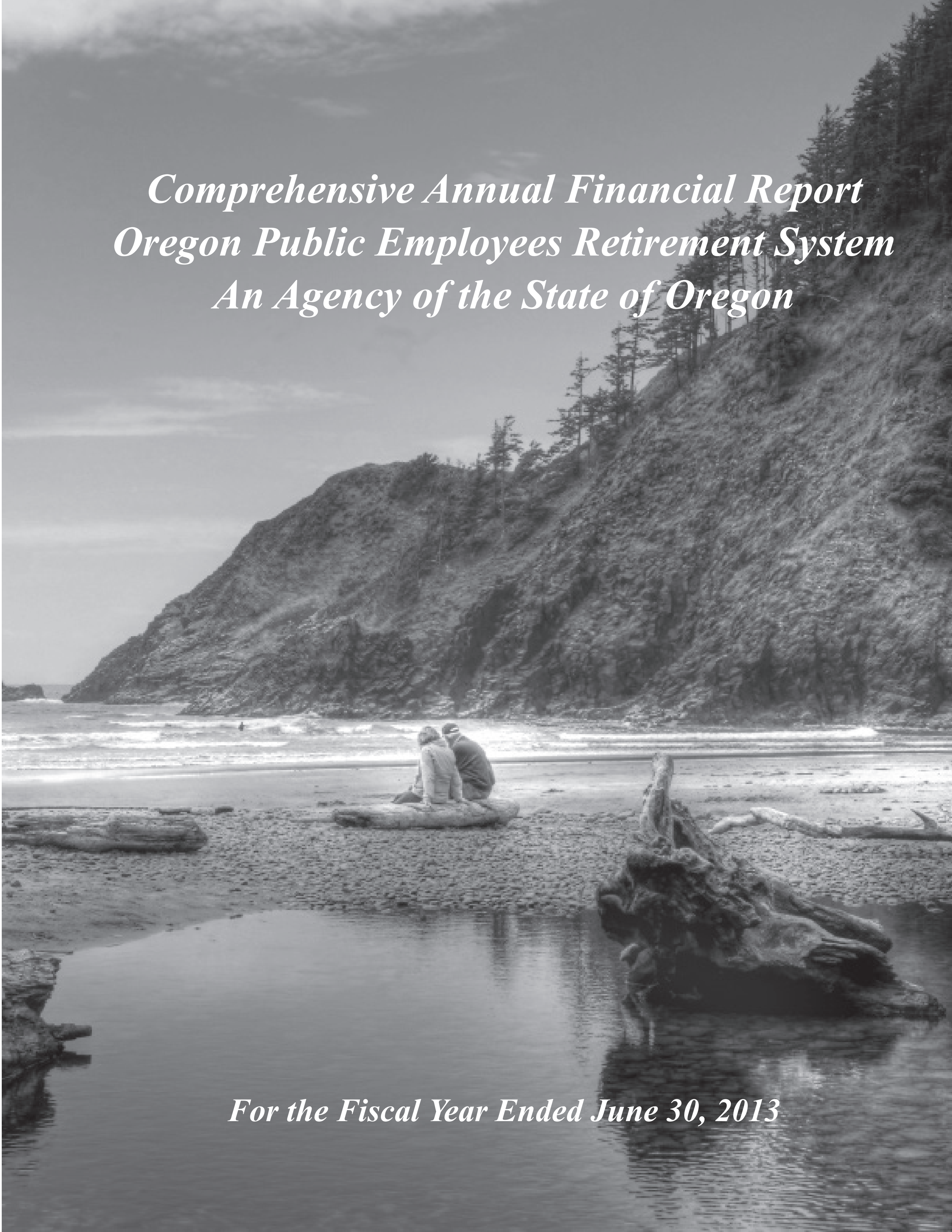

Comprehensive Annual Financial Report
Oregon Public Employees Retirement System
An Agency of the State of Oregon

For the Fiscal Year Ended June 30, 2013

Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Paul R. Cleary
Executive Director

Kyle J. Knoll
Chief Financial Officer

11410 SW 68th Parkway, Tigard OR 97223
Mailing Address – PO Box 23700, Tigard OR 97281-3700 – Phone 503-598-7377
Website – http://oregon.gov/pers

PERS Oregon Public Employees Retirement System

Table of Contents

Introductory Section

Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System
Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
(503) 598-7377
TTY (503) 603-7766

January 27, 2014

Public Employees Retirement Board
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Oregon Public Employees Retirement System (PERS or the System) for the fiscal year ended June 30, 2013. This report includes all funds over which the Public Employees Retirement Board (Board) exercises authority. These funds were established to provide retirement, death, and disability benefits to members; administer retiree health insurance programs; and oversee the state-sponsored deferred compensation program. As of June 30, 2013, PERS provided services to 911 employers and to nearly 332,000 active, inactive, and retired members and beneficiaries.

The CAFR is intended to fulfill the legal requirements of Oregon Revised Statute (ORS) 238.630. PERS management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

Macias Gini & O'Connell LLP (MGO) has audited the accompanying financial statements in accordance with generally accepted auditing standards, and its opinion is included in this report.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. We would like to direct your attention to MD&A that begins on page 15.

Economic Condition and Major Initiatives

The economic condition of PERS is affected primarily by investment earnings. A comparative analysis of investment rates of return is presented on page 69 of this report.

Major Initiatives

Strategic Management System

PERS has developed an outcome-based management system to improve its operational performance and organizational alignment. The system uses a process-based orientation that integrates problem solving and decision making with active engagement from the front-line staff who perform the daily work.

This new management system allows PERS to better align its strategic planning and organizational development in support of its mission, vision, values, and operating principles. The agency identified six key goals that, as achieved, will advance those ideals:

1. collaborative and transparent leadership,
2. engaged and empowered workforce,

3. efficient, effective, adaptable organization,
4. engaged and educated stakeholders,
5. timely and accurate service, and
6. trusted and credible agency.

Supporting our key goals are six core operating processes and six core supporting processes. Each process has an owner and outcome measures to monitor and document our progress. Quarterly target review meetings are held to review our progress and identify areas for improvement.

Customer Satisfaction Survey

Our member and employer customer satisfaction surveys conducted in August 2013 show overall improvement during the year, continuing the positive trend of year-to-year improvement over the eight-year survey period. Over 90 percent of the member survey respondents and 83 percent of the employer survey respondents rated our overall customer service as "good" or "excellent."

Benefit Overpayment Recovery Project

Based on Oregon Supreme Court decisions in 2012, PERS has begun recovery of approximately $170 million from over 28,000 PERS benefit recipients. Overpayments resulted from applying 1999 earnings crediting rates to affected member accounts that were later revised as directed by courts and legislation. Repayment plans for all affected benefit recipients were completed by May 1, 2013, and the recovery rate is estimated at 79 percent.

Senate Bills

Senate Bill 822, enacted during the 2013 Oregon regular legislative session, eliminated the tax remedy benefit for recipients who do not pay Oregon state income taxes because they do not reside in Oregon. During a special legislative session in 2013, the Oregon Legislative Assembly approved two bills that affect PERS members and employers.

Senate Bill 861 supersedes the 2014 COLA that was previously approved as part of Senate Bill 822. Under SB 822, the COLA payable August 1, 2014, and beyond would have varied based on the amount of the yearly benefit. Senate Bill 861 does not affect the August 1, 2013 COLA, but modifies the yearly COLAs for all PERS benefit recipients going forward. Effective with the August 1, 2014 benefit payment, the COLA will be limited to 1.25 percent on the first $60,000 of a yearly benefit payment and 0.15 percent on amounts above $60,000. Additionally, Senate Bill 861 provides a supplemental, one-time payment of 0.25 percent of the yearly benefit to all benefit recipients, not to exceed $150. Those who have a PERS benefit of less than $20,000 per year will receive a second supplemental, one-time payment of 0.25 percent of their yearly benefit. These supplemental payments will not be compounded into the member's yearly benefit and will be in effect for six years through 2019.

Senate Bill 862 contained three major provisions. First, for the purpose of final average salary for Oregon Public Service Retirement Plan (OPSRP) members, the measure excluded certain increases in salary during the last 36 months of employment that are made by an employer so an individual employee may pay for insurance coverage previously paid by the employer. Second, the measure allows PERS benefits to be garnished for restitution or compensatory damages if the member has been convicted of a felony. Third, the measure prohibits most new legislators from becoming members in PERS but allows them to choose to contribute to the state-sponsored deferred compensation plan, the Oregon Savings Growth Plan (OSGP). Also, current legislators may opt out of PERS and elect to make contributions to OSGP prospectively.

Changes in Accounting Standards

In June 2012, the Governmental Accounting Standards Board (GASB) published Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement

No. 67 addresses reporting by pension plans that administer benefits for governments, and is effective for financial statements for periods beginning after June 15, 2013. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014.

The guidance contained in these Statements changes how governments calculate and report the costs and obligations associated with pensions. It is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

The new accounting standards are expected to have a significant impact on PERS operations and staff has begun planning for their implementation.

Assumed Earnings Rate

One of the most significant issues addressed by the Board during the year was a reduction in the assumed earnings rate.

At its July 26, 2013 meeting, the Board directed its actuary to reduce the assumed earnings rate from 8 percent to 7.75 percent for the 2012 System valuation. The new assumed rate will become part of updated actuarial equivalency factors (life expectancy tables) that will be effective January 1, 2014.

Financial Information

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Internal Controls

Management is responsible for establishing and maintaining a system of internal controls to protect PERS' assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation.

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions are established by actuarial valuations conducted biennially in odd-numbered calendar years. PERS' funding objective is to meet long-term benefit promises through contributions that fund benefits as they accrue. An adequate contribution level, when combined with investment earnings, will result in the full funding of benefits as they come due. If the level of funding is adequate, the ratio of assets accumulated to total liabilities will increase, and more income will be available for investment. Prudent investment of assets and returns on those investments should increase the funding base and allow for a more stable employer contribution rate. As of the December 31, 2012 actuarial valuation, PERS has a funded ratio of 90.7 percent for the defined benefit plan it administers (see pages 56 and 57).

Investments

The Oregon Investment Council (OIC) has statutory authority (ORS 293.701) to establish policies for the investment and reinvestment of PERS funds. The OIC's primary investment objective is to make PERS' investment funds as productive as possible. At the same time, the OIC acts as a prudent investor in the management of the PERS portfolio.

An integral part of investment policy is the strategic asset allocation policy. The target investment portfolio mix at fair value as of June 30, 2013, is 43 percent public equity, 16 percent private equity, 25 percent debt securities, 11 percent real estate and 5 percent alternatives. In addition to approved asset classes, target asset allocation ranges, and rebalancing policies, other safeguards on investments include the use of an independent custodian, defined limits of delegated authority, and independent audits. The System's long-term investment outlook allows the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. The OIC primarily uses external portfolio managers, employing both passive (indexed) and active strategies. The portfolio is broadly diversified among equities, debt securities, real estate, and private equities, with additional diversification achieved through domestic and international investing. PERS securities are held by a custodian, State Street Bank and Trust Company.

PERS' Regular investment portfolio exhibited significant gains in fiscal year 2013 with a rate of return of 12.68 percent. This compares with a rate of return of 1.61 percent for fiscal year 2012. The fund's trailing 10-year return was 8.40 percent, 0.65 percent higher than the System's assumed rate of 7.75 percent. Descriptions of specific OIC policies regarding diversification, performance objectives, fees, and asset allocation are found on pages 66 through 73.

Awards and Acknowledgements

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. PERS has received a Certificate of Achievement for the last 22 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) awarded the 2013 Public Pension Standards Award to PERS for its plan design and administration.

The PPCC is a coalition of three associations representing public pension funds that cover the vast majority of public employees in the United States. The associations are the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR). Public pension standards are intended to reflect minimum expectations for public retirement system management and administration and to serve as benchmarks by which all defined benefit public plans are measured.

This is the eleventh year the PPCC has offered the award to public retirement systems and the tenth consecutive year PERS has applied for and received the award.

Acknowledgments

PERS strives to provide complete and reliable information as a basis for making management decisions, to demonstrate responsible stewardship of assets contributed by members and their employers, and to comply with legal provisions. The compilation of this report reflects the combined efforts of the PERS staff.

This report is available on the PERS website at http://oregon.gov/pers, and a link to this document will be e-mailed to all PERS employers. Summary financial information and the website link will be reported in the PERS newsletter, *Perspectives,* which is distributed to active and retired members.

The cooperation of PERS employers contributes significantly to PERS' success and is greatly appreciated. We would also like to express our gratitude to the PERS Board and staff, the OIC, the Oregon State Treasury staff, our advisors and consultants, and the many other people who work diligently to ensure the successful operation of PERS.

Respectfully submitted,

Paul R. Cleary
Executive Director

Kyle Knoll
Chief Financial Officer

Public Employees Retirement Board

The Oregon Legislature has delegated authority to the PERS Board of Trustees to administer the System. The Board comprises five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. PERS also administers the Oregon Savings Growth Plan, a deferred compensation program for state government employees.

All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson.

One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

As of June 30, 2013, the three Board members representing business management, pension management, or investing are John Thomas, Krystal Gema, and Rhoni Wiswall. Pat West was appointed to represent public employees and retirees, and Michael Jordan was appointed to represent public employers. John Thomas is Board chair.

Terms for each member begin and expire with staggered dates.

John Thomas (chair)

John Thomas is the president and CEO of Financial Pathways Group, a fee-based retirement planning firm in Eugene, Oregon. Mr. Thomas co-founded Pacific Benefit Consultants Inc. in 1993 and served in the past capacity as president and manager of the Financial Services Division. John is vice-chair of Advantage Dental and is a past divisional vice-president and chair of the Finance Committee of MDRT, an international association of insurance and financial service professionals located in Chicago. Mr. Thomas previously served as chair of the McKenzie-Willamette Hospital Board of Trustees and was chair of the Lane County Planning Commission and the Lane County Boundary Commission. John is also the past president of the Springfield Area Chamber of Commerce. Mr. Thomas holds a B.A. from Willamette University and an M.S. in financial services from The American College in Bryn Mawr, Pennsylvania. Mr. Thomas holds professional designations of chartered life underwriter, chartered financial consultant, and certified financial planner.

Pat West (vice-chair)

Pat West began his career as a Salem firefighter in 1975 and retired as a captain in 2001. Pat was also the legislative director of the Oregon State Firefighters Association from 1987 to 1998 and president from 1998 to 2008. He served on the Oregon Workers' Compensation Management Labor Advisory Committee, the Governor's Fire Policy Committee, PERS' Legislative Advisory Committee, and the Board of Oregon PERS Retirees, Inc. Pat is a graduate of South Salem High School and Chemeketa Community College. He attended Oregon State University and was in the U.S. Army from 1968 to 1970.

Krystal Gema

During her six years with Portland General Electric's Credit Risk Management, Krystal Gema has actively managed credit exposures and safeguarded the firm's assets from the risk of credit loss in connection with energy trading. She draws on her analytical skills to monitor and analyze energy trading entities' financial conditions for potential financial impacts. Her expertise includes stress testing the firm's trading portfolio, negotiating energy trading contracts, and preparing SEC accounting disclosures. Prior to joining PGE, she worked with clients, investment managers, and consultants in Institutional Trust and Custody for US Bank. Gema holds a degree in business finance from Portland State University. She served as a board member for Step It Up, Inc. and is on the board of trustees for Legacy Health-Emanuel Medical Center Foundation. She is a member of the City Club of Portland, Portland Business Alliance, and Urban League of Portland.

Michael Jordan

Michael J. Jordan has served as Oregon state government's chief operating officer since March 2011 and was previously Metro's chief operating officer. He also served as a Clackamas County commissioner and as the city administrator for Canby. Before entering public service, Jordan worked at Pacific Power and Light managing retail water distribution systems and construction project management for electricity transmission delivery systems. Jordan attended the graduate program for public administration at Lewis and Clark College, holds a B.S. from Portland State University, and attended the University of Oregon. He has served in numerous volunteer leadership capacities including Canby City Council, League of Oregon Cities Board of Directors, Association of Oregon Counties Board Directors, Clackamas County Charter Review Committee, Clackamas County Commission on Children and Families, Clackamas County Economic Development Committee, Livable Oregon Board, Oregon Downtown Development Association Board of Directors, Oregon Progress Board Chair, and the United Way of the Columbia/Willamette Board of Directors.

Rhoni Wiswall

Rhoni Wiswall has been with Texas-based Crestline Investors since 2009. She currently serves as managing director and head of Consultant Relations. She spent 23 years with Invesco where her positions included managing director and senior account manager. She is a member of the Board of Trustees for Jesuit High School, Loaves and Fishes (Meals on Wheels), and Bridge Meadows. Wiswall previously served on the Oregon Food Bank Board of Directors and is a member of the Oregon Community Foundation Metro Leadership Council. She received a B.A. in business administration from George Fox University.

Public Employees Retirement System Organizational Chart

Public Employees Retirement Board

- **Paul R. Cleary**, Executive Director
  - Internal Auditor
  - Executive Support
  - **Steven P. Rodeman**, Deputy Director
    - Project Management Office
    - Oregon State Social Security Administration
    - **Yvette S. Elledge**, Administrator, Customer Services Division
      - Member Account Priority Processing
      - Member/Employer Relations
      - Information Center
    - **Jeffrey M. Marecic**, Administrator, Information Services Division
      - Business Information and Technical Services
      - Enterprise Application
      - Technical Operations
    - Policy, Planning, and Communications Division
      - Publications and Communications
      - Policy Analysis and Compliance
      - Strategic and Operational Planning
    - **Brian C. Harrington**, Administrator, Benefit Payments Division
      - Retirement Services
      - Benefit Application Intake
      - Specialty Services
    - **Kyle J. Knoll**, Administrator, Financial and Administrative Services Division
      - Financial Reporting
      - Actuarial Services
      - Budget, Fiscal Analysis, and Payroll
      - Accounting and Cash Transactions
      - Oregon Savings Growth Plan
      - Retiree Health Insurance
      - Procurement, Facilities, and Logistics
      - Human Resources

Public Employees Retirement System Consultants

Actuary
Milliman, Inc.

Legal Counsel
Oregon Department of Justice
Orrick Herrington & Sutcliffe LLP
Ice Miller LLP
Harrang Long Gary Rudnick PC

Insurance Consultant
Butler Partners & Associates LLC

Medical Advisor
F. William Miller, MD

Technology
HP Enterprise Services

Auditor
Macias Gini & O'Connell LLP

Strategic and Organizational Planning
Mass Ingenuity

Investments
Investment managers are reported in the Summary of Investment Fees, Commissions, and Expenses on page 63.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Public Employees Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

Presented to

Oregon Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

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Financial Section

MGO Certified Public Accountants.

Sacramento
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

To the Honorable John A. Kitzhaber, M.D.
Governor of Oregon

To the Public Employees Retirement Board of the
Oregon Public Employees Retirement System
Tigard, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the fiduciary activities and proprietary activities of the Oregon Public Employees Retirement System (the System), an agency of the State of Oregon, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary activities and proprietary activities of the Oregon Public Employees Retirement System as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3(B) to the basic financial statements, based on the most recent pension plan actuarial valuations as of December 31, 2012, the System's independent actuary determined that the value of the System's actuarial accrued liability exceeded the actuarial value of its assets by $5.6 billion.

Also discussed in Note 3(B) to the basic financial statements, based on the most recent actuarial valuations for the post-employment healthcare benefit plans as of December 31, 2012, the System's independent actuary determined that the value of the System's actuarial accrued liabilities exceeded the actuarial value of its assets by $180.2 million for the Retirement Health Insurance Account plan, and $55.9 million for the Retiree Health Insurance Premium Account plan.

Our opinions are not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

We have previously audited the System's 2012 financial statements, and we expressed an unmodified audit opinion on the financial statements in our report dated December 18, 2012. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, the schedules of employer contributions, and the schedule of claims development information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information, introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 27, 2014 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
January 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Oregon Public Employees Retirement System's (PERS or the System) financial performance during the fiscal year that ended June 30, 2013. It is a narrative overview and analysis that we present in conjunction with the Letter of Transmittal, included in the Introductory Section of this Comprehensive Annual Financial Report. It should also be read in conjunction with the basic financial statements of PERS, as presented in this report.

PERS is primarily responsible for administering retirement benefits, health benefits, and supplemental retirement savings plans. PERS comprises six funds: a defined benefit pension plan, including an account-based benefit program, two other postemployment benefit plans, a deferred compensation plan, and a proprietary fund.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

Management's discussion and analysis provides an introduction to and overview of the basic financial statements, which comprise the following components: Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information. Collectively, this information presents the combined net position restricted for pension benefits, other postemployment benefits (OPEB), deferred compensation, and the unrestricted net position of the proprietary fund administered by PERS as of June 30, 2013. It also summarizes the combined changes in net position restricted for pension and other postemployment benefits, the changes in unrestricted net position, and the cash flows of the proprietary fund for the year then ended, along with an actuarial view on the funded status of the defined benefit pension and other postemployment benefit plans. The information available in each of these sections is briefly summarized below.

Fund Financial Statements

At June 30, 2013, financial statements are presented for the two types of funds administered by PERS: fiduciary funds, where PERS acts in a fiduciary capacity as a trustee for others and is responsible for handling the assets placed under its control; and proprietary fund, where fees are charged for services provided and the focus is on determining financial position, operating and non-operating income, cash flows, and changes in net position.

Fiduciary Funds – include the Defined Benefit Pension Plan, the Individual Account Program, the Retirement Health Insurance Account (RHIA), the Retiree Health Insurance Premium Account (RHIPA), and the Deferred Compensation Plan. Fiduciary funds are used to account for resources held for the benefit of PERS participants. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for the fiduciary funds as of and for the year ended June 30, 2013, along with comparative total information as of and for the year ended June 30, 2012. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year-end, as well as the changes in those resources during the year.

Proprietary Fund – includes the Standard Retiree Health Insurance Account (SRHIA), an enterprise fund. A statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows are presented for the proprietary fund as of and for the year ended June 30, 2013, along with comparative total information as of and for the year ended June 30, 2012. These financial statements reflect the net position, changes in net position, and cash flows resulting from PERS business-type activities.

Notes to the Basic Financial Statements

Note 1 – provides a general description of PERS as well as a description of each of the funds administered by PERS. Information regarding employer and member participation in the pension plans administered by PERS is also provided.

Note 2 – provides a summary of significant accounting policies, including the basis of accounting for each of the fund types: investment accounting policies, management's use of estimates, and other significant accounting policies.

Note 3 – provides information about member and employer contributions to the pension and other postemployment benefit funds administered by PERS.

Note 4 – provides information about the System's accounts receivable and payable as of June 30, 2013.

Note 5 – provides information about capital assets used in plan operations.

Note 6 – provides information on cash and cash equivalents. The note also describes investments, including investing authority, investment risk categorizations, and additional information about unfunded investment commitments, securities lending, and derivatives.

Note 7 – provides information about PERS' long-term debt.

Note 8 – provides information about the potential contingencies of PERS.

