TREASURER HILL: Continues the overview of the office of the Oregon State Treasury. (EXHIBIT A)

330 CHAIR KERANS: Discusses Treasurer Hill's testimony.

350 SEN. JOHNSON: Comments on Treasurer Hill's testimony.

376 CHAIR KERANS: Comments that he would like the treasurer's staff to speak to bills (dealing with the treasurer's office) that are in the possession to committee, as well as the bill scheduled for hearing. Senate Ethics, Elections, and Campaign Finance Committee April 15, 1993 - Page 2

PUBLIC HEARING ON SB 319

WITNESSES: GARY BRUEBAKER, Oregon Deputy State Treasurer GARY COMBS, Real Estate Investment Officer, Oregon State Treasury NORI GERARDO, Principal for Pension Consulting Alliance, Inc.

383 GARY BRUEBAKER, Deputy State Treasurer: Discusses the office of the Oregon State Treasury. Presents testimony on SB 319. (EXHIBIT B)

399 CHAIR KERANS: Asks who the treasurer's office hired as a third party to assist with the Commercial Mortgage Program. BRUEBAKER: "Hanford and Healy, Mr. Chair." 403 CHAIR KERANS: "What is the relationship between them and Alex Brown and Associates? Are they doing other work or is this new duty identified for...is this an individual or a firm?"

408 GARY COMBS, Real Estate Investment Officer, Oregon State Treasury: Explains that Hanford and Healy will deal only with the Commercial Mortgage Program, not the Real Estate Equity Program. Explains that it is a firm out of San Francisco, CA. 412 CHAIR KERANS: "That deals strictly with the packages that you purchase?"

COMBS: "Yes, exactly."

414 BRUEBAKER: Continues testimony. (EXHIBIT B)

425 CHAIR KERANS: Asks if Hanford and Healy "examining each package are they doing evaluations of other activities?"

434 NORI GERARDO, Principal for Pension Consulting Alliance, Inc.: Explains that the firm she is with provides consulting services to the Oregon Public Employees' Retirement Fund (OPERF), "with respect to the Commercial Mortgage Program, and with respect to the Equity Real Estate Program." Discusses the recommendation they made to the treasurer's office to hire a "third party management that would actually assume the active asset management of the troubled loans within the Commercial Mortgage portfolio...they have been asked to value the portfolio. We are in the process of establishing a market value for the mortgage program."

469 CHAIR KERANS: "So they're primarily doing a retrospective?"

473 GERARDO: "At this juncture that is correct sir because no new loans have been originated, whatsoever, and will not until acceptable investment policies and procedures are in place and adopted by the OIC (Oregon Investment Council)." 479 BRUEBAKER: Continues testimony on SB 319 .(EXHIBIT B) Refers to amendments from the treasurer's office on SB 319.(EXHIBIT E)

TAPE 44, SIDE A

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. Senate Ethics, Elections, and Campaign Finance Committee April 15, 1993 - Page 3

039 COMBS: Presents testimony on the Real Estate Investment Division and SB 319 . (EXHIBIT C)

109 CHAIR KERANS: "On the mortgage program this independent third party doing site inspections, what's included there? Going out and making sure there's actually an improvement on the property?"

113 COMBS: Responds to Chair Kerans' question. "Mainly just a drive by taking a look at it making sure that it is a commercial property. That if it says apartment it is an apartment and not six duplexes."

121 CHAIR KERANS: Asks to receive a copy of the report, from the treasurer's office, on the inspections.

PUBLIC HEARING ON SB 323

WITNESSES: GARY BRUEBAKER, Oregon Deputy State Treasurer STEVE FRASER, Commercial Mortgage Officer, Oregon State Treasury

138 BRUEBAKER: Presents testimony on SB 323.(EXHIBIT F) Submits amendments to SB 323. (EXHIBIT I) 176 STEVE FRASER, Commercial Mortgage Officer, Oregon State Treasury: Presents testimony on SB 323 . (EXHIBIT G) Discusses the amendments to SB 323. (EXHIBIT I) 205 CHAIR KERANS: Asks if the distribution list will include the OIC and the Division of Audits in regards to the "information system reports, for instance, on actual losses." 211FRASER: Comments that it is available to the Division of Audits.

