

POINT of view

‘What is your New Year’s resolution?’



“To get my A1C — three months’ check of blood sugar — in shape.”

Jim Dickson, Astoria



“I don’t have one yet. I like to procrastinate. I haven’t even thought about it — maybe because I think it’s silly, now that I’m older.”

Brian Gustafson, Astoria



“To be the best grandma I can be.”

Nora Crawford, Astoria

Lotteries

OREGON

Tuesday’s Pick 4:

1 p.m.: 8-3-0-6
4 p.m.: 9-4-3-1
7 p.m.: 1-9-5-4
10 p.m.: 3-4-9-3

WASHINGTON

Tuesday’s Daily Game: 0-2-1

Tuesday’s Keno: 01-07-10-12-17-18-22-25-26-31-33-36-38-51-54-56-64-66-68-77

Tuesday’s Match 4: 01-06-10-20

Tuesday’s Mega Millions: 20-25-55-62-74, Mega Ball: 7

Estimated jackpot: \$117 million.

Memorial

Saturday, Jan. 2

LAYTON, Mildred LaVonne (Jones) — Memorial at 2 p.m., First Baptist Church of Astoria, 349 Seventh St.

On the record

DUII arrest

• At 2:06 a.m. Sunday, Clatsop County Sheriff’s Office arrested Stephen Bokor, 27, of Astoria, for driving under the influence of intoxicants on U.S. Highway 30 and Liberty Lane in Astoria.

Oregon investment officials stick with hedge funds

Alternatives insulate pension fund from market crashes

By HILLARY BORRUD
Capital Bureau

Oregon officials searching for ways to blunt the impact of future stock market crashes on the state’s \$70 billion pension fund have increasingly looked at hedge funds as part of the solution.

The state started to buy into the funds in 2011, and now has more than \$300 million invested in them. That’s a small portion — roughly 0.5 percent — of the pension fund’s assets. But under its investment policy, the amount could grow. The policy calls for up to 45 percent of the alternatives portfolio, or roughly 6 percent of the entire pension fund, to be invested in a category that includes hedge funds.

Pension officials are sticking with the strategy, in spite of recent critiques of pension systems’ investments in the funds and the 2014 decision by the nation’s largest pension fund, Calpers, to divest from hedge funds.

State Treasurer Ted Wheeler and other members of the Oregon Investment Council hope hedge funds and other alternative investments will help the state avoid a repeat of what happened in the 2008 financial crash, when the public employees’ pension fund lost a third of its value in six months.

The fund has largely recovered from the effects of the crash, but for a variety of other reasons the state now faces an \$18 billion unfunded pension liability over the next two decades. The shortfall could grow if the state’s investment returns continue to fall short of the 7.5 percent assumed rate of return or if there is an economic downturn.

cited market data that showed hedge fund performance was “highly correlated” with the stock market.

As it turns out, other state pension funds have not followed Calpers’ decision to divest. The California pension system cited costs and complexity as reasons for its 2014 decision to exit from hedge funds.

Impossible to know

The Oregon State Treasurer’s Office declined to release the fee schedules for the three hedge funds in which the pension system invested, citing an exemption in Oregon public records law. It allows the agency to keep hidden any documents submitted by hedge funds and other private funds not subject to federal disclosures and other regulations.

As a result, it’s impossible to know how much the pension fund will pay over the life of the investments. The Treasurer’s Office did release aggregate hedge fund fees for 2014, which suggest the state paid 0.27 percent in fees that year on two hedge funds — AQR Delta Fund II and AQR Style Premia Fund — and 1.07 percent on the third fund, Reservoir Strategic Partners Fund.

That is probably a tiny portion of what the state will eventually pay, given the typical hedge fund fee structure.

Keith Larson, a member of the Oregon Investment Council, said hedge funds typically charge a 2 percent management fee, plus a 20 percent cut of profits, which is partly why the funds have a negative image.

One of the AQR funds had a return of 5.6 percent as of June, while it was too early to calculate a return on the second fund, according to a state document. Reservoir Strategic Partners Fund had a return of 3.9 percent which, although it was below the state’s assumed overall pension fund return of 7.5 percent, was not bad com-

pared with the state’s actual pension fund return of just under 3 percent during the first 11 months of the year.

Strong support

Hedge funds enjoy strong support from the Oregon Investment Council, which has unanimously supported them every time there was a vote to invest in a new fund. The council’s experience during the 2008 financial collapse helps explain why.