Note 9 – provides information about the estimated claims liability of the SRHIA.

Note 10 – provides information about the prior period adjustments related to employer receivables.

Required Supplementary Information

In addition to the financial statements and notes explained above, this CAFR includes three additional Required Supplementary Information schedules with historical trend information and other supplementary information as described below.

- The Schedules of Funding Progress, pages 56 and 57, contain actuarial information about the status of the plan from an ongoing, long-term perspective, showing whether there are sufficient assets to pay pension and postemployment benefits when due. Valuation Assets in excess of Actuarial Liabilities would indicate that sufficient assets have been accumulated as of the valuation date to fund the future benefits of current members and retirees.

• The Schedules of Employer Contributions, page 58, contain historical trend information regarding the value of the total annual contributions employers must pay and the actual contributions made to meet this requirement.

• The Schedule of Claims Development Information for SRHIA, page 59, shows earned revenues and expenses over the past three years.

Other Supplementary Information

• The Schedule of Plan Net Position and Schedule of Changes in Plan Net Position, pages 60 through 61, display the components of the defined benefit pension plan.

• The Schedule of Administrative Expenses and Schedule of Payments to Consultants and Contractors on page 62 show the costs of managing the System. The Summary of Investment Fees, Commissions, and Expenses on page 63 provides the detail of investment-related expenses included in the line item Investment Expense reported in the Statement of Changes in Fiduciary Net Position.

FIDUCIARY FUNDS

• PERS' assets exceed its liabilities at the close of fiscal year 2013, with $65,362.5 million restricted for pension, Oregon Public Service Retirement Plan Individual Account Program (IAP), other postemployment benefits, and deferred compensation benefits.

• Fiduciary net position increased by $5,906.3 million, or 9.9 percent, during the fiscal year. High investment returns and prior period adjustments to employer receivables exceeded increased benefits.

• PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2012, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 90.7 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $0.91 available for payment.

• Revenues (additions to fiduciary net position), which include member and employer contributions of $1,486.9 million, net income from investment activities totaling $7,754.3 million, and other income of $2.5 million, rose 372.0 percent to $9,243.7 million for fiscal year 2013, compared to $1,958.5 in fiscal year 2012.

• Expenses (deductions from fiduciary net position) increased to $3,963.0 million, or 7.3 percent, during the fiscal year from $3,692.0 million in fiscal year 2012.

FIDUCIARY NET POSITION

The condensed comparative summaries of Fiduciary Net Position on this page and page 17 demonstrate that the pension trust funds are primarily focused on investments and net position (reserves).

• Improving financial markets produced higher returns on PERS investments than those of the previous fiscal year, even as benefit payments continued to grow. The net position of the defined benefit pension plan increased approximately $4,819.5 million, or 9.0 percent, during the year ended June 30, 2013.

• The net position of the OPSRP IAP increased approximately $897.7 million, or 20.4 percent, during the year ended June 30, 2013, as member contributions and strong investment returns outweighed benefit payments.

• The net position of the deferred compensation plan increased approximately $138.4 million, or 12.2 percent, during the year ended June 30, 2013, due to increased investment income.

• The net position of the Retirement Health Insurance Account increased approximately $51.0 million, or 19.1 percent, during the year ended June 30, 2013, due to increased investment income.

TABLE 1
FIDUCIARY NET POSITION, PENSION
(in thousands) As of June 30:

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2013	2012	2013	2012	2013	2012
Cash and Receivables	$ 6,889,379	$ 3,196,807	$ 600,818	$ 306,519	$ 70,088	$ 79,308
Investments at Fair Value	55,587,488	52,614,382	5,036,793	4,280,807	1,203,166	1,054,975
Securities Lending Collateral	2,149,201	2,247,245	197,531	186,303	13	216
Other	42,703	46,568	765	865	—	—
Total Assets	64,668,771	58,105,002	5,835,907	4,774,494	1,273,267	1,134,499
Investment Purchases	3,912,414	2,072,276	331,159	185,581	580	521
Securities Lending Payable	2,154,453	2,261,127	198,014	187,450	13	215
Other Payables	122,990	112,175	16,889	9,343	711	195
Total Liabilities	6,189,857	4,445,578	546,062	382,374	1,304	931
Total Net Position	$ 58,478,914	$ 53,659,424	$ 5,289,845	$ 4,392,120	$ 1,271,963	$ 1,133,568

TABLE 2
FIDUCIARY NET POSITION, OPEB
(in thousands) As of June 30:

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account	
	2013	2012	2013	2012
Cash and Receivables	$ 39,316	$ 21,480	$ 901	$ 631
Investments at Fair Value	297,952	255,398	3,608	4,115
Securities Lending Collateral	11,702	11,183	144	190
Other	24	29	—	—
Total Assets	348,994	288,090	4,653	4,936
Investment Purchases	19,572	10,156	237	164
Securities Lending Payable	11,730	11,252	144	190
Other Payables	108	102	32	23
Total Liabilities	31,410	21,510	413	377
Total Net Position	$ 317,584	$ 266,580	$ 4,240	$ 4,559

• The net position of the Retiree Health Insurance Premium Account decreased approximately $0.3 million during the year ended June 30, 2013, as increases in employer contributions and investment income fell short of increases in healthcare premium subsidies.

CHANGES IN FIDUCIARY NET POSITION

Revenues – Additions to Fiduciary Net Position

Additions to Fiduciary Net Position needed to finance retirement benefits are accumulated through the collection of employer and member contributions and through investment income.

• Member contributions to the defined benefit pension plan increased $0.5 million, or 2.7 percent, from fiscal year 2012 to fiscal year 2013, due to an increase in service credit purchases. Member contributions to the defined benefit pension plan have been closed since 2004 except for judge members.

• Member contributions to the IAP decreased $5.4 million, or 1.0 percent, as covered salaries decreased from fiscal year 2012 to fiscal year 2013.

• Member contributions to the deferred compensation plan decreased $6.4 million, or 7.9 percent, in fiscal year 2013. Active membership increased from 19,596 to 20,357 during the year, but there were fewer pay dates than in fiscal year 2012, due to timing differences.

• Employer contributions to the defined benefit pension plan increased $4.0 million, or 0.5 percent, in fiscal year 2013. Employer contribution rates did not change from fiscal year 2012 to 2013; however, the covered salary on which contributions are based increased during fiscal year 2013.

• Employer contributions to the Retirement Health Insurance Account increased slightly in fiscal year 2013 as employer contribution rates were stable. Employer contributions were $47.3 million in fiscal year 2013 compared to $46.5 million in fiscal year 2012, a 1.8 percent increase.

• Employer contributions to the Retiree Health Insurance Premium Account were the same in fiscal years 2013 and 2012 as contribution rates were unchanged. Employer contributions were $3.4 million in both fiscal years 2013 and 2012.

• Net investment and other income in the defined benefit pension plan was $6,949.7 million, a $6,569.0 million, or 1,725.3 percent, increase over the fiscal year 2012 gain of $380.8 million, due to an upturn in financial markets.

• Net investment and other income in the IAP was $635.4 million in fiscal year 2013, a 788.2 percent increase from the fiscal year 2012 gain of $71.5 million. Fiscal year 2013 investment returns were strong compared to the weak returns of fiscal year 2012.

• Net investment and other income in the Retirement Health Insurance Account was $35.6 million, a $32.6 million, or 1,078.6 percent, increase from the fiscal year 2012 gain of $3.0 million, due to improved market performance.

• Net investment and other income in the Retiree Health Insurance Premium Account was $0.5 million, a significant increase over the fiscal year 2012 gain of $17 thousand, due to higher investment returns.

• Net investment and other income in the deferred compensation plan was $135.6 million, a $125.7 million increase from the fiscal year 2012 gain of $9.8 million as a result of strong investment returns.

Expenses – Deductions from Fiduciary Net Position

Benefit payments, refunds of contributions by members who terminate employment, health insurance premium subsidies, deferred compensation payments, and administrative costs comprise the System's expenses.

• Pension benefit and other payments from the defined benefit pension plan were $3,607.0 million in fiscal year 2013, a $244.2 million, or 7.3 percent, increase over fiscal year 2012 expenses of $3,362.8 million. An increase in service retirements and benefit payments during the year produced an increase in deductions to net position.

• IAP benefit and other payments increased $16.0 million, or 6.9 percent, during the year, from $232.4 million in fiscal year 2012 to $248.4 million in fiscal year 2013. Accounts withdrawn increased due to higher cumulative contributions, positive earnings, and an increase in retirements for the year.

• Deferred compensation benefits and other expenses increased $9.5 million, or 15.4 percent, from $61.9 million in fiscal year 2012 to $71.4 million fiscal year 2013. Benefit payments were higher due to investment gains and increased retirement activity.

• Retirement Health Insurance Account benefit and other payments increased $1.0 million, or 3.3 percent, from $30.9 million in fiscal year 2012 to $31.9 million in fiscal year 2013, as a result of increases in healthcare subsidy payments due to additional retirements.

• Retiree Health Insurance Premium Account benefit payments increased $0.3 million, or 7.7 percent, from $4.0 million in fiscal year 2012 to $4.3 million in fiscal year 2013, as a result of increases in healthcare subsidy payments due to additional retirements.

The tables below show condensed comparative summaries of the changes in fiduciary net position and reflect the activities of the plans administered by the System.

TABLE 3
CHANGES IN FIDUCIARY NET POSITION, PENSION
(in thousands) For the Years Ending June 30:

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2013	2012	2013	2012	2013	2012
Additions:						
Employer Contributions	$ 834,161	$ 830,123	$ —	$ —	$ —	$ —
Plan Members	16,986	16,535	510,796	516,175	74,248	80,633
Net Investment and Other Income	6,949,742	380,750	635,350	71,536	135,573	9,842
Total Additions	7,800,889	1,227,408	1,146,146	587,711	209,821	90,475
Deductions:						
Pension Benefits	3,556,060	3,295,710	241,327	224,730	70,551	61,465
Other	50,945	67,123	7,094	7,698	875	418
Total Deductions	3,607,005	3,362,833	248,421	232,428	71,426	61,882
Net Increase/(Decrease)	4,193,884	(2,135,425)	897,725	355,283	138,395	28,593
Net Position						
Beginning of year	53,659,424	55,794,849	4,392,120	4,036,837	1,133,568	1,104,976
Prior Period Adjustment	625,606	—	—	—	—	—
Beginning of Year, as Restated	54,285,030	55,794,849	4,392,120	4,036,837	1,133,568	1,104,976
End of Year	$ 58,478,914	$ 53,659,424	$ 5,289,845	$ 4,392,120	$ 1,271,963	$ 1,133,568

TABLE 4
CHANGES IN FIDUCIARY NET POSITION, OPEB
(in thousands) For the Years Ending June 30:

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account	
	2013	2012	2013	2012
Additions:				
Employer Contributions	$ 47,294	$ 46,465	$ 3,444	$ 3,378
Net Investment and Other Income	35,637	3,024	499	17
Total Additions	82,931	49,489	3,943	3,395
Deductions:				
Healthcare Premium Subsidies	30,778	29,936	4,093	3,886
Other	1,149	964	169	72
Total Deductions	31,927	30,900	4,262	3,958
Net Increase/(Decrease)	51,004	18,589	(319)	(563)
Net Position				
Beginning of Year	266,580	247,991	4,559	5,122
End of Year	$ 317,584	$ 266,580	$ 4,240	$ 4,559

PROPRIETARY FUND

The Standard Retiree Health Insurance Account uses an enterprise fund to account for the activities of PERS' healthcare program, a public entity risk pool.

NET POSITION

The net position of the Standard Retiree Health Insurance Account as of June 30, 2013, is $78.0 million, a $2.3 million, or 2.9 percent decrease from fiscal year 2012. Although premium revenues increased during the year, they were exceeded by greater increases in claims expense and rate subsidy payments.

CHANGES IN NET POSITION

Standard Retiree Health Insurance Account insurance premium and other revenue for the year ended June 30, 2013, are $195.6 million, a $6.6 million, or 3.5 percent, increase from fiscal year 2012. This change resulted from an increase in the number of retirees participating in the healthcare program.

Standard Retiree Health Insurance Account healthcare and other payments for the year ended June 30, 2013, increased $25.1 million, or 14.5 percent, from $172.8 million in fiscal year 2012 to $197.9 million in fiscal year 2013 due to increases in administrative and claims expense.

The tables on this page show the condensed summary of net position and the condensed summary of changes in revenues, expenses, and net position for SRHIA.

TABLE 5
NET POSITION, ENTERPRISE FUND
(in thousands) As of June 30:

	Standard Retiree Health Insurance Account	
	2013	2012
Cash and Receivables	$ 92,412	$ 96,623
Securities Lending Collateral	5,300	757
Total Assets	97,712	97,380
Claims Payable	14,090	13,959
Other Payables	305	2,321
Securities Lending Payable	5,300	757
Total Liabilities	19,695	17,037
Total Net Position	$ 78,017	$ 80,343

TABLE 6
REVENUES, EXPENSES, AND CHANGES IN NET POSITION, ENTERPRISE FUND
(in thousands) For the Years Ending June 30:

	Standard Retiree Health Insurance Account	
	2013	2012
Revenues:		
Insurance Premiums	$ 195,252	$ 186,682
Federal Government Reimbursements	—	2,158
Investment Income	320	130
Other Income	22	20
Total Revenues	195,594	188,990
Expenses:		
Claims	172,758	160,152
Increase/(Decrease) in Estimated Liabilities	131	(9,533)
Administrative Expense	25,031	22,154
Total Expenses	197,920	172,773
Net Increase (Decrease)	(2,326)	16,217
Net Position		
Beginning of Year	80,343	64,126
End of Year	$ 78,017	$ 80,343

PLAN MEMBERSHIP

The table below reflects the defined benefit pension plan membership as of the beginning and end of the fiscal year.

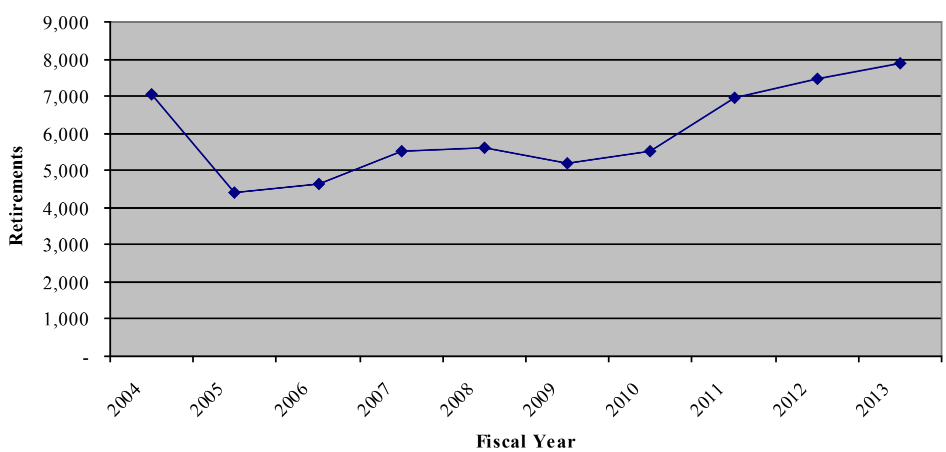
TABLE 7
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2013	2012	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	114,267	110,279	3.6 %
Police and Fire	9,560	9,067	5.4
Total	123,827	119,346	3.8
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	189,318	192,091	(1.4)
Police and Fire	15,945	16,026	(0.5)
Nonvested:			
General	2,690	3,772	(28.7)
Police and Fire	125	178	(29.8)
Total	208,078	212,067	(1.9) %

SERVICE RETIREMENTS

Service retirements rose for the fourth consecutive year due to a significant increase in members eligible to retire. Service retirements in fiscal year 2013 were 7,902 compared to 7,473 in fiscal year 2012, an increase of 5.7 percent.

TABLE 8
SERVICE RETIREMENTS
By Fiscal Year

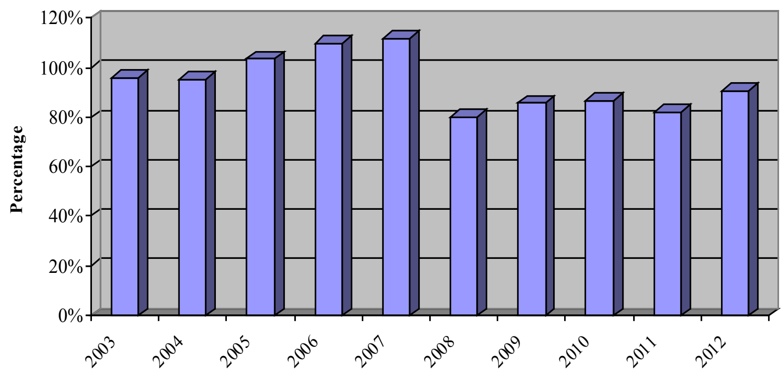


FUNDED STATUS

The System's Unfunded Actuarial Accrued Liability (UAAL) for pension benefits decreased by $5,409.1 million, going from $11,030.2 million as of December 31, 2011, to $5,621.1 million in 2012. Several factors led to improvement in the System's funded status:

- the actuarial cost method was changed from projected unit cost to entry age normal,
- investment gains through December 31, 2012, exceeded actuarially assumed earnings, and
- two bills enacted by the 2013 Oregon Legislature reduced annual cost-of-living adjustments for retirees.

TABLE 9
SCHEDULE OF FUNDING PROGRESS
FUNDED RATIO
As of December 31



INVESTMENT ACTIVITIES

During fiscal year 2013 investments increased 6.7 percent over the prior fiscal year as markets advanced significantly from the prior year. Positive investment returns in real estate, public equity, and alternative equity asset classes helped offset declines in debt investments and opportunity portfolio investments. Public equity increased approximately $3,436.2 million as both domestic and international equity exhibited positive returns. Investments in debt securities decreased $187.7 million as a result of sales made in accordance with the Oregon Investment Council's asset allocation policy. Private equity investments were down approximately $153.2 million for the year as distributions outweighed contributions and investment income. The opportunity portfolio decreased approximately $121.3 million during the fiscal year due to returns of capital. The alternative asset class increased $217.4, or 53.0 percent, due to appreciation in investments. The fair value of real estate investments increased by $727.9 million due to gains in both real property and real estate investment trusts. One-year returns on asset classes and comparative benchmarks are presented in the table below.

TABLE 10
INVESTMENT RETURN
Periods Ending June 30:

	2013	2012
Total Portfolio	12.7%	1.6%
Policy Benchmark	12.4	2.6
Domestic Stocks	21.9	1.9
Benchmark: Russell 3000 Index	21.5	3.8
International Stocks	16.4	(13.4)
Benchmark: Custom Index[1]	13.9	(14.8)
Fixed Income Segment	3.6	7.4
Benchmark: Custom Index[2]	2.7	6.9
Real Estate[3]	14.4	8.7
Benchmark: NCREIF	10.5	13.4
NAREIT Equity REIT Index	9.3	12.5
Private Equity[4]	12.7	6.7
Benchmark: Russell 3000 + 300 bps	18.0	10.4
Alternate Equity	(0.1)	4.0
Benchmark: Consumer Price Index + 400 bps	5.8	5.8
Opportunity Portfolio	17.7	(0.3)
Benchmark: Russell 3000	21.5	3.8

[1] Morgan Stanley Capital International All Country World Index ex-Investable Market Index Net Index
[2] 60% Barclays Capital Universal/20% S&P/LSTA Leveraged Loan Index/10% JMP Emerging Market Bond Index Global (EMBI Global) Index/10% Bank of America Merrill Lynch High Yield Master II Index
[3] Returns are lagged one quarter
[4] Returns are lagged one quarter

EFFECT OF ECONOMIC FACTORS

The financial position of the System improved during the fiscal year due to strong investment returns. Table 10 on page 22 shows portfolio returns and indexes, which are reflective of the market environment.

Benefit payments are expected to increase in future fiscal years due to an increase in the number of retirees. The majority of retirees retiring elect to transfer out of the variable account at retirement. Retirees who elect to continue participating in the variable account after retirement will experience an increase in related benefits of approximately 17.07 percent, effective February 1, 2014, compared to an increase of 3.0 percent effective February 1, 2013. This increase in benefits is due to investment gains in the variable account for the period of November 1, 2012, through October 31, 2013.

Senate Bill 822, signed into law in May 2013, eliminated the tax-remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5 percent of annual benefit. Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000. Passage of these bills reduced PERS' unfunded actuarial accrued liability as of December 31, 2012, by approximately $5.0 billion.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide plan participants, employers, citizens, taxpayers, and others with a general overview of the System's finances and to demonstrate the Board's oversight of the System. If you have questions about this report or need additional financial information, please contact the Financial and Administrative Services Division Administrator at P.O. Box 23700, Tigard, Oregon 97281-3700.

Statement of Fiduciary Net Position
Pension and Other Postemployment Plans
As of June 30, 2013, with Comparative Totals as of June 30, 2012

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	OPEB Plans: Retirement Health Insurance Account	OPEB Plans: Retiree Health Insurance Premium Account
Assets:				
Cash and Cash Equivalents	$ 3,398,384,948	$ 337,605,601	$ 22,657,292	$ 567,936
Receivables:				
Employer	23,318,650	—	1,386,496	135,952
Plan Member	—	7,647,814	—	—
Interest and Dividends	303,100,494	27,842,924	1,647,051	19,945
Member Loans	—	—	—	—
Investment Sales and Other Receivables	2,549,515,067	223,285,180	13,214,386	176,029
Transition Liability	613,560,681	—	—	—
Total Receivables	3,489,494,892	258,775,918	16,247,933	331,926
Due from Other Funds	1,498,973	4,436,748	410,352	599
Investments:				
Debt Securities	12,971,254,886	1,191,544,314	70,485,933	853,568
Public Equity	21,365,669,021	1,893,163,343	111,990,282	1,356,175
Real Estate	6,824,050,783	626,859,851	37,081,963	449,054
Private Equity	13,113,982,034	1,204,655,283	71,261,514	862,960
Alternative Equity	572,009,211	52,544,980	3,108,304	37,641
Opportunity Portfolio	740,522,410	68,024,665	4,024,006	48,730
Total Investments	55,587,488,345	5,036,792,436	297,952,002	3,608,128
Securities Lending Collateral	2,149,200,742	197,531,249	11,701,659	143,751
Prepaid Expenses	5,015,682	409,030	24,196	293
Capital Assets at Cost, Net	37,687,590	355,718	—	—
Total Assets	**64,668,771,172**	**5,835,906,700**	**348,993,434**	**4,652,633**
Liabilities:				
Investment Purchases and Accrued Expenses	3,912,413,819	331,158,540	19,571,808	237,011
Deposits and Other Liabilities	115,263,528	15,940,852	1,438	1,036
Due to Other Funds	4,847,699	948,074	106,383	30,896
Bonds Payable	2,490,239	—	—	—
Unearned Revenue	388,798	—	—	—
Securities Lending Collateral Due Borrowers	2,154,453,357	198,013,756	11,730,202	144,097
Total Liabilities	**6,189,857,440**	**546,061,222**	**31,409,831**	**413,040**
Net Position Restricted for Pension and Other Postemployment Benefits	**$ 58,478,913,732**	**$ 5,289,845,478**	**$ 317,583,603**	**$ 4,239,593**

The accompanying notes are an integral part of the financial statements.