CHAIR KERANS: "It's available to them. Would it be directed to them?"

212 BRUEBAKER: "We would be more than happy to direct those the Secretary of State, Division of Audits, as well. "

PUBLIC HEARING ON SB 324

WITNESSES: GARY BRUEBAKER, Oregon Deputy State Treasurer STEVE FRASER, Commerical Mortgage Officer, Oregon State Treasury

216 BRUEBAKER: Presents testimony on SB 324. (EXHIBIT J)

251 CHAIR KERANS: Discusses Mr. Bruebaker's testimony. Refers to the subject of investment fees.

294 BRUEBAKER: Continues the discussion on investment fees.

303 SEN. BRYANT: Asks if the OIC "sees the individual fees that are paid."

304 BRUEBAKER: Responds to Sen. Bryant and explains that the OIC does see the individual fees. Continues testimony on SB 324, in regards to OIC records in that the treasury posses. (EXHIBIT J)

, These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. Senate Ethics, Elections, and Campaign Finance Committee April 15, 1993 - Page 4

314 CHAIR KERANS: Asks if he means the archive records.

315 TALBOTT: Explains that the treasury is the archives for the OIC records "as of now."

318 BRUEBAKER: "We are not aware of any records that specific to the OIC that they don't already have copies of. "

326 FRASER: Addresses testimony to section 2 of SB 324. (EXHIBIT K)

375 CHAIR KERANS: Discusses Mr. Fraser's testimony. "The major interest that I have is to make sure that when losses occur, either they are written down by you and that that write down is approved by the OIC, or they are sold at less than what you're carrying them for, that that difference be noted. " Discusses "problems" with previous administrations within the treasury.

428 FRASER: Responds to Chair Kerans' comments.

447 CHAIR KERANS: Continues to comment on previous administrations within the Treasury. "All I am saying is that at some point either in monthly report, the semi-annual report, or the annual report based on the class of investment that there be some notation that that be routinized so...that's all they (a person) had would be able to...track everything without losing anything."

477 BRUEBAKER: Explains that that is their intent for "all of our investments."

TAPE 43, SIDE B

034 CHAIR KERANS: Discusses the work plan for the bills from the Interim Special Investigative Committee on PERS Investments.

043 SEN. BRYANT: Asks if there will be impact statements on the bills.

045 CHAIR KERANS: Comments that they should be "in process."

051 CHAIR KERANS: Adjourns meeting at 5:00 p.m.

Submitted by:

Reviewed by:

Tamara Brickman

Annette Talbott Assistant
Counsel

. These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. Senate Ethics, Elections, and Campaign Finance Committee April 15, 1993 - Page S EXHIBIT LOG A - Review of Treasury - State Treasurer Jim Hill - 5 pages B - Testimony on SB 319 - Deputy State Treasurer Gary Bruebaker - 2 pages C - Testimony on SB 319 - Gary Combs - 3 pages D - Preliminary Staff Measure Summary on SB 319 - Committee Staff - 1 page E - Proposed Amendments to SB 319 - State Treasurer's office - 1 page F - Testimony on SB 323 - Deputy State Treasurer Gary Bruebaker - 1 page G - Testimony on SB 323 - Steve Fraser - 1 page H - Preliminary Staff Measure Summary on SB 323 - Committee Staff - 1 page I - Proposed Amendments to SB 323 - State Treasurer's office - 1 page J - Testimony on SB 324 - Deputy State Treasurer Gary Bruebaker - 1 page K - Testimony on SB 324 - Steve Fraser - 1 page L - Preliminary Staff Measure Summary on SB 324 - Committee Staff - 1 page M - Proposed Amendments to SB 324 - State Treasurer's office - 1 page N - Survey of State Treasuries - State Treasurer's office - 5 pages - These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks repon a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.