The crash revealed that even fixed-income investments, such as bonds and other securities, were riskier than investment officials realized. “Part of the reason for that was in order to try and achieve a high return for the state, the state had invested in a lot of corporate debt,” Larson said. The pension fund had also invested in mortgage-backed securities, many of which contained high-risk loans that went into default during the housing crisis.

Katherine Durant, the chairwoman of the Oregon Investment Council, said the 2008 crash was a pivotal moment. “We’ve never seen that kind of a global crash of the financial markets like we saw in the last downturn,” Durant said. “Usually it was just equities or bonds, it wasn’t everything. But everything went down.”

Larson agreed. “That was a bit of an aha moment,” Larson said. “I think the people that were doing the day-to-day investing knew well and good pretty much what we were investing in. We were investing in these turbo-charged assets, that had higher returns but higher risk ... But I think it was a difficult thing to see across the entire portfolio, what the effects would be.”

Wheeler, who became treasurer in March 2010, said it was important to diversify the state’s pension fund investments so that various investments move in different directions, under different conditions. “In some cases, they can serve as counterbalancing forces to economic forces like inflation,” Wheeler said. “In 2008, there was no safe harbor. Everything went down.”

Better understand risks

Larson said the situation taught him two things: The Oregon Investment Council needed to better understand the risks across investments, and it needed to build a better portfolio of alternative investments to prepare for economic downturns. The state purchased a system to better track assets and risk, and has been working to build the alternatives portfolio, which in addition to hedge funds includes investments in funds that own natural resources such as timber and infrastructure such as ports, airports and a power plant.

Uncorrelated returns are important to the pension fund because when its value dips, schools and other public employers can end up paying more into the fund.

“It’s as much about the uncorrelated returns as it is about the high returns,” Larson said of the alternatives portfolio.

The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group.

ACCUWEATHER® FORECAST FOR ASTORIA

Astoria 5-Day Forecast

Tonight
Clear and cold
29°

Shown is tomorrow’s weather. Temperatures are tonight’s lows and tomorrow’s highs

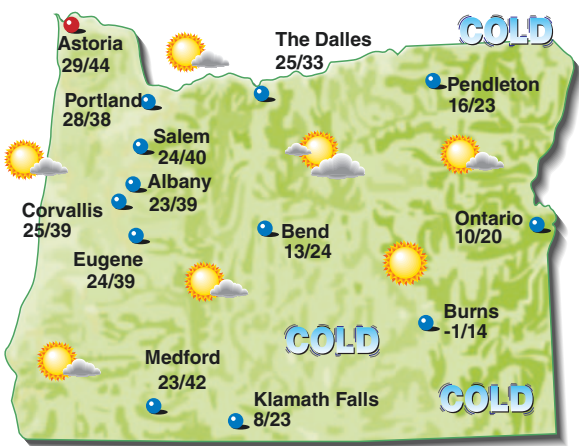
Thursday
Mostly sunny
44° 30°

Friday
Plenty of sunshine
45° 33°

Saturday
Plenty of sunshine
45° 32°

Sunday
Plenty of sunshine
45° 33°

Oregon Weather



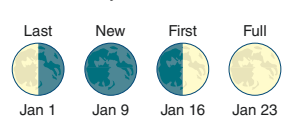
Forecasts and graphics provided by AccuWeather, Inc. ©2015

Almanac

Astoria through Tuesday.
Temperatures
High 45°
Low 37°
Normal high 48°
Normal low 37°
Precipitation
Yesterday 0.19"
Month to date 20.34"
Normal month to date 9.28"
Year to date 73.58"
Normal year to date 66.65"

Sun and Moon

Sunset tonight 4:38 p.m.
Sunrise Thursday 7:58 a.m.
Moonrise today 10:36 p.m.
Moonset today 10:57 a.m.



AccuWeather.com

Regional Cities

City	Today	Thu.
Baker City	22 2 c 17 0 s	17 0 s
Bend	28 13 c 24 9 s	24 9 s
Brookings	49 34 pc 48 32 s	48 32 s
Eugene	42 24 c 39 21 s	39 21 s
Ilwaco	44 36 pc 44 38 s	44 38 s
Klamath Falls	32 8 c 23 4 s	23 4 s
Medford	45 23 c 42 21 s	42 21 s
Newport	44 31 pc 42 32 s	42 32 s
North Bend	50 34 pc 51 34 s	51 34 s

City	Today	Thu.
Olympia	38 21 pc 37 20 s	37 20 s
Pendleton	28 16 c 23 12 c	23 12 c
Portland	41 28 pc 38 26 s	38 26 s
Roseburg	47 29 c 42 27 s	42 27 s
Salem	41 24 c 40 23 s	40 23 s
Seaside	44 34 pc 44 34 s	44 34 s
Spokane	22 11 c 21 5 c	21 5 c
Vancouver	39 25 pc 37 23 s	37 23 s
Yakima	29 16 c 27 10 c	27 10 c

Under the Sky

Tonight’s Sky: The Winter Circle - Sirius is the brightest star in the night sky followed by Capella, Rigel, Procyon, Betelgeuse, Aldebaran and Pollux.