Deferred Compensation Plan	2013	2012
$ 61,344,595	$ 3,820,560,372	$ 1,903,898,203
—	24,841,098	29,188,731
—	7,647,814	12,106,007
340,240	332,950,654	336,417,252
8,310,742	8,310,742	9,731,566
92,573	2,786,283,235	1,305,192,180
—	613,560,681	—
8,743,555	3,773,594,224	1,692,635,736
—	6,346,672	8,211,968
220,144,326	14,454,283,027	14,641,988,707
983,021,517	24,355,200,338	20,918,981,564
—	7,488,441,651	6,760,574,023
—	14,390,761,791	14,544,003,207
—	627,700,136	410,250,609
—	812,619,811	933,878,315
1,203,165,843	62,129,006,754	58,209,676,425
13,094	2,358,590,495	2,445,136,658
—	5,449,201	7,501,760
—	38,043,308	39,960,209
1,273,267,087	**72,131,591,026**	**64,307,020,959**
579,716	4,263,960,894	2,268,698,261
13,314	131,220,168	110,723,926
150,932	6,083,984	7,743,382
—	2,490,239	3,072,196
546,919	935,717	299,322
13,094	2,364,354,506	2,460,233,712
1,303,975	**6,769,045,508**	**4,850,770,799**
$ 1,271,963,112	**$ 65,362,545,518**	**$ 59,456,250,160**

Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Plans
For the Year Ended June 30, 2013, with Comparative Totals for the Year Ended June 30, 2012

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	OPEB Plans: Retirement Health Insurance Account	OPEB Plans: Retiree Health Insurance Premium Account
Additions:				
Contributions:				
Employer	$ 834,161,587	$ —	$ 47,294,060	$ 3,443,805
Plan Member	16,985,722	510,796,006	—	—
Total Contributions	851,147,309	510,796,006	47,294,060	3,443,805
Investment Income:				
Net Appreciation/(Depreciation) in Fair Value of Investments	5,784,956,941	526,295,623	29,539,953	412,580
Interest, Dividends, and Other Investment Income	1,514,640,705	141,833,499	7,959,454	111,300
Total Investment Income	7,299,597,646	668,129,122	37,499,407	523,880
Less Investment Expense	374,237,126	34,832,057	1,977,182	26,467
Net Investment Income	6,925,360,520	633,297,065	35,522,225	497,413
Securities Lending Income:				
Securities Lending Income	26,376,208	2,218,527	132,359	2,041
Less Securities Lending Expense	(3,431,235)	(300,941)	(17,938)	(253)
Net Securities Lending Income	22,944,973	1,917,586	114,421	1,788
Other Income	1,436,571	135,403	65	78
Total Additions	7,800,889,373	1,146,146,060	82,930,771	3,943,084
Deductions:				
Benefits	3,551,477,222	241,326,511	—	—
Death Benefits	4,582,777	—	—	—
Refunds of Contributions	17,439,568	—	—	—
Administrative Expense	33,505,928	7,093,871	1,149,475	169,137
Healthcare Premium Subsidies	—	—	30,777,470	4,093,736
Total Deductions	3,607,005,495	248,420,382	31,926,945	4,262,873
Net Increase (Decrease)	**4,193,883,878**	**897,725,678**	**51,003,826**	**(319,789)**
Net Position Restricted for Pension and Other Postemployment Benefits				
Beginning of Year, as Previously Reported	**53,659,423,570**	**4,392,119,800**	**266,579,777**	**4,559,382**
Prior Period Adjustment	625,606,284	—	—	—
Beginning of Year, as Restated	54,285,029,854	4,392,119,800	266,579,777	4,559,382
End of Year	**$ 58,478,913,732**	**$ 5,289,845,478**	**$ 317,583,603**	**$ 4,239,593**

The accompanying notes are an integral part of the financial statements.

Deferred Compensation Plan	2013	2012
$ —	$ 884,899,452	$ 879,966,593
74,248,188	602,029,916	613,342,331
74,248,188	1,486,929,368	1,493,308,924
126,142,855	6,467,347,952	(822,998,609)
11,095,712	1,675,640,670	1,599,815,840
137,238,567	8,142,988,622	776,817,231
2,633,489	413,706,321	335,163,728
134,605,078	7,729,282,301	441,653,503
29	28,729,164	26,399,481
(29)	(3,750,396)	(6,045,343)
—	24,978,768	20,354,138
967,741	2,539,858	3,160,131
209,821,007	9,243,730,295	1,958,476,696
70,550,942	3,863,354,675	3,577,986,671
—	4,582,777	3,918,168
—	17,439,568	34,020,450
874,584	42,792,995	42,254,365
—	34,871,206	33,821,689
71,425,526	3,963,041,221	3,692,001,343
138,395,481	**5,280,689,074**	**(1,733,524,647)**
1,133,567,631	**59,456,250,160**	**61,189,774,807**
—	625,606,284	—
1,133,567,631	60,081,856,444	61,189,774,807
$ 1,271,963,112	**$ 65,362,545,518**	**$ 59,456,250,160**

Statement of Net Position - Proprietary Fund
As of June 30, 2013, with Comparative Totals as of June 30, 2012

	Standard Retiree Health Insurance Account	
	2013	2012
Assets:		
Current Assets		
Cash and Cash Equivalents	$ 92,412,569	$ 96,586,516
Due from Other Funds	—	36,846
Securities Lending Collateral	5,299,675	756,993
Total Assets	**97,712,244**	**97,380,355**
Liabilities:		
Current Liabilities		
Estimated Insurance Claims Due	14,090,000	13,959,000
Accrued Expenses	13,304	1,815,955
Due to Other Funds	262,688	505,432
Securities Lending Collateral Due Borrowers	5,299,675	756,993
Total Current Liabilities	**19,665,667**	**17,037,380**
Long-Term Liabilities		
Other Liabilities	29,627	423
Total Long-Term Liabilities	**29,627**	**423**
Total Liabilities	**19,695,294**	**17,037,803**
Total Unrestricted Net Position	**$ 78,016,950**	**$ 80,342,552**

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2013, with Comparative Totals for the Year Ended June 30, 2012

	Standard Retiree Health Insurance Account	
	2013	2012
Operating Revenues:		
Insurance Premium Revenue	$ 195,251,909	$ 186,681,811
Federal Government Reimbursements	—	2,158,326
Other Income	22,451	20,361
Total Operating Revenues	195,274,360	188,860,498
Operating Expenses:		
Claims Expense	172,758,371	160,152,655
Increase/(Decrease) in Estimated Liabilities	131,000	(9,533,372)
Administrative Expense	25,030,801	22,154,403
Total Operating Expenses	197,920,172	172,773,686
Operating Income/(Loss)	**(2,645,812)**	**16,086,812**
Non-Operating Revenues:		
Interest, Dividends, and Other Investment Income	320,210	129,544
Securities Lending Income/(Expense)	7,887	9,096
Less Securities Lending Expense	(7,887)	(9,096)
Net Securities Lending Income	—	—
Total Non-Operating Revenue	320,210	129,544
Change in Unrestricted Net Position	**(2,325,602)**	**16,216,356**
Total Unrestricted Net Position		
Beginning of Year	80,342,552	64,126,196
End of Year	**$ 78,016,950**	**$ 80,342,552**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2013, with Comparative Totals for the Year Ended June 30, 2012

	Standard Retiree Health Insurance Account	
	2013	2012
Cash Flows from Operating Activities:		
Insurance Premiums Collected	$ 195,288,755	$ 186,865,693
Federal Government Reimbursements	—	2,158,326
Claims Paid	(172,758,371)	(160,152,655)
Other Receipts	22,451	20,361
Other Payments	(27,046,992)	(20,434,605)
Net Cash Provided by/(Used for) Operating Activities	**(4,494,157)**	**8,457,120**
Cash Flows from Investing Activities		
Interest and Dividends Received	320,210	129,544
Net Increase/(Decrease) in Cash and Cash Equivalents	(4,173,947)	8,586,664
Cash and Cash Equivalents Beginning of Year	96,586,516	87,999,852
Cash and Cash Equivalents End of Year	$ 92,412,569	$ 96,586,516
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities		
Operating Income/(Loss)	$ (2,645,812)	$ 16,086,812
Changes in Assets and Liabilities		
Plan Member Receivables	—	183,882
Due from Other Funds	36,846	(36,846)
Estimated Insurance Claims Due	131,000	(9,533,372)
Accrued Expenses	(1,802,651)	1,638,541
Due to Other Funds	(242,744)	136,215
Other Liabilities	29,204	(18,112)
Net Cash Provided by/(Used for) Operating Activities	**$ (4,494,157)**	**$ 8,457,120**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
June 30, 2013

Note 1 - Description of Plan

A. Pension Plan Membership

The Oregon Public Employees Retirement System (PERS or the System) provides statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (Board). For employers that participate in the State and Local Government Rate Pool and the School Districts Pool, PERS is a cost-sharing, multiple-employer system. PERS is an agent multiple-employer system for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional, but irrevocable if elected. Plan assets of the defined benefit pension, postemployment healthcare, deferred compensation plans, and asset-based account may legally be used to pay benefits only to plan members or plan beneficiaries of the respective plans for which the assets were accumulated.

TABLE 1

Employee and Retiree Members	
Retirees and beneficiaries currently receiving benefits:	
	6/30/2013
General	114,267
Police and fire	9,560
Total	**123,827**
Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	189,318
Police and Fire	15,945
Nonvested:	
General	2,690
Police and Fire	125
Total	**208,078**

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. As of June 30, 2013, there were 39,554 active and 19,160 inactive for a total of 58,714 Tier One members and 45,190 active and 16,889 inactive for a total of 62,079 Tier Two members in the System.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2013, there were 78,515 active and 8,770 inactive members for a total of 87,285 OPSRP Pension Program members.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited into the member's IAP account, not into the member's PERS account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

B. Plan Benefits

a. PERS Pension (Chapter 238)

1. Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled.

Police and fire members may purchase increased benefits that are payable between the date of retirement and age 65.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

A judge member who has made contributions to the PERS Fund during each of five calendar years shall receive a retirement allowance, payable monthly, for life. Before reaching age 60, judge members must choose the calculation formula under which they will retire. The election is irrevocable after the member attains age 60. The two formulas, A and B, are described in the following paragraph.

The Plan A retirement allowance for judge members is computed by multiplying 2.8125 percent by the final average salary for the first 16 years of service and 1.67 percent of the final average salary multiplied by the number of years of service as a judge with years of service in excess of 16. For most judge members the maximum amount is limited to 65 percent of final average salary. The Plan B retirement allowance for judge members is computed by multiplying 3.75 percent by the final average salary for the first 16 years of service and 2.0 percent of the final average salary multiplied by the number of years of service as a judge with years of service in excess of 16. For most judge members the maximum amount is limited to 75 percent of final average salary. Plan B requires a judge to serve up to 35 days per year for a period of five years as a pro-tem judge. There is no actuarial reduction for retirement before age 65.

2. Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of $30 per month for deaths that occur July 30, 2003, and earlier; $200 per month for deaths that occur after July 30, 2003.

3. Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Judge members of PERS who have served a minimum of six consecutive years and who become physically or mentally incapacitated are entitled to benefits as provided in ORS 238.555.

4. Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Monthly benefits are adjusted annually through cost-of-living changes. Two percent per year was the maximum cost-of-living adjustment in fiscal year 2013.

The COLA in fiscal year 2014 will be capped at 1.5 percent for all benefit recipients. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

b. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.

3. Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

c. OPSRP Individual Account Program (OPSRP IAP)

1. Pension Benefits

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

2. Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

3. Recordkeeping

PERS contracts with ING (Internationale Nederlanden Groep) to maintain IAP participant records.

d. Other Postemployment Healthcare Benefits

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to $60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing, multiple-employer defined benefit OPEB plan for 911 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

For the year ended June 30, 2013, PERS employers contributed 0.09 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.50 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2009 actuarial valuation. This is included in the employer contribution rates listed in Table 2 on page 37.

Employer contributions are advance-funded on an actuarially determined basis. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The number of active plan RHIA participants was 42,497 for the fiscal year ended June 30, 2013. As of December 31, 2012, there were 88,222 active and 16,338 inactive members who meet the requirements to receive RHIA benefits when they retire.

ORS 238.415 established the Retiree Health Insurance Premium Account (RHIPA) and requires the Board on or before January 1 of each year to calculate the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the Board and health insurance premiums paid by state employees who are not retired. ORS 238.415 authorizes payment of this average difference to qualified retired state employees. Retired state employees are qualified to receive this benefit if they had eight or more years of qualifying service in the System at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. RHIPA is a single-employer (the state as one employer) defined-benefit OPEB plan and was closed to new entrants hired on or after August 29, 2003.

A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died, and the member retired on or after September 29, 1991.

For the year ended June 30, 2013, state agencies contributed 0.05 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIPA benefits. State agencies contributed 0.11 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2009 actuarial valuation. This is included in the employer contribution rates listed in Table 4 on page 39.

The number of active plan RHIPA participants was 1,193 for the fiscal year ended June 30, 2013. As of December 31, 2012, there were 21,112 active members who meet the requirements to receive RHIPA benefits when they retire. Inactive members are not eligible for these benefits. All subsidy payments from the RHIA and RHIPA are initially deposited in the Standard Retiree Health Insurance Account, described on page 34, and subsequently remitted to the appropriate PERS health plan.

e. Deferred Compensation Plan

Deferred compensation plans are authorized under Internal Revenue Code Section 457. The Oregon Legislature enacted Chapter 179, Oregon Laws 1997 that established the Deferred Compensation Fund. ORS 243.400 to 243.507 established and provided for PERS to administer the state deferred compensation plan, known as the Oregon Savings Growth Plan (OSGP). As of June 30, 2013, the fair value of investments was $1,203.2 million.

The deferred compensation plan is a benefit available to all state employees. To participate, an employee executes an individual agreement with the state deferring current earnings to be paid at a future date. Participants in the plan are not required to pay federal and state income taxes on the deferred contributions and earnings until the funds are withdrawn. Participants or their beneficiaries cannot withdraw the funds until at least one of the following occurs: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a *de minimis* distribution from inactive accounts valued less than $5,000. A loan program is also available for eligible participants. Member loans receivable at June 30, 2013, total $8.3 million. Of that amount $6.7 million is not expected to be collected within one year.

PERS contracts with ING to maintain OSGP participant records. The Oregon State Treasury, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are 19 investment options with varying degrees of market risk. Up to five financial institutions provide investment services in mutual funds for each investment option. A participant receives a blend of these mutual funds within the investment option. Participants direct the selection of investment options and also bear any market risk. The state has no liability for losses under the plan but does have the prudent investor responsibility of due care. Total membership as of June 30, 2013, was 20,357.

PERS may assess a charge to the participants not to exceed 2.0 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. Actual charges to participants, including investment charges, for the year ended June 30, 2013, averaged 0.22 percent of amounts deferred.

Oregon Revised Statute 243.505 established a Deferred Compensation Advisory Committee to provide input to the PERS Board. This committee is composed of seven members who meet at least quarterly.

f. Standard Retiree Health Insurance Account

ORS 238.410 established the Standard Retiree Health Insurance Account (SRHIA), a public entity risk pool. SRHIA is both a risk sharing and insurance purchasing pool. The Board contracts for medical and hospital insurance on behalf of retired members. Members and their dependents are eligible for PERS healthcare coverage if the member is receiving a retirement allowance or benefit under the System. A surviving spouse or dependent of a PERS retiree is eligible to participate if he or she was covered under the health plan at the time of the retiree's death. As of June 30, 2013, there were 56,711 retirees and their dependents participating in the health insurance program.

PERS has contracted with various carriers on an insurance purchasing basis and remits premiums collected from participating members to the carriers on a monthly basis. PERS has contracted with Moda Health for claims payment services for a minimum premium funding plan and also remits premiums monthly for stop-loss coverage. SRHIA is ultimately at risk for all amounts collected and on deposit with Moda Health and other health insurance providers, which totaled approximately $12.7 million as of June 30, 2013. Moda Health becomes responsible for claims in excess of $200 thousand per year per individual and all claims in excess of contractually required reserves on deposit with Moda Health.

The current estimate of Incurred But Not Reported (IBNR) insurance claims is $14.1 million. In fiscal year 2012 SRHIA received $2.2 million in Early Retiree Reinsurance Program (ERRP) revenues through the federal government's Affordable Care Act. The purpose of ERRP is to generate cost savings so that employers can maintain healthcare coverage for early retirees age 55 and older who are not yet eligible for Medicare. PERS has achieved this purpose by using the ERRP revenues to reduce healthcare insurance premiums. Unexpended ERRP funds at June 30, 2013, are approximately $1.0 million.

Note 2 - Summary of Significant Accounting Policies

A. Reporting Entity

The Public Employees Retirement Board is the governing authority of the System. It consists of five members appointed by the governor and subject to confirmation by the state Senate. The Board appoints an executive director to act as the principal administrative officer of the System. The Board has independence in the operation and management of the System. The state Legislature has significant ability to influence funding, approve the System's budget, and pass laws governing the System.

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasury has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the *State of Oregon Comprehensive Annual Financial Report*.

B. Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements 10, 25, 30, 31, 32, 34, 43, 50, and 63 as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds and enterprise funds. Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity (trust funds). Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services.

PERS' pension, other postemployment benefit, and deferred compensation activities are accounted for in five pension and other postemployment benefit trust funds:

- Defined Benefit Pension Plans
- Individual Account Program
- Retirement Health Insurance Account
- Retiree Health Insurance Premium Account
- Deferred Compensation Fund (Oregon Savings Growth Plan)

PERS' public entity risk pool activity is accounted for in a single enterprise fund:

- Standard Retiree Health Insurance Account

C. Basis of Accounting

The accrual basis of accounting is used for all funds. Revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and Board requirements. Expenses are recognized when incurred. Benefits and refunds are recognized in the month they are due and payable.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are insurance premiums, and operating expenses include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Data

Only administrative expenses are subject to biennial legislative budget control. The Legislature exercises this control at the agency level. Any unobligated balance lapses at the end of each biennium.

Encumbrance accounting is allowed only during the biennium. All encumbrances lapse at the end of the biennium except capital construction, capital improvements, and disputed claims.

Budgetary accounting is not consistent with generally accepted accounting principles (GAAP) because the measurement focus is on decreases in financial resources rather than net income determination.

E. Valuation of Investments

Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodian's pricing agent or the investment manager. For example, a similar benchmark security may be used to derive the fair value. The benchmark will typically have a coupon rate and maturity date comparable to the debt security being valued, and its market risk will be similar, considering current market conditions.

Investments in private equities, alternative equities, and the opportunity portfolio are recorded at fair value as of June 30, 2013, as determined by management based on valuation information provided by the general partner. Investments in private equities, alternative equities, and the opportunity portfolio representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets) and (2) the income approach (e.g., the discounted cash flow method).

The fair value of real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services. Publicly traded REIT securities account for 22.7 percent of the real estate asset class as of June 30, 2013. Investments in real estate, with the exception of publicly traded REITS, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2013, as determined by management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity, alternative equity, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed and the difference could be material. In addition, these investments are generally considered to be illiquid long-term investments, and the recorded fair values may materially differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

F. Earnings Crediting

By law earnings are credited to member accounts on a calendar-year basis. Members in Tier One are currently guaranteed to receive at least the assumed earnings rate used in the most recent actuarial valuation. Members participating in the variable account, IAP members, and Tier Two members are credited actual earnings or losses, less deductions allowed by law.

G. Use of Estimates in the Preparation of Financial Statements

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

H. Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Certain reclassifications have been made to June 30, 2012 balances to conform to the presentation as of and for the year ended June 30, 2013.

I. GASB Pronouncements

New GASB Pronouncements

GASB Statement No. 62

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures that do not conflict with or contradict other GASB pronouncements. PERS implemented this standard effective July 1, 2012. The implementation of this statement does not have an impact on the System's financial statements.

GASB Statement No. 63

Effective July 1, 2012, the System implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. Certain defined transactions that do not qualify for treatment as either assets or liabilities are accounted for and reported as either deferred outflows of resources or deferred inflow of resources. These elements define as a consumption and/or acquisition of the net position that is applicable to a future reporting period. With the implementation of GASB No. 63, the Statement of Fiduciary Net Assets became the Statement of Fiduciary Net Position. The new standard clarifies where these elements are to be reported in the statement of financial position. GASB Statements No. 53 and No. 60 previously identified certain transactions requiring the use of deferred outflows and deferred inflows of resources. Based on review and analysis of GASB No. 53 and No. 60, the System does not have these types of transactions.

Future Implementation of GASB Pronouncements

GASB Statement Nos . 67 and 68

In June 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25,* and Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB Statement No. 67 addresses reporting by pension plans that administer benefits for governments and is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. These standards were subsequently published in August 2012.

Key changes include:

• Incorporating *ad hoc* cost-of-living adjustments and other *ad hoc* postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.

• Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments to projected benefit payments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa- or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.

• Requiring more extensive note disclosures and required supplementary information.

The System will be subject to the provisions of GASB Statement No. 67 beginning with the fiscal year ending June 30, 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about the annual money-weighted rates of return on pension plan investments in the notes to the financial statements and in 10-year required supplementary information schedules.

Note 3 - Contributions and Reserves

A. Contributions

a. Member Contributions

Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP). Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 to 7.0 percent of salary and are remitted by participating employers, who may agree to make member contributions on the member's behalf. The contributions are either deducted from member salaries or paid by the employers. The Member Reserve, described in Note 3C.1., represents accumulated member contributions and earnings allocations made prior to January 1, 2004, and subsequent earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

b. Employer Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2009 actuarial valuation, which became effective July 1, 2011. The state of Oregon and certain schools, community colleges, and political subdivisions have made excess contributions to the defined benefit pension plans (unfunded actuarial liability payments), and their rates have been reduced. (See Table 2 below.)

1. PERS Defined Benefit Plan Contributions (ORS 238)

Pension rates for the State and Local Government Rate Pool were 15.05 percent, schools 18.81 percent, and judiciary 17.58 percent of PERS-covered salaries, effective July 1, 2011. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension rate of 13.91 percent.

Oregon Laws 2001, Chapter 945, Section 13 authorized the establishment of the State and Local Government Rate Pool. Local political subdivisions were given the option to join the state of Oregon and community colleges for the actuarial purpose of calculating employer rates. Participation by local political subdivisions in this pool

TABLE 2

Contribution Rate Summary [1]	Defined Benefit Pension							Postemployment Healthcare	
	PERS Defined Benefit Plan					OPSRP Pension Program		RHIA	RHIPA
	Pooled Employers			Non-Pooled Employers		All Employers		All Employers	State Only
	State Agencies [2]	State and Local Government Rate Pool [3]	School Pool [3]	Political Subdivisions [3,4]	Judiciary	General Service	Police and Fire		
Employee IAP	6.00%	6.00%	6.00%	6.00%	0.00%	6.00%	6.00%	0.00%	0.00%
Employee Normal Cost	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.00
Employer Normal Cost	8.67	8.89	7.55	10.35	23.53	6.13	8.84	0.09	0.05
Unfunded Actuarial Liability	1.23	6.16	11.26	3.56	(5.95)	0.08	0.08	0.50	0.11
Total Employer Contributions	9.90	15.05	18.81	13.91	17.58	6.21	8.92	0.59	0.16

1 Group average rates shown were effective as of July 1, 2011.
2 A subcomponent of the State and Local Government Rate Pool; includes UAL payment rate offset.
3 Does not include UAL payment rate offsets.
4 Non-pooled Political Subdivisions are valued separately for the Defined Benefit Plan.

was effective for the actuarial valuation period beginning January 1, 2002.

Based on the actuarial valuation as of December 31, 2009, judiciary, state agencies, schools, and political subdivisions had increases in employer contribution rates. These rate changes are measured against the actual average rates paid since July 1, 2009. The Board practice is to implement new employer contribution rates July 1 of each odd-numbered year based on the valuation of the previous odd-numbered year.

2. OPSRP Pension Program Contributions (ORS 238A)

PERS employers participating in the OPSRP Pension Program participate in the same rate sharing pool and therefore share the same contribution rate. The OPSRP Pension Program employer rates effective July 1, 2011, through June 30, 2013, were 6.21 percent of covered salaries for general service employees and 8.92 percent of covered salaries for police and fire employees. These rates increased from 5.73 percent of covered salaries for general service and 8.44 percent of covered salaries for police and fire employees. Each of these rates includes a component related to disability benefits for general service and police and fire members.

B. Actuarial Cost Method and Assumptions

The employer contribution rates effective July 1, 2011, through June 30, 2013, based on the December 31, 2009 valuation, were set using the projected unit credit (PUC) actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years, and (3) an actuarially determined amount for funding postemployment healthcare subsidies. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The equivalent single amortization period used to calculate contribution rates effective July 1, 2011, through June 30, 2013, was 30 years for the defined benefit plan and 10 years for the postemployment healthcare plans.

The following economic assumptions were used in setting contribution rates effective July 1, 2011, through June 30, 2013:

- Inflation: 2.75 percent
- Investment rate of return: 8.0 percent
- Projected salary increases: 3.75 percent
- Healthcare cost trend rate: For RHIA there is no trend rate. Statute stipulates a $60 monthly payment for healthcare insurance. For RHIPA the trend rate is graded from 7.0 percent in 2011 to 4.5 percent in 2029.

The funded status of the pension plan and each postemployment healthcare plan as of the most recent actuarial valuation date is illustrated in Table 3.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or

TABLE 3 (dollar amounts in millions)[1]

Funded Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pension						
12/31/2012	$54,784.1[2]	$60,405.2	$5,621.1	90.7%	$8,590.9	65.4%
RHIA						
12/31/2012	291.6	471.8	180.2	61.8	8,590.9	2.1
RHIPA						
12/31/2012	4.4	60.3	55.9	7.4	2,432.4[3]	2.3

[1] Discrepancies contained in this table are the result of rounding differences.
[2] Includes individual employer side accounts of $5,518.2 million.
[3] Covered payroll is for state agencies only.

decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members as of the December 31, 2011 valuation. Senate Bill 822, signed into law in May 2013, eliminated the tax-remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5 percent of annual benefit. Senate Bill 861, signed into law in October 2013, limits the post-retirement COLA for years beyond 2013 to 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

Actuarial methods and assumptions used in the latest actuarial valuation are illustrated in Table 4.

C. Reserves and Designations

Chapter 238 Defined Benefit Plan, Other Postemployment Benefit Plans, and Enterprise Fund

1. Member Reserve

The Member Reserve of $7,199.2 million as of June 30, 2013, represents member contributions made through December 31, 2003, and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

2. Employer Contribution Designation

The Employer Contribution Designation of $24,973.7 million as of June 30, 2013, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

3. Benefit Reserve

The Benefit Reserve of $21,027.9 million as of June 30, 2013, is the amount set aside to pay future benefits. It includes funds transferred from the individual member and employer accounts and earnings allocations less amounts paid for retirements and disabilities.

4. Tier One Rate Guarantee Reserve

The Tier One Rate Guarantee Reserve may be credited with investment earnings in excess of the required Tier One assumed earnings rate guarantee. ORS 238.255 requires regular accounts for Tier One members to be credited at the assumed rate of return on investments adopted by the Board for use in actuarial valuations.

The regular account for Tier One members and alternate payees of those members cannot be credited with earnings in excess of the assumed interest rate until:

(a) the reserve is fully funded with amounts determined by the Board, after consultation with the actuary employed by the Board, necessary to ensure a zero balance in the reserve when all Tier One members and alternate payees of those members have retired; and

(b) the reserve has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years. As of June 30, 2013, the balance of this reserve was ($0.3) million.

5. Board Actions Affecting Reserves

As part of its December 31, 2012 earnings crediting decision, the Board decided to distribute $66.9 million to the Contingency Reserve so that it is maintained at approximately 1 percent of the PERS Fund calendar year-end balance.

6. Contingency Reserve

The Contingency Reserve is to be maintained and used by the Board to prevent any deficit of moneys available for the payment of retirement allowances due to interest fluctuations, changes in mortality rates, or other unforeseen contingencies. As of June 30, 2013, the balance of this reserve was $575.2 million.

TABLE 4

Actuarial Methods and Assumptions

	Pension	RHIA	RHIPA
Valuation date	December 31, 2012	December 31, 2012	December 31, 2012
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed	Amortized as a level percentage of payroll; UAL (10 year) amortization period is closed	Amortized as a level percentage of payroll; UAL (10 year) amortization period is closed
Equivalent single amortization period	24 years	7 years	9 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Actuarial assumptions:			
Inflation rate	2.75 percent	2.75 percent	2.75 percent
Investment rate of return	7.75 percent	7.75 percent	7.75 percent
Projected salary increases	3.75 percent	3.75 percent	3.75 percent
Healthcare cost trend rate	N/A	None. Statute stipulates $60 monthly payment for healthcare insurance.	Graded from 8.0 percent in 2013 to 4.7 percent in 2083.

7. Employer Contingency Reserve

The Employer Contingency Reserve was established by the Board to prevent any deficit in the fund caused by the insolvency of an employer. Only earnings on employer contributions fund this reserve. As of June 30, 2013, the reserve had a balance of $25.0 million.

8. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2013, had a balance of zero. In accordance with ORS 238.670, funds in this reserve may be used only to offset gains and losses of invested capital.

9. Unallocated Earnings Designation

The Unallocated Earnings Designation represents January through June investment earnings or losses less administrative expenses, which will be credited on a calendar year basis. Crediting takes place in March of the following year after employer annual reports have been reconciled and contributions have been posted to individual member and employer accounts. As of June 30, 2013, the balance of this designation was $3,308.5 million.

10. OPSRP Defined Benefit Program

The OPSRP Defined Benefit plan net position balance represents the program's accumulation of employer contributions and investment earnings less benefits and administrative expenses. As of June 30, 2013, the balance of this account was $1,369.7 million.

Other Postemployment Benefits Plans

11. Retirement Health Insurance Account (RHIA)

The RHIA plan net position represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2013, the balance of this account was $317.6 million. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

12. Retiree Health Insurance Premium Account (RHIPA)

The RHIPA plan net position represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2013, the balance of this account was $4.2 million. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

Enterprise Fund

13. Standard Retiree Health Insurance Account (SRHIA)

The SRHIA plan net position represents the program's accumulation of insurance premiums and interest earnings less claims payments and administrative expenses. Net position may be used for incurred but not reported expenses (IBNR) and to stabilize future premium rates. As of June 30, 2013, the balance of this account was $78.0 million.

D. Administrative Costs

The System's administrative expenses are funded from investment earnings and administrative fees collected from members and are allocated to all plans and programs administered by the System. If investment earnings and fees are insufficient for such purpose, the remaining expenses are paid from employer contributions.

Note 4 - Receivables and Payables

A. Receivables

Table 5 disaggregates receivable balances reported in the Statement of Fiduciary Net Position as Investment Sales and Other Receivables.

The Strunk/Eugene Accrual resulted from recalculating benefits for recipients who received overpayments based on the reallocation of 1999 earnings. Approximately 85.0 percent of these receivables, or $98.2 million, is not expected to be collected by June 30, 2014.

TABLE 5

Accounts Receivable	June 30, 2013
Broker Receivable	$ 2,667,228,267
Strunk/Eugene Accrual	115,541,662
Overpaid Benefits	3,127,963
Other	385,343
Total	**$ 2,786,283,235**

B. Payables

Table 6 disaggregates payable balances reported in the Statement of Fiduciary Net Position as Investment Purchases and Accrued Expenses.

TABLE 6

Accounts Payable	June 30, 2013
Broker Payable	$ 3,923,856,952
Pension Roll	298,870,379
Investment Fees	29,230,042
Death Benefits	7,869,292
Compensated Absences	1,674,523
Services and Supplies	1,771,434
Other	688,272
Total	**$ 4,263,960,894**

Note 5 - Capital Assets Used in Plan Operations

Capital construction of PERS' headquarters in Tigard, Oregon, was completed May 31, 1997. The land, building, and improvements are recorded at cost. The depreciation of the building and improvements is computed on the straight-line method over the estimated useful life of 40 years.

Data processing hardware, furniture, and equipment are recorded at cost. These are items that are not consumed in the normal course of operations, have a useful life of more than one year, and whose value is $5,000 or more. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Useful lives range from three to 10 years.

Data processing software generated internally as part of the Oregon Retirement Information On-line Network (ORION) project is recorded at cost. The useful life is amortized using the straight-line method over 20 years. (See Table 7.)

Note 6 - Deposits and Investments

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Public Employees Retirement Fund (PERF). Policies are established based on the primary investment asset class of each investment manager and do not reflect the classifications of individual holdings as presented in the financial statements. Contracts with individual investment managers provide additional guidelines that vary from manager to manager.

A. Deposits

PERS cash and cash equivalents consist of cash on hand, deposits in the Oregon Short Term Fund (OSTF), moneys held by external investment managers, and cash equivalents held by health insurance providers. OSTF is a cash and investment pool that operates as a demand deposit account and is required for use by all state funds. (See Table 8.) OSTF is separately audited by the Oregon Audits Division. The audited financial statements can be viewed at http://www.sos.state.or.us/audits/pages/state_audits/full/2013/2013-27.pdf. OSTF investment risks are addressed in the notes to those financial statements.

TABLE 8

Depository Account	Bank Balance
Insured	$ 250,000
Oregon Short Term Fund	1,644,899,152
Uninsured and uncollateralized	2,272,653,265
Total deposits	**$ 3,917,802,417**

1. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, PERS' deposits may not be recovered.

As noted above, the deposit and investment risks, including custodial risk, of the OSTF are outlined in the OSTF financial statements. As of June 30, 2013, the carrying amount of PERS' deposits in OSTF totaled $1,640.1 million, and the corresponding bank balance was $1,644.9 million.

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. As of June 30, 2013, there was $2,142.0 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers.

Cash and cash equivalents of $12.7 million as of June 30, 2013, held by the Moda Health in the Standard Retiree Health Insurance Account are exposed to custodial credit risk because the underlying investments are not held in PERS' name.

TABLE 7

Schedule of Capital Assets as of June 30, 2013

	Beginning of Year	Increases	Decreases	End of Year
Capital Assets				
Furniture and Equipment	$ 1,243,189	$ 23,870	$ (159,417)	$ 1,107,642
Data Processing Software	40,159,618	—	—	40,159,618
Data Processing Hardware	1,791,132	470,851	(312,854)	1,949,129
Building and Building Improvements	8,288,663	31,661	—	8,320,324
Land	944,463	—	—	944,463
Total Capital Assets	52,427,065	526,382	(472,271)	52,481,176
Less Accumulated Depreciation				
Furniture and Equipment	(544,343)	(173,758)	159,417	(558,684)
Data Processing Software	(7,834,275)	(1,857,166)	—	(9,691,441)
Data Processing Hardware	(1,295,126)	(188,406)	312,854	(1,170,678)
Building and Building Improvements	(2,793,112)	(223,953)	—	(3,017,065)
Total Accumulated Depreciation	(12,466,856)	(2,443,283)	472,271	(14,437,868)
Capital Assets, Net	**$ 39,960,209**	**$ (1,916,901)**	**$ —**	**$ 38,043,308**

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	$ 2,421,051
Oregon Public Service Retirement Plan Individual Account Program Depreciation	22,232
Total Depreciation Expense	**$ 2,443,283**

2. Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the fair value of the deposits. Foreign currency risk is controlled via contractual agreements with the investment managers. As of June 30, 2013, $123.0 million in cash and cash equivalents was exposed to foreign currency risk. The U.S. dollar balances of these deposits, organized by currency denomination, are presented in Table 12 on page 44.

3. Restricted Cash Equivalents

PERS' cash and cash equivalents at June 30, 2013, include futures and swap collateral of $26.1 million held by investment managers. Swap collateral is offset by a related liability with a net settlement feature. Collateral is restricted and is not available to pay current liabilities.

B. Investments

Table 9 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2013.

1. Credit Risk Debt Securities

It is OIC's policy that no more than 35 percent of the fixed income manager positions be below investment grade. Securities with a quality rating of below BBB- are considered below investment grade. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2013, the fair value of below grade investments, excluding unrated securities, is $3,504.7 million, or 27.5 percent, of total securities subject to credit risk, and the weighted quality rating average is BBB. Overall credit quality deteriorated due to downgrades in both corporate bonds and non-agency mortgages. Unrated securities include $819.4 million in bank loans, $1,518.1 million in mutual funds, and $753.9 million in other debt securities.

Table 10 shows the quality ratings for credit risk debt securities as of June 30, 2013.

2. Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, PERS will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. OIC has no formal policy regarding the holding of securities by a custodian or counterparty. As of June 30, 2013, no investments were exposed to custodial credit risk.

TABLE 9

Investments at June 30, 2013		**Fair Value**
Repurchase Agreements	$	1,248,000
U.S. Treasury Obligations		1,579,422,970
U.S. Federal Agency Mortgage Securities		993,888,777
U.S. Federal Agency Mortgage TBAs		1,021,272,025
U.S. Federal Agency Debt		138,298,501
U.S. Federal Agency Strips		54,740,690
U.S. Treasury Obligations – Strips		24,818,146
U.S. Treasury Obligations – TIPS		71,721,336
International Debt Securities		2,458,123,960
Corporate Bonds		3,201,903,840
Bank Loans		1,893,152,201
Municipal Bonds		57,950,717
Collateralized Mortgage Obligations		892,185,689
Asset-Backed Securities		547,425,903
Mutual Funds – Domestic Fixed Income		1,276,594,767
Mutual Funds – International Fixed Income		241,535,505
Total Debt Securities		14,454,283,027
Derivatives		61,261,970
Domestic Equity Securities		8,916,234,915
International Equity Securities		9,482,237,496
Mutual Funds – Domestic Equity		2,399,575,396
Mutual Funds – Global Equity		756,528,457
Mutual Funds – International Equity		2,394,397,300
Mutual Funds – Target Date		342,047,053
Oregon Savings Growth Plan - Self-Directed		2,917,751
Real Estate and Real Estate Investment Trusts		7,488,441,651
Limited Partnerships and Leveraged Buyouts		14,390,761,791
Alternative Equity		627,700,136
Opportunity Portfolio		812,619,811
Total PERS Investments	**$**	**62,129,006,754**

TABLE 10

Credit Risk Debt Securities at June 30, 2013		**Fair Value**
Quality Rating		
AAA	$	932,215,299
AA[1]		2,122,000,655
A		831,944,044
BBB		2,259,409,125
BB		899,303,671
B		1,827,845,356
CCC		645,770,506
CC		130,808,355
C		401,961
D		614,188
Unrated		3,091,383,847
Total Subject to Credit Risk		**12,741,697,007**
U.S. Government Guaranteed Securities		1,712,586,020
Total Debt Securities	**$**	**14,454,283,027**

[1]The AA rating total includes $1,777.4 million of mortgage pass-through securities, which are not rated by credit rating agencies.

3. Concentrations of Credit Risk

OIC expects investment managers to maintain diversified portfolios. There is no limit on single issuer investments for domestic, global, and international equity fund managers. Policy states that the asset classes will be diversified across their respective markets. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management.

OIC provides the following limitations for fixed income manager positions:

- obligations issued or guaranteed by the U.S. government, U.S. agencies, or government-sponsored enterprises – no restriction;
- obligations of other national governments – no more than 10 percent of the debt investment portfolio per issuer;
- private mortgage-backed and asset-backed securities, unless collateral is credit-independent of the issuer and the security's credit enhancement is generated internally – no more than 10 percent of the debt investment portfolio per issuer; 25 percent per issuer if the collateral exception is met; and
- other issuers, excluding investments in commingled vehicles – no more than 3 percent of the debt investment portfolio.

As of June 30, 2013, there were no single issuer debt investments that exceeded the above guidelines nor were there investments in any one issuer that represent 5 percent or more of total investments or total net position.

TABLE 11

Schedule of Interest Rate Risk - Effective Duration at June 30, 2013

Investment		Fair Value	Effective Weighted Duration Rate (in years)
U.S. Treasury Obligations	$	1,538,036,368	6.50
U.S. Treasury Obligations - Strips		24,818,146	22.14
U.S. Treasury Obligations - TIPS		71,721,336	18.50
U.S. Federal Agency Mortgage Securities		1,980,689,174	5.24
U.S. Federal Agency Debt		135,152,888	7.08
U.S. Federal Agency Strips		54,740,690	5.18
International Debt Securities		2,204,538,417	4.65
Corporate Bonds		3,127,646,788	5.25
Bank Loans		1,740,297,129	1.33
Municipal Bonds		48,008,552	5.37
Collateralized Mortgage Obligations		806,617,355	3.53
Asset-Backed Securities		539,489,394	2.82
Mutual Funds - Domestic Fixed Income		1,088,936,445	4.00 [1]
Mutual Funds - International Fixed Income		241,535,505	6.04 [1]
No Effective Duration:			
U.S. Treasury Obligations		41,386,602	N/A
U.S. Federal Agency Mortgage Securities		34,471,628	N/A
U.S. Federal Agency Debt		3,145,613	N/A
International Debt Securities		253,585,543	N/A
Corporate Bonds		74,257,052	N/A
Bank Loans		152,855,072	N/A
Municipal Bonds		9,942,165	N/A
Collateralized Mortgage Obligations		85,568,334	N/A
Asset-Backed Securities		7,936,509	N/A
Guaranteed Investment Contract		157,671,240	N/A
Mutual Funds - Domestic Fixed Income		29,987,082	N/A
Repurchase Agreements		1,248,000	N/A
Total Debt Securities	**$**	**14,454,283,027**	
Cash Equivalent - U.S. Government Short Term Funds		59,431,546	37 Days[1]
Total Subject to Interest Rate Risk	**$**	**14,513,714,573**	

[1]Weighted average maturity

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. Policies state that the fixed income manager positions will maintain a weighted average effective duration within plus or minus 20 percent of the benchmark's effective duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2013, the weighted average duration of PERS' fixed income portfolio was 4.63 years.

Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments, and other factors. These factors are reflected in the effective duration numbers provided herein.

No individual fixed income investment manager's portfolio was outside the policy guidelines at June 30, 2013. Table 11 shows the investments by type, amount, and effective weighted duration.

At June 30, 2013, PERS held approximately $1,886.1 million in debt instruments backed by pooled mortgages, Collateralized Mortgage Obligations (CMOs), or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exits and collateral held may potentially be insufficient to cover the principal due. PERS also held approximately $1,021.3 million in To Be Announced (TBA) federal agency-issued mortgage pools. An additional $547.4 million of debt instruments are asset-backed securities backed primarily by automobile, equipment lease, and student loan receivables.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Policy states that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of PERS' portfolio are silent regarding this risk. As of June 30, 2013, approximately 3.1 percent of the debt investment portfolio was invested in non-dollar denominated securities. (See Table 12 below.)

TABLE 12

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2013

Currency	Cash and Cash Equivalents	Debt Securities	Public Equity	Real Estate	Private Equity	Opportunity Portfolio	Total
Argentine peso	$ 61,953	$ -	$ -	$ -	$ -	$ -	$ 61,953
Australian dollar	1,516,909	84,814,703	350,131,744	77,609,692	-	-	514,073,048
Bolivar fuerte	4,256	-	20	-	-	-	4,276
Brazilian real	1,081,751	18,255,864	139,398,275	3,822,858	-	-	162,558,748
Canadian dollar	(466,060)	42,655,339	351,578,721	16,634,327	-	25,647,532	436,049,859
Chilean peso	40,014	-	6,895,469	-	-	-	6,935,483
Chinese yuan	189,274	-	2,883,570	-	-	-	3,072,844
Colombian peso	-	1,056,632	5,618,106	-	-	-	6,674,738
Costa Rica colon	-	740,208	-	-	-	-	740,208
Czech koruna	38,444	-	4,890,209	-	-	-	4,928,653
Danish krone	198,194	23,009	82,912,083	-	-	-	83,133,286
Dominican Republic peso	-	1,574,034	-	-	-	-	1,574,034
Egyptian pound	204,884	-	5,560,443	-	-	-	5,765,327
Euro	47,391,086	120,740,086	2,008,379,815	73,313,819	358,202,064	-	2,608,026,870
Hong Kong dollar	2,766,072	-	430,329,076	112,395,963	-	-	545,491,111
Hungarian forint	4,121	-	8,649,673	-	-	-	8,653,794
Indian rupee	182,424	-	65,421,926	-	-	-	65,604,350
Indonesian rupiah	321,479	-	51,255,857	-	-	-	51,577,336
Israeli shekel	527,457	-	21,509,578	-	-	-	22,037,035
Japanese yen	12,914,536	64,941,419	1,700,092,195	116,468,949	-	-	1,894,417,099
Kenya shilling	-	-	252,887	-	-	-	252,887
Malaysian ringgit	178,018	-	26,795,483	-	-	-	26,973,501
Mexican peso	753,646	14,641,361	45,412,056	1,266,212	-	-	62,073,275
New Zealand dollar	98,323	-	11,210,532	-	-	-	11,308,855
Nigerian naira	4	1,344,439	7,541,220	-	-	-	8,885,663
Norwegian krone	427,071	-	66,496,332	1,147,702	-	-	68,071,105
Pakistan rupee	138,657	-	839,097	-	-	-	977,754
Peruvian nuevo sol	35	469,765	1,280,312	-	-	-	1,750,112
Philippine peso	75,850	-	9,580,254	-	-	-	9,656,104
Polish zloty	53,366	1,345,995	9,213,290	-	-	-	10,612,651
Pound sterling	35,213,430	33,741,157	1,257,483,173	58,565,791	-	-	1,385,003,551
Qatar riyal	-	-	3,709,218	-	-	-	3,709,218
Russian ruble	186,717	7,184,316	-	-	-	-	7,371,033
Singapore dollar	1,331,828	-	96,987,384	40,823,240	-	-	139,142,452
South African rand	443,905	362,971	127,189,427	-	-	-	127,996,303
South Korean won	7,764,154	-	339,093,191	-	-	-	346,857,345
Swedish krona	981,062	50,246,238	185,430,821	6,293,035	-	-	242,951,156
Swiss franc	255,484	-	476,338,252	6,218,903	-	-	482,812,639
Taiwan dollar	7,588,614	-	166,974,208	-	-	-	174,562,822
Thai baht	176,616	-	115,178,523	1,508,077	-	-	116,863,216
Turkish lira	377,346	4,692,525	95,266,251	371,623	-	-	100,707,745
United Arab Emirates dirham	-	-	4,676,948	-	-	-	4,676,948
Total Subject to Foreign Currency Risk	**$ 123,020,920**	**$ 448,830,061**	**$ 8,282,455,619**	**$ 516,440,191**	**$ 358,202,064**	**$ 25,647,532**	**$ 9,754,596,387**

6. Unfunded Commitments

OIC has entered into agreements that commit the Public Employees Retirement Fund (PERF), upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2013, the PERF had $7,072.1 million in commitments to purchase private equity investments, $2,214.0 million in commitments to purchase real estate investments, $491.6 million in commitments to purchase alternative equity investments, and $176.3 million in commitments to purchase opportunity portfolio investments, which includes $79.8 million in recallable distributions. These amounts are unfunded and are not recorded in the Statement of Fiduciary Net Position.