Source: Jim Todd, OMSI

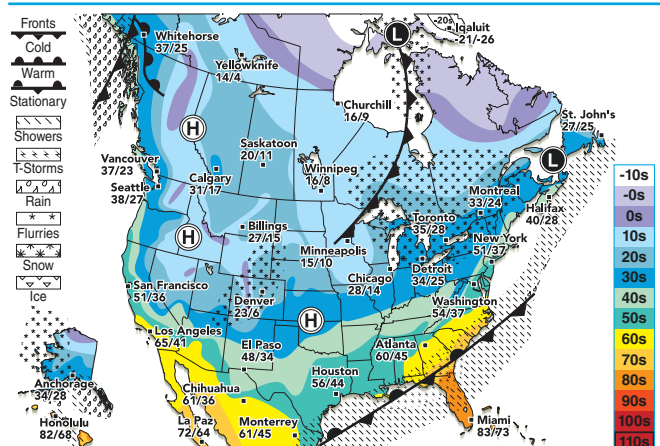
Tomorrow’s Tides

Astoria / Port Docks	Time	High	Time	Low
	5:29 a.m.	8.3 ft.	11:29 a.m.	2.9 ft.
	5:09 p.m.	7.2 ft.	11:28 p.m.	1.6 ft.

National Cities

City	Today	Thu.
Atlanta	67 52 r 60 45 pc	60 45 pc
Boston	36 36 c 46 32 pc	46 32 pc
Chicago	31 23 sn 28 14 c	28 14 c
Denver	24 7 pc 23 6 s	23 6 s
Des Moines	27 9 sf 21 10 pc	21 10 pc
Detroit	35 28 c 34 25 sf	34 25 sf
El Paso	45 27 s 48 34 c	48 34 c
Fairbanks	35 18 pc 34 16 pc	34 16 pc
Honolulu	81 70 pc 82 68 s	82 68 s
Indianapolis	37 26 c 32 22 c	32 22 c
Kansas City	29 15 pc 30 13 pc	30 13 pc
Las Vegas	48 30 s 49 30 s	49 30 s
Los Angeles	63 40 s 65 41 s	65 41 s
Memphis	52 37 pc 50 35 pc	50 35 pc
Miami	83 75 pc 83 73 pc	83 73 pc
Nashville	56 35 c 49 31 pc	49 31 pc
New Orleans	63 54 t 59 50 sh	59 50 sh
New York	49 45 r 51 37 pc	51 37 pc
Oklahoma City	38 25 pc 40 23 pc	40 23 pc
Philadelphia	54 44 r 50 36 pc	50 36 pc
St. Louis	39 25 c 37 24 pc	37 24 pc
Salt Lake City	30 12 sn 25 7 pc	25 7 pc
San Francisco	51 38 pc 51 36 s	51 36 s
Seattle	39 27 pc 38 27 s	38 27 s
Washington, DC	56 45 r 54 37 pc	54 37 pc

Tomorrow’s National Weather



Shown are noon positions of weather systems and precipitation. Temperature bands are highs for the day. Forecast high/low temperatures are given for selected cities.
Weather (W): s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice.

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Obituaries may be edited for spelling, proper punctuation and style. Death notices and upcoming services will be published at no charge. Notices must be submitted by 9 a.m. the day of publication.

Obituaries and notices may be submitted online at www.dailyastorian.com/forms/obits, by email at ewilson@dailyastorian.com, placed via the funeral home or in person at The Daily Astorian office, 949 Exchange St. in Astoria. For more information, call 503-325-3211, ext. 257.

Holy Day of Obligation on Friday

The Daily Astorian

The Holy Day of Obligation is Friday at St. Mary Star of the Sea Catholic Church, 1465 Grand Ave. A Vigil Mass is being held at 4 p.m. Thursday, and a 10 a.m. Mass takes place on Friday.

The Knights of Columbus are sponsoring Eucharistic Adoration on the first Friday of every month beginning Friday. Starting at 8 p.m., and lasting through the night until 8 a.m. Saturday, Knights will be in the church. For information, or to schedule an hour, call Ray Prom at 503-440-2382.

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