C. Securities Lending

In accordance with state investment policies, PERF participates in securities lending transactions. Through securities lending authorization agreements, the Oregon State Treasury has authorized its custodian, State Street Bank, to lend its securities pursuant to the terms and conditions of policy and applicable agreements. Both PERF and the borrowers maintained the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the period of these financial statements.

The custodian had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, letters of credit, and foreign sovereign debt of Organization of Economic Cooperation and Development (OECD) countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of loaned U.S. securities and international fixed income securities or 105 percent in the case of international equity. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and PERF did not impose any restrictions during the fiscal year on the amount of the loans the custodian made on its behalf. PERF is fully indemnified against losses due to borrower default by its current custodian. There were no losses during the year from the failure of borrowers to return loaned securities and no recoveries of amounts from prior losses.

Prior to July 1, 2010, PERF was a participant in a securities lending collateral reinvestment pool managed by State Street Global Advisors (SSgA), a division of State Street Bank. On July 1, 2010, PERF withdrew from this pool and directed SSgA to allocate its share of pool assets into a new legacy fund owned exclusively by PERF. At the same time PERF also directed SSgA to open a new securities lending collateral reinvestment fund for ongoing lending activities. The legacy fund will be maintained until all existing assets have matured or been sold, and proceeds will be invested in the new fund. Since the assets in the legacy and new funds are wholly owned by PERF, the balances in the funds are stated at fair value in the Statement of Fiduciary Net Position as of June 30, 2013. Previous securities lending collateral reinvestment pool balances were stated at "constant value" since PERF was a participant in a pool along with other qualified plans, due to the lending agent's practice of redeeming shares at $1.00 per unit. The investments in the legacy and new funds are held by the custodian.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2013, is effectively one day. On June 30, 2013, PERF had no credit risk exposure to borrowers because the amounts PERF owes borrowers exceed the amounts borrowers owe PERF.

On June 30, 2013, the fair value of cash collateral received and invested cash collateral were $2,352.7 million and $2,346.9 million, respectively. The cumulative unrealized loss in invested cash collateral of $5.8 million has been recognized in securities lending income in the Statements of Changes in Fiduciary Net Position in the period in which the gains or losses occurred. For the fiscal year ended June 30, 2013, total income from securities lending activity was $28.7 million, and total expenses for the period were $3.8 million for a net gain of $24.9 million.

During fiscal year 2011 SSgA hired an independent consultant to review the pool's activities during the recent economic downturn to determine if pool participants who were net users of liquidity benefited at the expense of participants who were net providers of liquidity. The result of the review indicated that PERF was a net provider of liquidity and was entitled to compensation of $5.6 million, which PERF received from SSgA in May 2011. That compensation was used to establish an allowance for future losses recognized at the sale of securities held within the legacy fund. As of June 30, 2013, the remaining balance was $4.1 million.

OSTF also participates in securities lending activity. PERF receives an allocated portion of this activity based on its deposits in OSTF. As of June 30, 2013, PERF's allocated portion of cash collateral received and invested cash collateral were $17.0 million and $17.0 million, respectively.

Cash collateral received for OSTF securities lent is invested in securities lending collateral pools and is not exposed to custodial risk.

Table 13 on page 46 shows the combined balances of the securities on loan, cash and securities collateral received, and investments of cash collateral held. Securities lending collateral subject to credit risk at June 30, 2013, is shown in Table 14 on page 46. Securities lending collateral subject to interest rate risk at June 30, 2013, is shown in Table 15 on page 46.

TABLE 13

Securities Lending as of June 30, 2013

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury Securities	$ 631,075,629	$ 643,649,678	$ 374,772,466
U.S. Agency Securities	79,962,782	81,689,865	13,230,114
Domestic Equity Securities	931,694,926	960,528,985	935,495,352
Domestic Debt Securities	421,910,812	430,557,332	496,663,027
International Equity Securities	821,785,045	870,280,732	464,026,452
International Debt Securities	62,658,220	62,860,060	62,706,053
Allocation from Oregon Short Term Fund	23,747,863	24,232,938	16,996,706
Total	**$ 2,972,835,277**	**$ 3,073,799,590**	**$ 2,363,890,170**

TABLE 14

Securities Lending Invested Cash Collateral Subject to Credit Risk at June 30, 2013

Quality Rating	Fair Value
AAA	$ 201,148,512
AA	415,563,631
A[1]	594,166,620
BBB	4,809,209
B	5,117,347
Unrated	1,098,000,000
Total Subject to Credit Risk	**2,318,805,319**
Allocation from Oregon Short Term Fund	16,996,706
Cash	28,088,145
Total Securities Lending Invested Cash Collateral	**$ 2,363,890,170**

[1] Commercial paper ratings of A-1+/P-1 categorized as AA; A-1/P-1 as A.

TABLE 15

Securities Lending Invested Cash Collateral Subject to Interest Rate Risk at June 30, 2013

Security Type	Fair Value	Effective Weighted Rate Duration (in days) [1]
Asset-Backed Securities	$ 111,208,543	24
Certificates of Deposit	59,990,764	22
Collateralized Mortgage Obligations	96,637,873	16
Commercial Paper	97,999,368	39
Corporate Bonds	198,956,171	41
International Debt Securities	656,012,600	46
Repurchase Agreements	1,098,000,000	3
Total Subject to Interest Rate Risk	**2,318,805,319**	**36**
Allocation from Oregon Short Term Fund	16,996,706	
Cash	28,088,145	
Total Securities Lending Invested Cash Collateral	**$ 2,363,890,170**	

[1] Weighted average days to maturity or next reset date.

D. Derivatives

Oregon Investment Council policy allows, with some restrictions, for the use of derivative instruments in the prudent management of PERS' investments. Certain internally and externally managed accounts are allowed, through contract and policy, to invest in derivative instruments to carry out their investment management activities. Risks inherent with derivatives are managed through investment management's adherence to contractual and policy prescribed terms that are consistent with the funds' investing objectives. All derivatives are considered investments. The fair value of PERS' derivative investments is reported in the Investment Sales and Other Receivables, Investment Purchases and Accrued Expenses, and the Public Equity lines of the Statement of Fiduciary Net Position – Pension and Other Postemployment Plans on pages 24 and 25. Changes in fair value during the fiscal year are reported in the Net Appreciation (Depreciation) in Fair Value of Investments line of the Statement of Changes in Fiduciary Net Position – Pension and Other Postemployment Plans on pages 26 and 27. The fair values reported in Tables 16 through 23 are not the same as amounts reported as investments in the financial statements because derivatives with net loss positions have been reclassified as Investment Purchases and Accrued Expenses. The fair value of futures reported in Table 17 on page 48 is $0.

TABLE 16

Foreign Currency Exchange Contracts as of June 30, 2013

Description	Delivery Dates	Notional Value	Fair Value
Foreign currency exchange contracts purchased:			
Australian dollar	7/11/2013 - 9/18/2013	$ 142,915,790	$ (7,366,253)
Brazilian real	7/2/2013 - 8/2/2013	33,577,533	(929,857)
Canadian dollar	7/18/2013 - 9/23/2013	169,047,089	(3,992,724)
Chinese yuan	8/5/2013 - 9/8/2015	10,921,742	(76,469)
Danish krone	7/2/2013 - 9/18/2013	89,062,135	(1,583,295)
Euro	7/1/2013 - 9/18/2013	327,544,494	(4,028,851)
Hong Kong dollar	7/31/2013 - 9/18/2013	129,412,948	78,215
Indian rupee	9/18/2013	359,102	(4,713)
Israeli shekel	7/31/2013 - 9/18/2013	7,027,299	(7,830)
Japanese yen	7/11/2013 - 9/18/2013	223,994,191	(4,017,848)
Malaysian ringgit	9/18/2013	177,170	(815)
Mexican peso	7/11/2013 - 9/18/2013	26,429,982	(1,287,364)
New Zealand dollar	8/16/2013 - 9/18/2013	101,211,569	(3,860,860)
Nigerian naira	12/9/2013	352,431	5,909
Norwegian krone	7/31/2013 - 9/18/2013	66,046,815	(2,973,980)
Philippine peso	9/18/2013	185,194	502
Pound sterling	7/2/2013 - 9/18/2013	166,593,320	(3,049,350)
Singapore dollar	9/18/2013	23,890,221	(233,074)
South Korean won	8/16/2013	1,758,166	32,564
Swedish krona	7/31/2013 - 9/18/2013	136,186,891	(3,310,504)
Swiss franc	7/31/2013 - 9/18/2013	101,921,765	(429,264)
Turkish lira	7/19/2013	1,419,289	(30,767)
Total foreign currency exchange contracts purchased		**1,760,035,136**	**(37,066,628)**
Foreign currency exchange contracts sold:			
Australian dollar	7/9/2013 - 10/9/2014	252,655,877	18,372,539
Brazilian real	7/2/2013 - 9/4/2013	53,212,172	878,170
Canadian dollar	7/11/2013 - 9/23/2013	109,372,777	2,560,012
Chinese yuan	8/5/2013 - 9/8/2015	10,692,019	(153,255)
Columbian peso	9/18/2013	1,130,302	20,015
Danish krone	7/31/2013 - 9/18/2013	10,327,340	116,408
Euro	7/2/2013 - 8/13/2015	481,396,999	6,485,500
Hong Kong dollar	9/18/2013	13,299,614	(5,595)
Israeli shekel	9/18/2013	3,412,130	21,401
Japanese yen	7/11/2013 - 9/18/2013	227,448,746	3,219,074
Mexican peso	7/11/2013	24,017,348	(683,901)
New Zealand dollar	8/16/2013 - 9/18/2013	71,580,955	1,713,575
Norwegian krone	9/18/2013	45,779,397	1,738,684
Peruvian nouveau sol	9/18/2013	493,719	7,042
Polish zloty	7/19/2013	1,504,264	27,614
Pound sterling	7/2/2013 - 11/29/2013	214,544,302	4,254,728
Russian ruble	8/23/2013 - 9/18/2013	2,215,541	16,065
Singapore dollar	9/18/2013	304,346	(37)
South African rand	8/5/2012 - 9/18/2013	1,585,800	1,852
South Korean won	8/16/2013	35,336,690	1,148,458
Swedish krona	8/16/2013 - 9/18/2013	77,419,055	796,983
Swiss franc	7/31/2013 - 9/18/2013	113,307,971	853,050
Turkish lira	7/19/2013	1,427,595	33,346
Total foreign currency exchange contracts sold		**1,752,464,959**	**41,421,728**
Total foreign currency exchange contracts subject to foreign currency risk		**$ 3,512,500,095**	**$ 4,355,100**

TABLE 17

Futures Contracts as of June 30, 2013

	Expiration Date	Number of Contracts	Notional Value
Fixed Income			
Long cash and cash equivalents:			
90 Day Euro	9/18/2013	523	$ 129,553,713
3 Month Euribor	6/16/2014	361	116,748,297
Total Long cash and cash equivalents			246,302,010
Short cash and cash equivalents:			
90 Day Euro	9/14/2015	4	(987,550)
Total Short cash and cash equivalents			(987,550)
Long fixed income:			
10 Year U.S. Treasury Notes	9/19/2013	6,047	765,323,438
5 Year U.S. Treasury Notes	9/30/2013	7,132	863,306,313
2 Year U.S. Treasury Notes	9/30/2013	2,750	605,000,000
U.S. Long Bond	9/19/2013	2,271	308,501,156
Ultra Long U.S. Treasury Bonds	9/19/2013	879	129,487,688
UK Long Gilt Bond	9/26/2013	72	12,219,752
Total Long Fixed Income			2,683,838,347
Short Fixed Income:			
10 Year Japanese Gov't Bonds	9/10/2013	81	(116,360,793)
10 Year U.S. Treasury Notes	9/19/2013	4,829	(611,170,313)
5 Year U.S. Treasury Notes	9/30/2013	249	(30,140,672)
2 Year U.S. Treasury Notes	9/30/2013	185	(40,700,000)
Euro-OAT	9/6/2013	127	(21,868,260)
German Euro BUND	9/6/2013	74	(13,612,645)
US Long Bonds	9/19/2013	567	(77,023,406)
Ultra Long U.S. Treasury Bonds	9/19/2013	90	(13,258,125)
Total Short Fixed Income			(924,134,214)
Total Fixed Income			**2,005,018,593**
Indexes			
Long purchased indexes:			
Amsterdam	7/19/2013	110	9,860,136
CAC 40 10 Euro	7/19/2013	1,197	58,105,814
DAX	9/20/2013	213	55,141,700
DJ Euro STOXX 50	9/20/2013	951	32,115,349
FTSE 100	9/20/2013	1,213	113,356,663
FTSE MIB	9/20/2013	57	5,653,915
Hang Seng	7/30/2013	185	24,720,809
IBEX 35	7/19/2013	304	30,303,978
MSCI Singapore IX ETS	7/30/2013	33	1,839,029
OMX 30	7/19/2013	458	7,805,295
Russell 1000 Mini	9/20/2013	659	58,453,300
Russell 2000 Mini	9/20/2013	1,868	182,073,960
S&P 500 E Mini	9/20/2013	4,484	358,563,060
S&P 500	9/19/2013	3	1,199,475
S&P Midcap 400 E Mini	9/20/2013	14	1,621,060
S&P TSE 60	9/19/2013	203	26,662,572
SPI 200	9/19/2013	178	19,425,609
TOPIX	9/12/2013	890	101,332,864
Total Long purchased indexes			1,088,234,588
Short purchased indexes:			
FTSE MIB	9/20/2013	84	(8,332,085)
OMX 30	7/19/2013	1,549	(26,398,258)
S&P 500 E MINI	9/20/2013	534	(42,701,310)
S&P TSE 60	9/19/2013	214	(28,107,342)
SPI 200	9/19/2013	229	(24,991,373)
Swiss Market	9/20/2013	113	(9,149,638)
Total Short purchased indexes			(139,680,006)
Total Indexes			**948,554,582**
Total Futures			**$ 2,953,573,175**

Currency Forwards

A forward foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations in foreign currency exchange rates. Risk associated with such contracts includes movement in the value of foreign currencies and the ability of the counterparty to perform. The change in fair value arising from the difference between the original contracts and the closing of such contracts is $46.2 million for the fiscal year ended June 30, 2013. Table 16 on page 47 presents currency forward balances at June 30, 2013.

Futures & Forwards

Futures and forward contracts represent commitments to buy or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are exchanged-traded. Forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. The counterparty credit risk for futures is generally less than privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-trade future, daily settles the net change in the futures contract's value in cash with the broker. In the PERS portfolio futures and forward contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, equity indexes, and other market conditions. PERS bears the market risk that arises from changes in the value of these instruments and the imperfect correlation between movements in the price of the futures and forward contracts and movements in the price of the securities hedged or used for cover. The change in fair value resulting from futures contract settlements totaled $209.7 million for the fiscal year ended June 30, 2013. The change in fair value resulting from forward contract settlements totaled ($3.4) million for the fiscal year ended June 30, 2013. Table 17 on page 48 presents futures contracts balances, and Table 18 below presents forwards contracts balances at June 30, 2013.

Swaps

A swap is an agreement that obligates two parties to exchange a series of cash flows or the net value of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. PERF may enter into various types of swaps including credit default, interest rate, and total return swaps. PERF may use swaps to obtain efficient investment exposure or to hedge exposure to interest and currency rates and to movements in the debt and equity markets. The payment flows are usually netted against each other, with the difference being paid by one party or another. In addition, collateral may be pledged or received by the PERF in accordance with the terms of the respective swap agreements to provide value and recourse to the PERF or its counterparties.

Credit default swaps represent agreements between parties to exchange a fixed rate premium by the buyer of protection in exchange for a contingent payment by the seller of protection equal to the loss in value of an underlying debt instrument triggered by the occurrence of a defined credit event (such as bankruptcy, restructuring, failure to make payments when due, and repudiation/moratorium for sovereign underlying instruments). Under the terms of the swap, the protection seller acts as a guarantor receiving a periodic payment that is equal to a fixed percentage applied to a notional principal amount. In return the seller of protection agrees to pay the notional amount of the underlying instrument, less its distressed value, if a credit event occurs during the term of the swap. Credit default swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, credit default swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in specific investments, bond markets, and other market conditions. Credit default swaps are subject to general market risk, liquidity risk, credit risk, and the risk that the counterparty fails to perform.

Interest rate swaps represent agreements between two parties to exchange cash flows or the net value of cash flows based on a notional amount and an underlying interest rate. Interest rate swaps are privately negotiated con-

TABLE 18

Forwards as of June 30, 2013

	Expiration Date	Notional Value	Fair Value
Assets:			
German Government Bonds	9/4/2022	$ 12,544,886	$ (547,268)
Sweden Government Bonds	6/1/2022	50,246,238	(4,054,372)
Total Forward Assets		62,791,124	(4,601,640)
Liabilities:			
German Government Bonds	9/4/2022	(45,817,783)	384,068
US Treasury - TIPS	1/15/2023	(50,620,663)	4,849
Total Forward Liabilities		(96,438,446)	388,917
Total Forwards		**$ (33,647,322)**	**$ (4,212,723)**

tracts with customized terms and are transacted in over-the-counter markets. The Fund may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate based on a notional amount and a reference rate. In the PERS portfolio, interest rate swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets, and other market conditions. Risk associated with such contracts includes liquidity risk, interest rate risk, and the risk that the counterparty fails to perform.

Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. Total return swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, total return swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets, equity markets, and other market conditions. Total return swaps are subject to general market risk, liquidity risk, and the risk that the counterparty fails to perform.

The change in fair value from PERS' swap contracts for the year ended June 30, 2013, was $88.3 million. Table 19 below presents swaps balances at June 30, 2013. The counterparties' credit ratings for swaps in asset positions at June 30, 2013, are shown in Table 20 on page 51.

TABLE 19

Swaps as of June 30, 2013

Description	PERS Receives	PERS Pays	Maturity date	Notional Value	Fair Value
Interest Rate Swaps - Pay Fixed Asset	3 Month or 6 Month LIBOR	1.00 - 3.08%	3/20/2018 - 6/19/2043	$ 880,500,000	$ 14,240,176
Interest Rate Swaps - Pay Fixed Liability	3 Month LIBOR	1.70 - 2.71%	3/20/2018 - 7/1/2023	23,700,000	(222,422)
Interest Rate Swaps - Receive Fixed Asset	0.54 % - 10.58%	3 Month CDOR or 3 Month LIBOR	6/16/2016 - 12/15/2025	53,775,000	2,087,107
Interest Rate Swaps - Receive Fixed Liability	0.54 %	3 Month CDOR or 12 Month BRCDI	1/2/2015 - 1/2/2017	131,400,000	(1,665,975)
Credit Default Swaps - Pay Fixed Assets	Credit Default Protection[1]	0.09 - 1.00%	12/20/2013 - 10/12/2052	157,031,776	20,235,492
Credit Default Swaps - Pay Fixed Liabilities	Credit Default Protection[1]	0.58 - 5.00%	9/20/2013 - 3/20/2019	496,639,000	(7,642,329)
Credit Default Swaps - Receive Fixed Assets	1.00 - 5.00%	Credit Default Protection[1]	4/20/2014 - 12/25/2037	110,357,201	6,663,266
Credit Default Swaps - Receive Fixed Liabilities	0.08 - 5.00%	Credit Default Protection[1]	9/20/2015 - 5/11/2063	89,866,864	(12,428,885)
Total Equity Return Swaps	Equity Position	1 or 3 Month LIBOR	5/15/2014 - 1/12/2041	761,584	(17,180,686)
Total Swaps				$ **1,944,031,425**	$ **4,085,744**

[1] Represents the difference between the original price of the reference asset and the recovery amount if a credit default event occurs.

TABLE 20

Swaps at June 30, 2013

Counterparty Information	Ratings[1]	Credit Default Swaps	Interest Rate Swaps	Total Return Swaps	Total
Bank of America Merrill Lynch	A-/A/Baa2	$ 2,859,378	$ -	$ -	$ 2,859,378
Barclay's Bank	A-/A/A3	1,323,484	-	12,629	1,336,113
Citigroup Global Markets	A-/A/Baa2	2,883,698	-	-	2,883,698
CME Group	AA-/NR/Aa3	-	7,125,090	-	7,125,090
Credit Suisse	A-/A/A2	2,274,182	-	-	2,274,182
Deutsche Bank	A/A+/A2	5,299,296	5,261	-	5,304,557
Goldman Sachs	A-/A/A3	1,578,105	9,196,932	-	10,775,037
Intercontinental Exchange	N/A	50,720	-	-	50,720
JP Morgan Chase	A/A+/A2	3,301,358	-	-	3,301,358
Morgan Stanley	A-/A/Baa1	4,182,663	-	-	4,182,663
Royal Bank of Scotland	A-/A/Baa1	297,458	-	-	297,458
UBS AG Stamford	A/A/A2	2,848,416	-	-	2,848,416
Total Swaps Subject to Credit Risk		$ **26,898,758**	$ **16,327,283**	$ **12,629**	$ **43,238,670**

[1] Standard & Poor's/Fitch/Moody's

TABLE 21

Options as of June 30, 2013

Description	Expiration Date	Contracts	Gross Notional Amount	Fair Value
Fixed Income:				
Calls				
Written				
INF CAP USD CPURNSA	3/4/2015	1,800,000	$ (1,800,000)	$ (757)
IRO Euro 1Y 0.4 BOA	3/12/2014	2,000,000	(2,000,000)	(2,420)
IRO Euro 1Y 0.4 GLM	3/12/2014	500,000	(500,000)	(605)
IRO Euro 1Y 0.4 DUB	3/12/2014	1,100,000	(1,100,000)	(1,331)
IRO Euro 1Y 0.4 RYL	3/12/2014	1,500,000	(1,500,000)	(1,815)
Total Calls Written			(6,900,000)	(6,928)
Puts				
Purchased				
IRO USD 30Y 3.45	9/21/2015	3,000,000	3,000,000	382,353
IRO USD 30Y 3.45 CBK	9/21/2015	1,900,000	1,900,000	242,157
Total Puts Purchased			4,900,000	624,510
Written				
INF Floor USD CPURNS	3/4/2015	1,800,000	(1,800,000)	(1,008)
INF Floor USD CPURNSA	10/13/2020	800,000	(800,000)	(1,460)
IRO Euro 1Y 0.4 BOA	3/12/2014	2,000,000	(2,000,000)	(5,792)
IRO Euro 1Y 0.4 GLM	3/12/2014	500,000	(500,000)	(1,448)
IRO Euro 1Y 0.4 DUB	3/12/2014	1,100,000	(1,100,000)	(3,186)
IRO Euro 1Y 0.4 RYL	3/12/2014	1,500,000	(1,500,000)	(4,344)
IRO USD 5Y 2.5	9/21/2015	12,600,000	(12,600,000)	(492,282)
IRO USD 5Y 2.5 CBK	9/21/2015	8,400,000	(8,400,000)	(328,188)
Total Puts Written			(28,700,000)	(837,708)
Total Fixed Income			**(30,700,000)**	**(220,126)**
Option Futures:				
Calls				
Purchased	9/13/2013	2,716	6,790,000	540,956
2 Year Euro Midcurve			6,790,000	540,956
Total Calls Purchased				
Written				
10 Year Treasury Note	8/23/2013	498	(498,000)	(62,250)
3 Year Euro Midcurve	9/13/2013	225	(562,500)	(14,063)
2 Year Euro Midcurve	9/13/2013	4,092	(10,230,000)	(249,288)
Total Calls Written			(11,290,500)	(325,601)
Puts				
Written				
10 Year Treasury Note	8/23/2013	498	(498,000)	(638,063)
Total Puts Written			(498,000)	(638,063)
Total Option Futures			$ **(4,998,500)**	$ **(422,708)**

Options

An option is an instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specified period of time. A European option is an option that can only be exercised on the expiration date. A call option gives the purchaser the option to buy (and the seller the obligation to sell) the underlying investment at the contracted exercise price. A put option gives the purchaser the option to sell (and the writer the obligation to buy) the underlying investment at the contracted exercise price. Options can be exchange traded or private contracts between two or more parties. Exchange-traded options are cleared through and guaranteed by clearing houses. In the PERS portfolio option and European option contracts may be bought or sold to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, bond markets, equity markets, and other market conditions.

In writing an option, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written option. Exercise of an option written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Options and European options may be subject to interest rate risk, general market risk, liquidity risk, credit risk, foreign currency risk, and, for non-exchange traded options, the risk of the counterparty's ability to perform. The change in fair value from PERS' options contracts for the year ended June 30, 2013, was $1.1 million. Table 21 on page 52 presents options balances at June 30, 2013.

Swaption

A swaption is an option to enter into an interest rate swap at an agreed upon fixed rate until or at some future date. Swaption contracts entered into by the Fund typically represent an option that gives the purchaser the right, but not the obligation, to enter into a swap contract on a future date. If a call swaption is exercised, the purchaser will enter into a swap contract to receive the fixed rate and pay a floating rate in exchange. Exercising a put swaption would entitle the purchaser to pay a fixed rate and receive a floating rate. Swaptions are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, swaption contracts may be bought or sold to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets and other market conditions.

In writing a swaption, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written swaption. Exercise of a swaption written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing a swaption is that the Fund pays a premium whether or not the option to enter a swap is exercised. Swaptions may be subject to interest rate risk, liquidity risk, and the risk of the counterparty's ability to perform. The change in fair value from PERS' swaptions contracts for the year ended June 30, 2013, was ($2.4) million. Table 22 below presents swaptions balances at June 30, 2013.

TABLE 22

Swaptions as of June 30, 2013

Description	Expiration Date	Contracts	Gross Notional Amount		Fair Value
Calls					
Purchased					
30 Year RTR	3/14/2014	14,800,000	14,800,000	$	149,658
Total Calls Purchased			14,800,000		149,658
Written					
5 Year RTR	12/12/2013 - 3/20/2017	161,400,000	(161,400,000)		(528,477)
Total Calls Written			(161,400,000)		(528,477)
Total Calls			(146,600,000)		(378,819)
Puts					
Purchased					
30 Year RTP	10/21/2013 - 11/11/2013	26,600,000	26,600,000		75
30 Year RTP	9/16/2013	17,000,000	17,000,000		-
10 Year RTP	11/21/2013 - 3/16/2017	93,150,000	93,150,000		4,359,651
Pound sterling	12/15/2015	2,800,000	2,800,000		212,971
IRO Pound sterling	12/15/2015	6,300,000	6,300,000		479,184
Total Puts Purchased			145,850,000		5,051,881
Written					
10 Year RTP	3/16/2017	54,000,000	(54,000,000)		(934,568)
5 Year RTP	12/12/2013 - 3/20/2017	227,600,000	(227,600,000)		(5,179,525)
IRO Euro	7/1/2014	2,500,000	(2,500,000)		-
Total Puts Written			(284,100,000)		(6,114,093)
Total Puts			(138,250,000)		(1,062,212)
Total Swaptions			**(284,850,000)**	$	**(1,441,031)**

Rights and Warrants

Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. Rights are privately transacted in over-the-counter markets. In the PERS portfolio, rights are often obtained and held due to existing investments. Rights are subject to general market risk and liquidity risk.

A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain time period. Warrants are privately transacted in over-the-counter markets. In the PERS portfolio, warrants are often obtained and held due to existing investments. Warrants are subject to general market risk and liquidity risk. The change in fair value from PERS' rights and warrants for the year ended June 30, 2013, was $4.3 million. The fair value of PERS' rights and warrants at June 30, 2013, are shown in Table 23 below.

TABLE 23

Rights and Warrants as of June 30, 2013

	Expiration Date	Related Number of Shares	Fair Value
Rights	7/3/2013 - 8/28/2013	1,269,923	$ 210,139
Warrants	10/1/2013 -1/19/2021	1,252,166	11,446,160
Total Rights and Warrants		**2,522,089**	**$ 11,656,299**

TABLE 24

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "K" Principal	Interest	Total
2014	$ 545,000	$ 104,600	$ 649,600
2015	565,000	88,250	653,250
2016	585,000	60,000	645,000
2017	615,000	30,750	645,750
Total	**$ 2,310,000**	**$ 283,600**	**$ 2,593,600**

TABLE 25

Long-Term Debt Activity

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
PERS Building Principal	$ 2,845,000	$ —	$ 535,000	$ 2,310,000	$ 545,000
Plus: Premium (Net)	303,751	—	62,779	240,972	62,779
Less: Deferred Gain (Net)	(76,555)	—	(15,822)	(60,733)	(15,822)
Total Bonds Payable	**$ 3,072,196**	**$ —**	**$ 581,957**	**$ 2,490,239**	**$ 591,957**

Note 7 - Long-Term Debt

In 1997 PERS completed construction on its retirement system headquarters building in Tigard, Oregon. The construction was financed by the sale of certificates of participation (COP), Series A. In March 2002, a new COP, Series B, was issued and used to refund the original Series A COP. In April 2012, an XI-Q general obligation bond, 2012 Series K, was issued to refund the 2002 Series B COP. The Series K bond amount outstanding at June 30, 2013, is $2,310,000 and has a final repayment due May 1, 2017.

Table 24 below summarizes all future PERS building bond payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2017. The current portion of the PERS building debt is $545,000.

Table 25 below summarizes the changes in long-term debt for the year ended June 30, 2013.

Note 8 - Litigation

Following is a summary of current PERS-related cases:

A. Sundermier v. PERS

Paul Sundermier requested judicial review of his Notice of Dispute in Marion County Circuit Court. In addition to judicial review, Mr. Sundermier included civil complaints for breach of contract, breach of fiduciary duty, money had and received, violations of constitutional rights under 42 USC §1983, and unconstitutional takings. All of his complaints centered around four issues: 1) calculation of his tax-remedy increase, 2) purchase of waiting and military time, 3) male and female blended actuarial factors, and 4) alleged intentional delay in paying his benefits. PERS prevailed on all issues in the trial court. Mr. Sundermier has filed a Notice of Appeal in the Court of Appeals, solely on issue 1. Legal counsel is unable to provide an opinion as to the outcome.

B. Moro, et al. v. PERB, Jones v. PERB, Reynolds v. PERB, Riemer v. PERB

These four petitions, filed in the Supreme Court, challenge Oregon Laws 2013, chapter 53 (SB 822), which enacted changes to cost-of-living adjustments (COLAs) and provisions in ORS chapter 238 relating to taxation of PERS benefits paid to persons who are not residents of the state of Oregon. The Supreme Court appointed a Special

Master and directed the Special Master to provide proposed findings of fact to the Supreme Court. Proceedings were halted upon enactment of Oregon Laws 2013 (Special Session), chapters 2 and 3 (SB 861 and SB 862). SB 861 amends the COLA provisions of SB 822. SB 862 makes changes to other PERS statutes. Both SB 861 and SB 862 provide for challenges to be filed within 60 days of their effective date (October 8, 2013).

Mr. Jones filed a petition for leave to amend his petition challenging SB 822 to add a challenge to SB 861. Legal counsel is unable to provide an opinion as to the outcome.

C. Riemer v. PERB

Mr. Riemer filed a petition challenging SB 861. It is likely that additional challenges to SB 861 will be filed, whether as new petitions such as this one, or as an amendment to a petition challenging SB 822, as has been filed by Mr. Jones. Legal counsel expects all challenges to SB 861, as well as challenges to SB 862, if any, to be consolidated with the challenges to SB 822. Legal counsel is unable to provide an opinion as to the outcome.

Note 9 - Standard Retiree Health Insurance Account - Basis for Estimated Liabilities

The Standard Retiree Health Insurance Account (SRHIA) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The estimated claims liability was calculated by Butler, Partners, & Associates, PERS' health insurance consultant at June 30, 2013, using a variety of actuarial and statistical techniques and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $14.1 million is carried at its face amount, and no interest discount is assumed. The IBNR portion represents an estimate for claims that have been incurred prior to June 30, 2013, but have not been reported to the SRHIA. Table 26 below shows the changes in the aggregated estimated claims liabilities as of June 30, 2013 and 2012.

Note 10 - Prior Period Adjustment

During fiscal year 2013, PERS became aware that employer contributions receivable had not been reported in accordance with GAAP in prior fiscal years. Prior to fiscal year 2013, a receivable for transition liabilities owed to PERS by certain employers that joined the State and Local Government Rate Pool was not reported.

In the Statement of Changes in Fiduciary Net Position on pages 26 and 27 Defined Benefit Pension Plan net position was increased by $625.6 million to reflect the recognition of contributions receivable related to the pre-SLGRP transition liabilities.

TABLE 26

Changes in the Aggregated Estimated Claims Liabilities of SRHIA for the Years Ended June 30

	2013	2012
Total Estimated Claims at		
Beginning of Fiscal Year	$ 13,959,000	$ 23,492,372
Insured Claims and Claim Adjustment Expenses		
Provision for Insured Events		
of Current Fiscal Year	175,197,532	163,099,600
Decrease in Provision for		
Insured Events of Prior Years	(2,308,161)	(12,480,317)
Total Incurred Claims and		
Claim Adjustment Expenses	172,889,371	150,619,283
Payments		
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of		
Current Fiscal Year	161,107,532	149,140,600
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of		
Prior Fiscal Year	11,650,839	11,012,055
Total Payments	172,758,371	160,152,655
Total Estimated Claims at		
End of Fiscal Year	**$ 14,090,000**	**$ 13,959,000**

Required Supplementary Information
Schedules of Funding Progress
(dollar amounts in millions)[12]

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll[2] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pensions –Tier One/Tier Two and OPSRP[1]						
12/31/2003[2]	$ 42,753.3	$ 44,078.1	$ 1,324.8	97.0%	$ 6,248.5	21.2%
12/31/2004[3,4]	45,581.1	47,398.6	1,817.5	96.2	6,772.4[5]	26.8
12/31/2005[5,6]	51,382.6	49,294.0	(2,088.6)	104.2	6,791.9	(30.8)
12/31/2006	56,616.5	51,252.9	(5,363.5)	110.5	7,326.8	(73.2)
12/31/2007[7]	59,327.8	52,871.2	(6,456.7)	112.2	7,721.8	(83.6)
12/31/2008	43,520.6	54,259.5	10,738.9	80.2	8,130.1	132.1
12/31/2009[8]	48,729.2	56,810.6	8,081.4	85.8	8,512.2	94.9
12/31/2010	51,583.6	59,329.5	7,746.0	86.9	8,750.1	88.5
12/31/2011[9]	50,168.2	61,198.4	11,030.2	82.0	8,550.5	129.0
12/31/2012[11]	54,784.1	60,405.2	5,621.1	90.7	8,590.9	65.4
Postemployment Healthcare Benefits – Retirement Health Insurance Account						
12/31/2003[2]	$ 117.1	$ 522.5	$ 405.4	22.4%	$ 6,248.5	6.5%
12/31/2004[4]	148.0	556.9	408.9	26.6	6,772.4[6]	6.0
12/31/2005	181.0	495.9	314.9	36.5	6,791.9	4.6
12/31/2006	221.3	511.8	290.5	43.2	7,326.8	4.0
12/31/2007	250.8	499.6	248.8	50.2	7,721.8	3.2
12/31/2008	183.8	494.0	310.2	37.2	8,130.1	3.8
12/31/2009	214.1	511.2	297.1	41.9	8,512.2	3.5
12/31/2010	232.3	547.1	314.8	42.5	8,750.1	3.6
12/31/2011	239.6	461.1	221.5	52.0	8,550.5	2.6
12/31/2012	291.6	471.8	180.2	61.8	8,590.9	2.1
Postemployment Healthcare Benefits – Retiree Health Insurance Premium Account[10]						
12/31/2003[2]	$ 4.0	$ 25.0	$ 21.0	16.0%	$ 1,711.9	1.2%
12/31/2004[4]	5.2	28.2	23.0	18.4	1,851.4[6]	1.2
12/31/2005	6.1	27.0	20.9	22.7	1,827.0	1.1
12/31/2006	7.0	23.4	16.4	30.0	1,946.8	0.8
12/31/2007	7.8	23.3	15.5	33.6	2,080.2	0.7
12/31/2008	5.7	21.3	15.6	26.7	2,217.9	0.7
12/31/2009	6.4	24.5	18.2	25.9	2,371.8	0.8
12/31/2010	5.7	33.9	28.2	16.8	2,379.7	1.2
12/31/2011	4.5	34.4	29.9	13.2	2,376.9	1.3
12/31/2012	4.4	60.3	55.9	7.4	2,432.4	2.3

1 Includes UAAL for Multnomah Fire District ($166 million as of December 31, 2012).

2 The 2001 valuation was revised to include the impact of PERS Reform Legislation enacted in 2003. Figures through 12/31/2003 do not reflect the judicial review or subsequent Board action.

3 Effective with the 2004 valuation, the Oregon Supreme Court rulings in *Strunk v. PERB, et al.* (issued March 8, 2005) and *City of Eugene v. State of Oregon, PERB, et al.* (issued August 11, 2005) are reflected. Amounts include OPSRP payroll.

4 Effective with the 2004 valuation, the cost method was changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value.

5 Assets and liabilities for OPSRP are first valued in the 2005 valuation. OPSRP payroll, however, was included in the amortization of the UAAL beginning with the 2004 valuation.

6 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2006.

7 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2008.

8 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2010.

9 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.

10 Covered payroll is for state agencies only.

Footnotes 11 and 12 continued on next page.

[11] The December 31, 2012 valuation reflects the following changes:

Changes in Actuarial Methods and Assumptions — Tier One/Tier Two and OPSRP

A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013.

Changes in Actuarial Methods and Allocation Procedures

Actuarial Cost Method

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as will soon be required for future financial reporting under GASB Statements 67 and 68.

Tier One/Tier Two UAL Amortization

In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier One/Tier Two UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method

The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70 percent to 60 percent or increases from 130 percent to 140 percent. Previously the ranges had been 80 percent to 70 percent and 120 percent to 130 percent. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board meeting.

Allocation of Liability for Service Segments

For purposes of allocating Tier One/Tier Two members’ actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for general service members and 10 percent for police and fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for general service members and 5 percent for police and fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions

Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8.00 percent and the assumed interest crediting to variable account balances was 8.25 percent.

OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from $6.6 million per year to $5.5 million per year.

Healthcare Cost Inflation

The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman’s healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Mortality

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables.

Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions

Merit Increases, Unused Sick Leave, and Vacation Pay

Assumed merit increases were lowered for School District members. Unused Sick Leave and Vacation Pay rates were adjusted.

Retiree Healthcare Participation

The RHIA participation rate for healthy retirees was reduced from 48 percent to 45 percent. The RHIPA participation rate was changed from a uniform rate of 13 percent to a service-based table of rates.

Changes in Salary Plan Provisions

Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5 percent of annual benefit. The effects of this legislation were reflected in this valuation.

Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000. The effects of this legislation were reflected in this valuation.

[12] Discrepancies contained in this table are the result of rounding differences.

Required Supplementary Information
Schedules of Employer Contributions
(dollar amounts in millions)

Actuarial Valuation Date	Annual Required Contribution [1, 2, 3]	Percentage Contributed [2, 7]
Defined Benefit Pension Plan		
12/31/2012	$ 1,239.4	72%
12/31/2011	779.1	83 [4]
12/31/2010	472.4	100[4]
12/31/2009	630.8	100[4]
12/31/2008	707.4	100[4]
12/31/2007	805.7	74
Postemployment Healthcare Plan - Retirement Health Insurance Account[5]		
12/31/2012	$ 47.5	101%
12/31/2011	37.0	88
12/31/2010	26.5	83
12/31/2009	29.8	87
12/31/2008	33.0	85
12/31/2007	38.8	91
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[6]		
12/31/2012	$ 3.4	101%
12/31/2011	2.8	83
12/31/2010	2.3	64
12/31/2009	2.6	68
12/31/2008	2.9	63
12/31/2007	2.7	79

1 The Annual Required Contribution (ARC) prior to July 1, 2007, is based on the July 1, 2005 rates developed in the December 31, 2003 Milliman valuation prior to the adjustment to phase-in the rate increase and adjusted for supplemental payments since December 31, 2003. For most employers, the actual amount contributed from July 1, 2005, to June 30, 2007, was based on the phased-in rates.

2 The ARC shown for December 31, 2010, and prior years is an estimated amount based on system-wide contribution rates in effect for the year in question and system payroll as reported by PERS. For example, the 2010 pension benefits ARC is based on rates developed in the December 31, 2007 actuarial valuation and 2010 payroll as reported by PERS.

3 The ARC shown beginning in December 31, 2011, is based on contribution rates in effect for individual employers for the year in question, system payroll as reported by PERS, and contribution rates for individual employers that would have been effective in the absence of the contribution rate stabilization method (rate collar).

4 For both the July 2007-June 2009 and July 2009-June 2011 biennia, system employers are generally required to contribute 100 percent of the ARC for Tier One/Tier Two and OPSRP as a percent of pay. The actual dollar amount contributed in a given calendar year can vary from the estimated ARC based on factors such as month-to-month variations in payroll and timing of contributions. During the July 2011-June 2013 biennium, the percentage of ARC contributed will be less than 100 percent due to the application of contributions rate stabilization method (rate collar).

5 The Retirement Health Insurance Account provides postemployment healthcare benefits for eligible members for all participating employers.

6 The Retiree Health Insurance Premium Account provides postemployment healthcare benefits only for eligible members who retired from state of Oregon employers.

7 Percentages were changed to whole numbers in 2009. Prior amounts are restated.

Required Supplementary Information
Schedule of Claims Development Information
Standard Retiree Health Insurance Account
Fiscal and Policy Year Ended (In Millions of Dollars)

	2011	2012	2013
1. Net earned required contributions and investment revenues	$ 174.19	$ 188.99	$ 195.59
2. Unallocated expenses	20.01	22.15	25.00
3. Estimated incurred claims and expense, end of policy year	152.55	150.62	172.89
4. Paid (cumulative) as of:			
End of policy year	150.42	160.15	172.76
One year later	161.43	171.80	
Two years later	161.34		
Three years later			
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
5. Reestimated incurred claims and expense:			
End of policy year	152.55	150.62	172.89
One year later	163.56	162.27	
Two years later	163.47		
Three years later			
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	10.92	11.65	

Other Supplementary Information
Schedule of Plan Net Position
Defined Benefit Pension Plan
As of June 30, 2013

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Total
Assets:				
Cash and Cash Equivalents	$ 3,287,197,570	$ 98,677,782	$ 12,509,596	$ 3,398,384,948
Receivables:				
Employer	20,011,725	3,306,925	—	23,318,650
Interest and Dividends	296,001,585	7,098,909	—	303,100,494
Investment Sales and Other Receivables	2,492,581,825	56,933,242	—	2,549,515,067
Transition Liability	613,560,681	—	—	613,560,681
Total Receivables	3,422,155,816	67,339,076	—	3,489,494,892
Interaccount Receivables and Payables	13,729,819	1,037,813	(14,767,632)	—
Due from Other Funds	1,498,973	—	—	1,498,973
Investments:				
Debt Securities	12,667,455,450	303,799,436	—	12,971,254,886
Public Equity	20,126,454,398	482,686,166	756,528,457	21,365,669,021
Real Estate	6,664,224,860	159,825,923	—	6,824,050,783
Private Equity	12,806,839,789	307,142,245	—	13,113,982,034
Alternative Equity	558,612,198	13,397,013	—	572,009,211
Opportunity Portfolio	723,178,653	17,343,757	—	740,522,410
Total Investments	53,546,765,348	1,284,194,540	756,528,457	55,587,488,345
Securities Lending Collateral	2,098,674,380	50,440,767	85,595	2,149,200,742
Prepaid Expenses	4,911,394	104,288	—	5,015,682
Capital Assets, Net	34,809,511	2,878,079	—	37,687,590
Total Assets	**62,409,742,811**	**1,504,672,345**	**754,356,016**	**64,668,771,172**
Liabilities:				
Investment Purchases and Accrued Expenses	3,825,193,881	84,355,748	2,864,190	3,912,413,819
Deposits and Other Liabilities	115,149,913	95,570	18,045	115,263,528
Due to Other Funds	4,847,699	—	—	4,847,699
Bonds Payable	2,490,239	—	—	2,490,239
Unearned Revenue	388,798	—	—	388,798
Securities Lending Collateral Due Borrowers	2,103,803,973	50,563,789	85,595	2,154,453,357
Total Liabilities	**6,051,874,503**	**135,015,107**	**2,967,830**	**6,189,857,440**
Net Position Restricted for Pension Benefits	**$ 56,357,868,308**	**$ 1,369,657,238**	**$ 751,388,186**	**$ 58,478,913,732**

Other Supplementary Information
Schedule of Changes in Plan Net Position
Defined Benefit Pension Plan
For the Year Ended June 30, 2013

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Total
Additions:				
Contributions:				
Employer	$ 621,105,350	$ 213,056,237	$ —	$ 834,161,587
Plan Member	16,831,502	—	154,220	16,985,722
Total Contributions	637,936,852	213,056,237	154,220	851,147,309
Investment Income:				
Net Appreciation in Fair Value of Investments	5,519,421,566	134,416,879	131,118,496	5,784,956,941
Interest, Dividends, and Other Investment Income	1,477,976,273	36,454,795	209,637	1,514,640,705
Total Investment Income	6,997,397,839	170,871,674	131,328,133	7,299,597,646
Less Investment Expense	364,783,196	8,933,529	520,401	374,237,126
Net Investment Income	6,632,614,643	161,938,145	130,807,732	6,925,360,520
Securities Lending Income:				
Securities Lending Income	25,867,328	508,688	192	26,376,208
Less Securities Lending Expense	(3,358,205)	(72,838)	(192)	(3,431,235)
Net Securities Lending Income	22,509,123	435,850	—	22,944,973
Other Income	597,505	838,892	174	1,436,571
Total Additions	7,293,658,123	376,269,124	130,962,126	7,800,889,373
Deductions:				
Benefits	3,512,514,196	6,026,619	32,936,407	3,551,477,222
Death Benefits	4,582,777	—	—	4,582,777
Refunds of Contributions	16,913,780	1,878	523,910	17,439,568
Administrative Expense	27,695,473	4,865,135	945,320	33,505,928
Interaccount Transfers	(105,553,227)	—	105,553,227	—
Total Deductions	3,456,152,999	10,893,632	139,958,864	3,607,005,495
Net Increase (Decrease)	**3,837,505,124**	**365,375,492**	**(8,996,738)**	**4,193,883,878**
Net Position Restricted for Pension Benefits				
Beginning of Year, as Previously Reported	51,894,756,900	1,004,281,746	760,384,924	53,659,423,570
Prior Period Adjustment	625,606,284	—	—	625,606,284
Beginning of Year, as Restated	52,520,363,184	1,004,281,746	760,384,924	54,285,029,854
Net Position, End of Year	**$ 56,357,868,308**	**$ 1,369,657,238**	**$ 751,388,186**	**$ 58,478,913,732**

Other Supplementary Information
Schedule of Administrative Expenses - All Funds
For the Year Ended June 30, 2013

Personal Services:	
Staff Salaries	$ 17,579,688
Social Security	1,318,907
Retirement	3,630,639
Insurance	5,093,359
Assessments	121,637
Total Personal Services	27,744,230
Professional Services:	
Actuarial	591,352
Data Processing	11,881
Audit	247,767
Legal Counsel	449,950
Medical Consultants	64,820
Training and Recruitment	275,056
Contract Services	3,362,354
Healthcare Fees	27,429,589
Total Professional Services	32,432,769
Communications:	
Printing	66,705
Telephone	212,206
Postage	581,776
Travel	141,075
Total Communications	1,001,762
Rentals:	
Office Space	546,290
Equipment	104,505
Total Rentals	650,795
Miscellaneous:	
Central Government Charges	702,568
Supplies	1,251,146
Maintenance	1,351,485
Non-Capitalized Equipment	174,356
Depreciation	2,443,283
Bond Amortization	71,402
Total Miscellaneous	5,994,240
Total Administrative Expenses	**$ 67,823,796**

Other Supplementary Information
Schedule of Payments to Consultants and Contractors
For the Year Ended June 30, 2013

Individual or Firm	Commission/Fees	Nature of Service
Milliman, Inc.	$ 591,352	Actuarial
Macias Gini & O'Connell LLP	245,350	Audit
Oregon Audits Division	2,417	Audit
CEM Benchmarking Inc.	40,000	Benchmarking
Moda Health	24,219,033	Health Insurance
BenefitHelp Solutions	3,092,656	Health Insurance
Butler Partners & Associates LLC	117,900	Health Insurance
ING	2,220,270	IAP Administration
Oregon Department of Justice	293,997	Legal
Bennett Hartman Morris Kaplan LLP	100,000	Legal
Orrick, Herrington & Sutcliffe LLP	27,969	Legal
Trucker Huss	14,338	Legal
Ice Miller LLP	13,646	Legal
Frederick William Miller, MD	58,950	Medical
Ronald N. Turco, MD	3,800	Medical
Elyse Berkovitch	1,190	Medical
Examworks Inc.	780	Medical
Lake Oswego Psychiatric	100	Medical
Mass Ingenuity	218,745	Strategic and Organizational Planning
HP Enterprise Services	1,600,407	Technology
MMC Systems Inc.	1,047,487	Technology
TriTek Solutions Inc.	59,636	Technology
Oregon Department of Administrative Services	782	Technology

Other Supplementary Information
Summary of Investment Fees, Commissions, and Expenses
For the Year Ended June 30, 2013

	2013
International Equity Fund Managers	
Acadian Asset Management, Inc.	$ 2,622,098
AllianceBernstein International	2,725,259
AQR Capital Management	3,528,793
Arrowstreet Capital, LP	6,433,298
Brandes Investment Partners LLC	2,670,335
Dimensional Fund Advisors	2,086,297
Genesis Investment Management, Ltd.	3,618,936
Harris Associates	1,986,958
Pyramis Global Investors	5,985,623
TT International Co., Ltd.	1,791,339
Victory Capital Management	1,486,818
Walter Scott & Partners Limited	2,338,975
William Blair & Company, LLC	1,383,242
Other International Equity Fund Managers	5,125,763
Domestic Equity Fund Managers	
AQR Capital Management	1,357,258
Aronson+Johnson+Oritz	1,725,310
The Boston Company Asset Management, LLC	1,703,855
Delaware Capital Management	2,199,556
MFS Institutional Advisors, Inc.	2,478,939
Next Century Growth Investors	1,977,687
Northern Trust Company	1,154,590
PIMCO	4,255,542
Pyramis Global Advisors	1,010,919
Wanger Asset Management, LP	2,402,048
Wellington Management Company, LLP	2,097,421
Wells Capital Management	1,843,667
Other Domestic Equity Fund Managers	3,313,741
Debt Securities Managers	
Alliance Capital Management	2,809,760
BlackRock Asset Management	3,221,347
KKR Financial Credit Portfolio	11,137,274
Oak Hill Advisors	7,247,736
Wellington Management Company, LLP	3,356,881
Western Asset Management Company	2,064,716
Alternative Equity Managers	16,122,808
Opportunity Portfolio Managers	10,241,222
Custodian	
State Street Bank	261,301
Private Equity Managers	
Apollo Management	2,999,699
Aquiline Capital Partners LLC	4,810,483
Avista Capital Partners	7,013,446
Black Diamond Capital Management	4,501,823
CVC Capital Partners	3,948,683
Centerbridge Partners, L.P.	2,686,197
Coller Capital	2,718,465
Endeavour Capital	3,098,294
First Reserve Corporation	5,167,572
Fisher Lynch Capital	4,006,864
Green Equity Investors IV, L.P	2,377,763
Grove Street Advisors	3,375,000
Kohlberg Kravis Roberts & Co.	5,123,533
KSL Capital Partners	2,396,122
Oak Hill Capital Partners	5,557,099
Oaktree Capital Management	6,579,651
Pathway Capital Management, LLC	4,793,961
Providence Equity Partners	2,321,504
Rhone Capital Partners	2,106,953
Texas Pacific Group	8,951,845
Warburg Pincus	3,603,678
Other Private Equity Fees	70,247,422
Real Estate Fees and Expenses	46,728,283
State Treasury Fees	8,781,193
Brokerage Commissions	20,827,280
Other Investment Fees and Expenses	48,582,707
Deferred Compensation Investment Fees and Expenses	2,633,489
Total Investment Fees, Commissions, and Expenses	**$ 413,706,321**

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Investment Section

Investment Officer's Report

JOHN D. SKJERVEM
CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION

PHONE 503-378-4111
FAX 503-378-6772

STATE OF OREGON
OFFICE OF THE STATE TREASURER
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896

October 14, 2013

Dear PERS Members:

I am writing to share with you both fiscal year and select, cumulative investment results for the period ended June 30, 2013. Moreover, I am delighted to report that these results, and particularly those attributable to recent time periods, have been strongly accretive in terms of the Oregon State Treasury's investment activities on behalf all PERS members and beneficiaries. Specifically, the Oregon Public Employees Retirement Fund ("OPERF" or the "Fund") recorded a 12.7% advance over the twelve-month period ended June 30, 2013, a result which handily beat the Fund's 8% net annual return target.

This fine result in fiscal year 2013 (FY13) also helped propel the Fund's three-, five- and ten-year annualized returns to 11.9%, 5.0% and 8.4%, respectively. PERS members and beneficiaries should also know that such excellent historical performance pushes OPERF to an advantaged position relative to other large, U.S. state pension plans. In fact, OPERF's long-term (i.e., 10-year) investment record is now top percentile in its peer group ranking!

The Fund's recent performance has been driven by positive results among investments in risk-based asset classes. For example, OPERF's investments in stocks of publically traded companies produced a 19.2% return in FY13 while its real estate investments generated a 14.4% total return during that same time period. Private equity, which includes various types of private market holdings, added another 12.7% to the Fund's FY13 performance. Alternative investments in new areas such as infrastructure were essentially flat last fiscal year, but opportunistic investments in highly-focused, short-term strategies added 17.7% to the Fund's FY13 returns.

Lagging the robust results produced by most of its risk-based asset class investments, the Fund's allocation to fixed income securities contributed 3.6% to OPERF performance in FY13. This fixed income allocation includes investments in various types of government, agency and corporate bonds, and at June 30, 2013, comprised approximately 25% of OPERF's total portfolio. Returns on bonds and most other types of fixed income securities have been under pressure since May of this year when speculation regarding the extent to which the U.S. Federal Reserve (the "Fed") would continue its accommodative monetary policies produced a sudden and sharp rise in interest rates.

While we are proud to share this uniformly positive, high-level performance summary with PERS members and beneficiaries, we would also like to comment on our expectations for the current fiscal year and immediate future. Specifically, we expect the investment environment to prove more challenging in the months and quarters ahead due to important changes now underway in both the monetary and fiscal policy arenas. As of this writing, President Obama has nominated Janet Yellen to succeed Ben Bernanke as Fed Chair, and market participants have already begun a collective assessment of how Ms. Yellen's presumptive leadership may change the direction of U.S. monetary policy. Simultaneously, fiscal policy uncertainty in the form of the current political impasse in U.S. budget and debt ceiling negotiations has added a new and highly unpredictable dimension to financial market volatility.

Despite these concerns, the OPERF portfolio is well positioned relative to its unique investment objectives and risk tolerance parameters. Moreover, PERS members and beneficiaries enjoy the regular and dedicated engagement of the Oregon Investment Council which when combined with Treasury staff's daily management activities ensures that the OPERF portfolio is deployed as productively and prudently as possible.

Sincerely,

John D. Skjervem
Chief Investment Officer

Note: all performance figures were calculated using a time-weighted rate of return and are prepared and presented in accordance with the CFA Institute's Global Investment Performance Standards.

Description of Investment Policies

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five voting members. Four members of the council, who are qualified by training and experience in the field of investment or finance, are appointed by the governor subject to state Senate confirmation. The state treasurer serves as the council's remaining voting member. In addition, the director of the Public Employees Retirement System serves as a non-voting OIC member.

ORS 293.701 defines the investment funds over which OIC has responsibility. Included are the Public Employees Retirement Fund (PERF) and the Deferred Compensation Fund. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

OIC ensures moneys in the investment funds are invested and reinvested to achieve the investment objective of making the moneys as productive as possible. Furthermore, the investments of those funds are managed as a prudent investor would do under the prevailing circumstances and in light of the purposes, terms, distribution requirements, and laws governing each investment fund. This standard requires the exercise of reasonable care, skill, and caution and is applied to investments not in isolation, but in the context of each fund's portfolio as part of an overall investment strategy. The strategy should incorporate risk and return objectives reasonably suitable to the particular investment fund.

When implementing investment decisions, OIC has a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so. In addition, OIC must act with prudence when selecting agents and delegating authority.

OIC has approved the following asset classes for PERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, PERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

OIC has an open-door policy wherein investment officers employed by the Oregon State Treasury will hear and consider investment proposals and solicitations from any person, firm, or partnership that submits a proposal or solicitation in good faith. However, under no circumstance does this policy require that the Oregon State Treasury purchase the proposed investment.

OIC maintains an equal opportunity policy. When awarding contracts or agreements, OIC does not discriminate because of age, race, color, sex, religion, national origin, marital status, sexual orientation, or disability. Furthermore, OIC encourages firms doing or seeking to do business with OIC to have equal opportunity programs. OIC requires that all written contracts or agreements with OIC incorporate reference that affirms compliance with applicable nondiscrimination, equal opportunity, and contract compliance laws.

In compliance with ORS 192.630-660, OIC holds its meeting in a public forum. Public notice, including a meeting agenda, is provided to interested persons and news media that have requested notice. Written minutes and recordings are taken at all meetings.

OIC regularly reviews various aspects of investment policy, performance of investment managers and accounts, asset allocation, and a large number of investment proposals and recommendations. OIC's statement of Investment Objectives and Policy Framework is available on the Oregon State Treasury website at http://www.ost.state.or.us/About/OIC/Governance.Documents.asp

Investment Results*

	Periods Ending June 30, 2013		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	12.7%	11.9%	5.0%
Policy Benchmark	12.4	11.6	5.4
Variable Account	17.4	12.9	3.0
Variable Account Blended Index	17.1	12.6	2.8
Domestic Stocks	21.9	18.5	6.9
Benchmark: Russell 3000 Index	21.5	18.6	7.3
International Stocks	16.4	9.7	1.0
Benchmark: Custom Index[1]	13.9	8.1	(0.4)
Fixed Income Segment	3.6	6.6	7.9
Benchmark: Custom Index[2]	2.7	4.6	5.8
Real Estate[3]	14.4	14.5	1.5
Benchmarks: NCREIF Property Index	10.5	13.3	2.3
NCREIF Equity REIT Share Price Index	10.2	18.5	7.7
Private Equity[4]	12.7	13.4	6.8
Russell 3000 +300 bps	18.0	16.3	10.3

Calculations were prepared using a time-weighted rate of return based on the market rate in accordance with the Global Investment Performance Standards performance presentation standards.

1 Morgan Stanley Capital International All Country World Index (MSCI ACWI) ex U.S. Gross through May 31, 2008, and thereafter linked with the MSCI ACWI ex U.S. Investable Market Index Net Index

2 90% Barclays Capital Universal/10% Solomon Smith Barney Inc. Non-US World Government Bond Hedged through February 28, 2011, and thereafter 60% Barclays Capital Universal/20% S&P/LSTA Leveraged Loan Index/10% JMP Emerging Market Bond Index Global (EMBI Global) Index/ 10% Bank of America Merrill Lynch High Yield Master II Index.

3 Returns are lagged one quarter.

4 Returns are lagged one quarter.

*The Investment Results are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings.

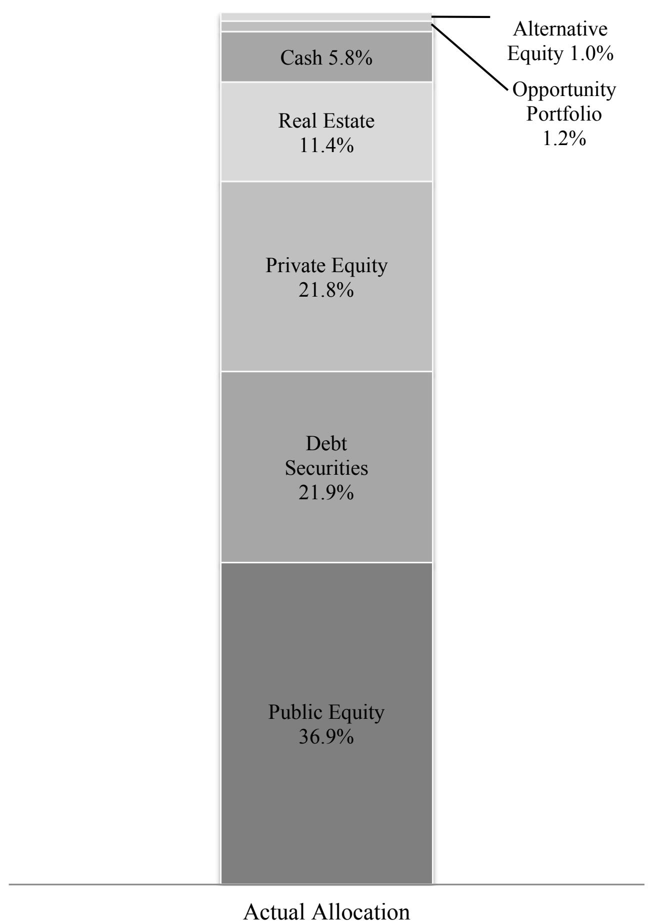
OIC Target and Actual Investment Allocations as of June 30, 2013*

Asset Class/Strategy	Low Range	High Range	OIC Target Allocation
Cash	0.0%	3.0%	0.0%
Debt Securities	20.0	30.0	25.0
Public Equity	38.0	48.0	43.0
Private Equity	12.0	20.0	16.0
Real Estate	8.0	14.0	11.0
Alternative Equity	0.0	8.0	5.0
Opportunity Portfolio[1]	0.0	0.0	0.0
Total	78.0%	123.0%	100.0%

Asset Class/ Strategy	Actual Allocation
Cash	5.8%
Debt Securities	21.9
Public Equity	36.9
Private Equity	21.8
Real Estate	11.4
Alternative Equity	1.0
Opportunity Portfolio[1]	1.2
Total	100.0%

[1] Opportunity Portfolio is an investment strategy and it may be invested up to 3% of total plan net position.

Investment Mix by Asset Class/Strategy



Total Fund Performance 10-Year Review, One-Year Returns

* The OIC Target Allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The Target Allocation amounts do not include Deferred Compensation Plan investments. The Actual Investment Allocation is based on the financial statement investment classifications, including Deferred Compensation Plan investments.

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2013

Description	Shares		Fair Value
Wellington Management Company, LLP	27,808,572	$	293,936,606
Exxon Mobil Corporation	1,760,326		159,045,454
JPMorgan Chase & Co.	2,070,001		109,275,353
Apple Inc.	266,144		105,414,316
Samsung Electronics Co. Limited	89,042		104,631,464
Google Inc.	112,014		98,613,765
Johnson & Johnson Services, Inc.	1,102,683		94,676,362
Roche Holding AG-Genusschein	366,339		90,989,447
Novartis International AG	1,276,435		90,523,478
Pfizer Inc.	3,093,262		86,642,269

Largest Bond Holdings (by Fair Value)
June 30, 2013

Description	Par Value		Fair Value
FNMA TBA 30 Year Single Family 3.5% Due December 1, 2099	505,050,000	$	512,706,558
US Treasury Notes 0.5% Due June 15, 2016	259,025,000		257,931,922
US Treasury Notes 0.375% Due June 30, 2015	228,115,000		228,194,849
FNMA TBA 3% Due December 1, 2099	210,010,000		205,186,070
FNMA TBA 15 Year 2.5% Due December 1, 2099	116,435,000		117,107,994
US Treasury Notes 1% Due August 31, 2016	115,378,400		116,263,342
US Treasury Notes 2.875% Due May 15, 2043	104,970,000		92,874,304
Brambles Payment In-Kind Senior Subordinated Notes 12% Due July 18, 2014	92,761,840		84,814,703
FNMA TBA 30 Year Single Family 4% Due December 1, 2099	68,845,000		71,719,967
US Treasury Notes 1.375% Due May 30, 2020	73,530,000		70,944,782

A complete list of portfolio holdings may be requested from the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, OR 97301-3896.

Schedule of Fees and Commissions
For the Fiscal Year Ended June 30, 2013

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$ 14,454,283,027	$ 29,837,714	0.206428
Public Equity Managers	24,355,200,338	71,304,267	0.292768
Real Estate Managers	7,488,441,651	46,728,283	0.624005
Private Equity Managers (Limited Partnerships)	14,390,761,791	158,386,057	1.100609
Alternative Equity Managers	627,700,136	16,122,808	2.568553
Opportunity Portfolio Managers	812,619,811	10,241,222	1.260272
Total Assets Under Management	**$ 62,129,006,754**		
Other Investment Service Fees:			
Investment Consultants		3,358,388	
Commissions and Other Fees		77,727,582	
Total Investment Service and Managers' Fees		**$413,706,321**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2013

Broker's Name	Commission	Shares / Par	Commission Per Share
Goldman, Sachs & Co.	$ 1,762,138	153,199,635	$ 0.0115
Credit Suisse First Boston Corporation	1,626,418	315,398,047	0.0052
J.P. Morgan Securities Inc.	1,348,379	216,055,309	0.0062
UBS Securities Inc.	1,142,511	138,458,824	0.0083
Barclays Capital	1,077,326	36,304,748	0.0297
Merrill Lynch & Co., Incorporated	1,063,037	197,434,179	0.0054
Instinet Corporation	990,338	247,761,711	0.0040
Citigroup Global Markets Inc.	933,599	148,343,707	0.0063
Morgan Stanley & Co., Incorporated	890,161	126,588,146	0.0070
Deutsche Bank	799,437	134,404,366	0.0059
Investment Technology Group Inc.	538,207	204,634,362	0.0026
Société Générale	486,409	132,301,064	0.0037
Jefferies & Company	398,300	34,979,431	0.0114
MacQuarie Securities	384,501	95,204,580	0.0040
HSBC Securities	316,798	79,672,115	0.0040
Liquidnet, Inc.	314,663	24,125,409	0.0130
Royal Bank of Canada	302,893	21,599,018	0.0140
Sanford C. Bernsterin LTD	266,524	74,883,170	0.0036
Merrill Lynch, Pierce, Fenner & Smith, Inc.	257,779	11,983,440	0.0215
Daiwa Securities	247,634	69,195,546	0.0036

Brokerage commissions on purchases and sales are too numerous to list; therefore, only the top 20 brokers by amount of commission paid are shown.

Investment Summary

Type of Investment	Fair Value at June 30, 2013	Percent of Total Fair Value*
Debt Securities		
U.S. Government Securities	$1,675,962,452	2.69%
U.S. Agency Securities	2,208,199,993	3.55
Corporate Bonds	5,154,254,758	8.30
Asset-Backed Securities	1,439,611,592	2.32
International Debt Securities	2,458,123,960	3.96
Mutual Funds - Domestic Fixed Income	1,276,594,767	2.06
Mutual Funds - International Fixed Income	241,535,505	0.39
Total Debt Securities	**14,454,283,027**	**23.27**
Public Equity		
Domestic Equity Securities	8,977,496,886	14.46
International Equity Securities	9,482,237,495	15.26
Mutual Funds - Domestic Equity	2,399,575,396	3.86
Mutual Funds - Global Equity	759,446,208	1.22
Mutual Funds - International Equity	2,394,397,300	3.85
Mutual Funds - Target Date	342,047,053	0.55
Total Public Equity	**24,355,200,338**	**39.20**
Real Estate	**7,488,441,651**	**12.05**
Private Equity	**14,390,761,791**	**23.16**
Alternative Equity	**627,700,136**	**1.01**
Opportunity Portfolio	**812,619,811**	**1.31**
Total Fair Value	**$ 62,129,006,754**	**100.00%**

*These percentages do not include cash and cash equivalents.

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Actuarial Section

111 SW Fifth Avenue
Suite 3700
Portland, OR 97204
USA

Tel +1 503 227 0634
Fax +1 503 227 7956

milliman.com

December 13, 2013

Retirement Board
Oregon Public Employees Retirement System

Re: Actuarial Valuation as of December 31, 2012

Dear Members of the Board,

As part of our engagement with the Board, we performed an actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2012. Our findings are set forth in our system-wide December 31, 2012 Actuarial Valuation Report, issued December 13, 2013. That report reflects the current benefit provisions of the System, including changes made by the Oregon Legislature in 2013.

The material included in the Comprehensive Annual Financial Report (CAFR) for Oregon PERS is a subset of the results contained in the system-wide report. The description in the report regarding the actuarial basis of the valuation and the material inputs and limitations of use of the valuation apply to the CAFR exhibits, and are incorporated herein by reference.

Actuarial valuations are performed annually, but only valuations performed as of the end of each odd-numbered year are used to determine annual required contributions. Interim valuations performed as of the end of each even-numbered year are advisory only.

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation. The actuarial assumptions and methods used in the 2012 actuarial valuation were adopted by the Board based upon the results of the experience study conducted by Milliman as of December 31, 2012. The assumptions and methods used for funding do not always meet the parameters set for disclosures by Governmental Accounting Standards Board Statements Nos. 25 and 43. Where the funding amount does not meet GASB parameters, the Annual Required Contribution has been adjusted to satisfy the GASB parameters.

Milliman prepared the following information that is presented in the Actuarial Section of the 2013 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2012 actuarial valuation:

- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedules of Funding Progress by Rate Pool
- Solvency Test
- Analysis of Financial Experience
- Schedules of Funding Progress
- Schedules of Employer Contributions
- Notes to Required Supplementary Schedules

Retirement Board
Oregon Public Employees Retirement System
December 13, 2013
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We understand the Actuarial Section of the CAFR will also include summaries of the actuarial methods, actuarial assumptions, and plan provisions valued. These summaries are contained in the December 31, 2012, actuarial valuation report and are also provided as an attachment to this letter.

The funding policy selected by the Board is to set the biennial contribution rates in accordance with the results of an actuarial valuation performed using the assumptions and methods described in the system-wide report. The policy contribution rates includes funding the cost associated with new benefit accruals as well as fully funding any unfunded actuarial liability, determined using the market value of assets, over a closed amortization period that varies from 10 to 20 years, according to the benefit program. The contribution rate stabilization method (also known as the "rate collar") limits rate changes from one biennium to another, in effect phasing in changes over multiple rate-setting periods if experience causes a large movement in the calculated contribution rate.

All members hired prior to August 29, 2003, are covered under Chapter 238. These benefits are administered using some cost-sharing pools and some independent employer valuations. All school districts share costs through the school district pool. Some local governments have joined the State and Local Government Rate Pool (SLGRP) to share costs. There are also 136 independent employers who do not share costs with the other employers except through the Benefits in Force Reserve that pools the experience of those in pay status across all employers and all other pooling arrangements.

All members hired after August 28, 2003, are covered under Chapter 238A, except for those members who previously established membership under Chapter 238 and meet the requirements to reinstate those benefits. Costs for Chapter 238A members are shared across all employers regardless of their status under the Chapter 238 arrangements. Chapter 238 benefits and Chapter 238A benefits are parts of a single plan.

Finally, some employers made lump sum deposits in addition to their regularly scheduled contributions. These deposits are placed in a side account within the pension trust and used to offset future contribution requirements of that employer. For financial reporting purposes, lump sum deposits are not considered as contributions toward meeting the Annual Required Contribution (ARC) or the contractually required contribution for employers in a cost-sharing pool.

However, side accounts are included as assets in the development of the ARC or contractually required contributions. The Schedule of Funding Progress and Solvency Test also include side accounts as part of the Plan's assets.

Actuarial Basis

In preparing the valuation report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We

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Oregon Public Employees Retirement System
December 13, 2013
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found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

The valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated herein at the September 2013 Board Meeting.

Some of the actuarial computations presented in the valuation report are for purposes of determining advisory contribution rates for System employers. Other actuarial computations presented in this report under GASB Statements No. 25 and 27, 43 and 45 are for purposes of assisting the System and participating employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions as summarized in the report, and of GASB Statements No. 25 and 27, 43 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the use and benefit of the Oregon Public Employees Retirement System.

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Oregon Public Employees Retirement System
December 13, 2013
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Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. No third party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA, MAAA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

Actuarial Assumptions and Methods

Tier One/Tier Two (including Retiree Healthcare)

Actuarial Methods and Valuation Procedures

In September 2013 the Board adopted the following actuarial methods and valuation procedures for the December 31, 2012 and 2013 actuarial valuations of PERS Tier One/Tier Two benefits.

Actuarial cost method	**Entry Age Normal.** Under the Entry Age Normal (EAN) cost method, each active member's e**ntry age present value of projected benefits** is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases. Thus, the total pension to which each member is expected to become entitled at retirement is broken down into units, each associated with a year of past or projected future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded accrued liability to be funded over a stipulated period in accordance with an amortization schedule. A detailed description of the calculation follows: • An individual member's **entry age present value of projected benefits** is the sum of the present value of the benefit described under the plan at each possible separation date, determined at the member's entry age using the projected compensation and service at each separation date. • An individual member's **entry age present value of projected salaries** is the sum of the present value of the actual or projected compensation over the member's working career associated with each possible future separation date, determined at the member's entry age. • An individual member's **present value of projected benefits** is the sum of the present value of the benefit described under the plan at each possible separation date, determined at the valuation date using the projected compensation and service at each separation date. • An individual member's **normal cost** for a certain year is the member's **entry age present value of projected benefits** divided by the member's **entry age present value of projected salaries** and multiplied by the member's projected compensation for the year following the valuation date. • An individual member's **accrued liability** is the member's **present value of projected benefits** less the sum of the present value of the member's **normal costs** for each future year, determined at the valuation date using the projected compensation and service at each future year. –The plan's **normal cost** is the sum of the individual member normal costs, and the plan's **accrued liability** is the sum of the individual member accrued liabilities.
Tier One/Tier Two UAL amortization	The Tier One/Tier Two UAL amortization period will be reset at 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier One/Tier Two plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.
Retiree Healthcare UAL amortization	The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll (Tier One/Tier Two plus OPSRP payroll) over a closed 10 year period from the valuation in which they are first recognized.

Asset valuation method	The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to Milliman by PERS. It is our understanding that select real estate and private equity investments are reported on a three-month lag basis. This valuation report does not attempt to quantify any effects of the reporting lag.
Contribution rate stabilization method	Contribution rates for a rate pool (e.g. Tier One/Tier Two SLGRP, Tier One/ Tier Two School Districts, OPSRP) are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60 percent or increases above 140 percent, the size of the collar doubles. If the funded percentage excluding side accounts is between 60 percent and 70 percent or between 130 percent and 140 percent, the size of the rate collar is increased on a graded scale.
Allocation of Liability for Service Segments	For active Tier One/Tier Two members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30 percent (5 percent for police and fire) based on account balance with each employer and 70 percent (95 percent for police and fire) based on service with each employer. The entire normal cost is allocated to the current employer.
Allocation of Benefits-In-Force (BIF) Reserve	The BIF reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

Economic Assumptions

The Board adopted the following economic assumptions for the December 31, 2012 and 2013 actuarial valuations. The investment return assumption, health care cost inflation assumption, and interest crediting for account balances was first adopted in 2013. All other economic assumptions were first adopted in 2005.

Investment return	7.75 percent compounded annually
Pre-2014 Interest crediting	8.0 percent compounded annually on members' regular account balances 8.25 percent compounded annually on members' variable account balances
Post-2013 Interest crediting	7.75 percent compounded annually on members' regular account balances 7.75 percent compounded annually on members' variable account balances
Inflation	2.75 percent compounded annually
Payroll growth	3.75 percent compounded annually. This assumption represents the sum of the inflation assumption and a real wage growth assumption of 100 basis points.
Healthcare cost inflation	Health cost trend rates are used to predict increases in the RHIPA Maximum Subsidy.

Year [1]	Rate	Year	Rate
2013	8.0%	2036	6.2%
2014	6.1	2037	6.1
2015	5.9	2038 - 2039	6.0
2016	5.5	2040 - 2041	5.9
2017	6.2	2042 - 2043	5.8
2018	5.9	2044 - 2047	5.7
2019	5.8	2048 - 2052	5.6
2020	5.9	2053 - 2060	5.5
2021 - 2022	6.0	2061 - 2065	5.4
2023	6.5	2066 - 2072	5.3
2024 - 2025	6.9	2073 - 2074	5.2
2026	6.8	2075 - 2076	5.1
2027 - 2029	6.7	2077 - 2078	5.0
2030 - 2031	6.6	2079 - 2080	4.9
2032 - 2033	6.5	2081 - 2082	4.8
2034 - 2035	6.4	2083+	4.7

[1] For valuation purposes, the health cost trend rates are assumed to be applied at the beginning of the plan year.

Demographic Assumptions

The Board adopted the following demographic assumptions for the December 31, 2012 and 2013 actuarial valuations.

Mortality

Healthy Retired Members

The following healthy retired mortality tables were first adopted in the December 31, 2010 valuation, except for the School District male and Police and Fire male table, which was adopted in the December 31, 2012 valuation.

Basic Table	RP 2000, Generational Combined Active/Healthy Annuitant, Sex Distinct
School District male	No collar, set back 24 months
Other General Service male (including male beneficiary)	Blended 25 percent blue collar/75 percent white collar, set back 12 months
Police and Fire male	Blended 25 percent blue collar/75 percent white collar, set back 12 months
School District female	White collar, set back 24 months
Other female (including female beneficiary)	White collar, no set back

Disabled Retired Members

The following disabled retiree mortality rates were first adopted for the December 31, 2012 actuarial valuation.

Basic Table	
Male	65 percent of Disabled table
Female	90 percent of Disabled table

Non-Annuitant Members

The following mortality rates were first adopted for non-annuitant members for the December 31, 2012 actuarial valuation, except for the Other General Service male and School District female rates which were adopted in the December 31, 2010 valuation.

Basic Table	Percent of Healthy Retired Mortality Tables
School District male	70%
Other General Service male	85
Police and Fire male	95
School District female	60
Other female	55

Retirement Assumptions

The retirement assumptions used in the actuarial valuation include the following:

- Retirement from active status/dormant status
- Probability a member will elect a lump-sum option at retirement
- Percentage of members who elect to purchase credited service at retirement.

The following retirement rate assumptions were first adopted in the December 31, 2012 valuation.

	Police and Fire			General Service/School Districts					
				General Service		School Districts			
Age	< 13 Years	13-24 Years	25+ Years	< 15 Years	15-29 Years	< 15 Years	15-29 Years	30+ Years	Judges
<50								15.0%	
50	1.0%	1.5%	20.0%					15.0	
51	1.0	1.5	14.0					15.0	
52	1.0	1.5	14.0					22.0	
53	1.0	1.5	14.0					22.0	
54	1.0	1.5	14.0					22.0	
55	2.0	7.0	20.0	1.0%	2.5%	1.0%	4.0%	22.0	
56	2.0	7.0	20.0	1.0	2.5	1.0	4.0	22.0	
57	2.0	7.0	20.0	1.0	2.5	1.0	4.0	22.0	
58	2.0	7.0	20.0	1.0	8.0	2.5	13.0	26.0	
59	2.0	7.0	20.0	1.5	8.0	2.5	12.0	21.0	10.0%
60	5.0	10.0	20.0	4.0	8.0	3.5	12.0	21.0	10.0
61	2.0	13.0	20.0	4.0	8.0	5.5	12.0	21.0	10.0
62	15.0	20.0	35.0	8.5	16.0	10.0	22.0	29.0	10.0
63	7.0	18.0	25.0	8.0	14.5	10.0	18.0	22.0	10.0
64	7.0	10.0	15.0	8.0	13.0	8.0	16.0	26.0	10.0
65	100.0	100.0	100.0	14.0	22.0	19.5	29.0	30.0	10.0
66				19.0	31.0	16.0	32.0	30.0	10.0
67				15.0	22.0	16.0	28.0	26.0	10.0
68				15.0	22.0	13.0	24.0	22.0	10.0
69				15.0	22.0	13.0	24.0	22.0	30.0
70				100.0	100.0	100.0	100.0	100.0	100.0

Retirement from Dormant Status

Dormant members are assumed to retire at Normal Retirement Age (age 58 for Tier One, age 60 for Tier Two, age 60 for judges, and age 55 for police and fire) or at the first unreduced retirement age (30 years of service, or age 50 with 25 years of service for police and fire).

Lump-Sum Option at Retirement

Members retiring may elect to receive a full or partial lump sum at retirement. The probability that a retiring member will elect a lump sum at retirement is summarized in the table below. These rates were first adopted effective December 31, 2012.

Partial Lump Sum:	5% for all years
Total Lump Sum:	4.0% for 2013, declining by 0.5% per year until reaching 0.0%
No Lump Sum:	91.0% in 2013, increasing by 0.5% until reaching 95.0%

Purchase of Credited Service at Retirement

The following percentages of members are assumed to purchase credit for the six-month waiting period at retirement. These rates were first adopted effective December 31, 2010.

Money Match Retirements:	0%
Non-Money Match Retirements:	60%

Judge Member Plan Election

All judge members are assumed to elect to retire under the provisions of Plan B.

Disability Assumptions

There are two disability assumptions used in the valuation—duty disability and ordinary disability. Duty disability rates are separated between police and fire and general service, while ordinary disability is the same for all members. The rates for duty disability were first adopted effective December 31, 2012. The rates for ordinary disability were first adopted effective December 31, 2010.

Type	Percentage of the 1985 Disability Class 1 Rates
Duty Disability Police and Fire	20%
Duty Disability General Service	1.2%
Ordinary Disability	50% with 0.18% cap

Termination Assumptions

The termination assumptions were first adopted effective December 31, 2012.

Termination Rates

Sample termination rates are shown for each group below:

Duration from Hire Date	School District Male	School District Female	General Service Male	General Service Female	Police and Fire
0	20.00%	15.50%	19.00%	19.23%	10.00%
1	16.00	14.05	17.16	16.99	8.50
5	8.24	8.35	8.36	10.02	4.80
10	4.23	4.36	3.96	5.18	2.16
15	2.78	2.98	2.86	3.00	1.30
20	1.82	2.23	2.07	2.04	1.30
25	1.20	1.67	1.49	1.50	1.30
30+	1.20	1.50	1.40	1.50	1.30

For a complete table of rates, please refer to the 2012 Experience Study for the System, which was published September 18, 2013.

Oregon Residency Post-Retirement

For purposes of determining eligibility for SB 656/ HB 3349 benefit adjustments, 85 percent of retirees are assumed to remain Oregon residents after retirement.

Salary Increase Assumptions

The salary increase assumptions reflected in the actuarial valuation include:

- Merit scale increases in addition to the payroll growth increase
- Unused sick leave adjustments
- Vacation pay adjustments

Merit Increases

Merit increases are based on duration of service for the following groups with sample rates shown in the following table. The school district rates were first adopted effective December 31, 2012. All other rates were first adopted effective December 31, 2010.

Duration	School District	Other General Service	Police and Fire
0	3.37%	3.61%	5.13%
1	3.02	3.22	4.50
5	1.76	1.97	2.55
10	0.55	1.00	1.20
15	(0.31)	0.51	0.67
20	(0.86)	0.33	0.59
25	(1.00)	0.24	0.56
30	(1.00)	0.05	0.19
31+	(1.00)	0.00	0.00

For a complete table of rates, please refer to the 2012 Experience Study for the System, which was published September 18, 2013.

Unused Sick Leave

Members covered by the provision allowing unused sick leave to be used to increase final average salary are assumed to receive increases in their final average salary in accordance with the table below. This adjustment is not applied to disability benefits. Local general service females were adopted effective December 31, 2001. The state general service male, state general service female, and local police and fire rates were adopted effective December 31, 2010. All other rates were adopted effective December 31, 2012.

Actives	Rates
State General Service Male	6.25%
State General Service Female	3.75
School District Male	7.75
School District Female	5.75
Local General Service Male	4.75
Local General Service Female	3.00
State Police and Fire	4.75
Local Police and Fire	7.50

Dormants	
Dormant members	2.25%

Vacation Pay

Members eligible to receive a lump-sum payment of unused vacation pay are assumed to receive increases in their final average salary in accordance with the table below. This adjustment is not applied to disability benefits. These rates were adopted December 31, 2012.

	Rates
Tier One	
State General Service	0.70%
School District	0.25
Local General Service	1.00
State Police and Fire	0.80
Local Police and Fire	2.00
Tier Two	0.00

Retiree Healthcare Participation

The following percentages of eligible retiring members are assumed to elect RHIPA and RHIA coverage.

RHIPA	
8 - 9 years of service	10.0%
10 - 14 years of service	10.0
15 - 19 years of service	15.0
20 - 24 years of service	22.0
25 - 29 years of service	22.0
30+ years of service	30.0
RHIA	
Healthy Retired	45.0%
Disabled Retired	20.0

The RHIA disabled retired rate was first adopted December 31, 2008. All other rates were first adopted effective December 31, 2012.

Actuarial Assumptions and Methods

OPSRP

Most of the methods and assumptions adopted for the OPSRP valuation are the same as those used for Tier One/ Tier Two. The methods and assumptions that differ for OPSRP are summarized below. The Board adopted the following methods, procedures, and assumptions for the December 31, 2012 and December 31, 2013 actuarial valuations.

Actuarial Methods and Valuation Procedures

OPSRP UAL amortization

The UAL as of December 31, 2007, is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed 16-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Economic Assumptions

Administrative expenses: $5.5 million per year is added to the normal cost.

Demographic Assumptions

Retirement Assumptions

Rates of Retirement from Active Status

	Police and Fire			General Service		School Districts		General Service (Including School Districts)
Age	<13 years	13-24 years	25+ years	<15 years	15-29 years	<15 years	15-29 years	30+ years
50	1.0%	1.5%	5.5%					
51	1.0	1.5	5.5					
52	1.0	1.5	5.5					
53	1.0	1.5	25.0					
54	1.0	5.0	16.5					
55	2.0	5.0	20.0	1.0%	2.5%	1.0%	2.5%	5.0%
56	2.0	5.0	20.0	1.0	2.5	1.0	2.5	5.0
57	2.0	5.0	20.0	1.0	2.5	1.0	2.5	7.5
58	2.0	5.0	20.0	1.0	3.0	1.0	3.0	35.0
59	2.0	5.0	20.0	1.5	3.0	1.5	3.0	25.0
60	5.0	15.0	20.0	3.0	3.75	3.0	3.75	20.0
61	2.0	8.5	20.0	3.0	5.0	3.0	5.0	20.0
62	15.0	20.0	35.0	7.0	12.0	7.0	12.0	30.0
63	7.0	18.0	25.0	6.0	10.0	6.0	10.0	20.0
64	7.0	10.0	15.0	6.0	10.0	6.0	10.0	20.0
65	100.0	100.0	100.0	14.0	40.0	14.0	40.0	20.0
66				17.25	33.0	17.25	33.0	20.0
67				12.0	22.0	12.0	22.0	30.0
68				10.0	17.0	10.0	17.0	20.0
69				10.0	17.0	10.0	17.0	20.0

Changes in Actuarial Methods and Assumptions — Tier One/Tier Two and OPSRP

A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published September 18, 2013.

Changes in Actuarial Methods and Allocation Procedures

Actuarial Cost Method

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as will soon be required for future financial reporting under GASB Statements 67 and 68.

Tier One/Tier Two UAL Amortization

In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier One/Tier Two UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method

The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70 percent to 60 percent or increases from 130 percent to 140 percent. Previously the ranges had been 80 percent to 70 percent and 120 percent to 130 percent. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board meeting.

Allocation of Liability for Service Segments

For purposes of allocating Tier One/Tier Two member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for general service members and 10 percent for police and fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for general service members and 5 percent for police and fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions

Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8.00 percent and the assumed interest crediting to variable account balances was 8.25 percent.

OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from $6.6 million per year to $5.5 million per year.

Healthcare Cost Inflation

The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman’s healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Mortality

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions

Merit Increases, Unused Sick Leave, and Vacation Pay

Assumed merit increases were lowered for School District members. Unused sick leave and vacation pay rates were adjusted.

Retiree Healthcare Participation

The RHIA participation rate for healthy retirees was reduced from 48 percent to 45 percent. The RHIPA participation rate was changed from a uniform rate of 13 percent to a service-based table of rates.

Actuarial Schedules

Schedule of Active Member Valuation Data

Valuation Date	Count	Annual Payroll in Thousands	Average Annual Pay	% Increase in Average Pay	Number of Participating Employers[1]
12/31/2003	153,723	$ 6,248,550	$ 40,648	1.4%	N/A
12/31/2004	142,635	6,306,447	44,214	8.8	806
12/31/2005[2]	156,501	6,791,891	43,398	(1.8)	810
12/31/2006	163,261	7,326,798	44,878	3.4	758
12/31/2007	167,023	7,721,819	46,232	3.0	760
12/31/2008	170,569	8,130,136	47,665	3.1	766
12/31/2009	178,606	8,512,192	47,659	0.0	776
12/31/2010	193,569	8,750,064	45,204	(5.2)	787
12/31/2011	170,972	8,550,511	50,011	10.6	791
12/31/2012	167,103	8,590,879	51,411	2.8	798

[1] Effective in 2006, participating employers are defined for this purpose as any employer with covered payroll during the prior year. In prior years, employers with liabilities but without covered payroll were included as well.
[2] Effective with the December 31, 2005 valuation, OPSRP members and payroll are included.

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

(Annual Allowances are shown in thousands)[3]

	Added to Rolls		Removed from Rolls		Rolls - End of Year			
Valuation Date	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	% Increase in Annual Allowances[1]	Average Annual Allowances
12/31/2003					97,777	$ 2,040,533	8.4%	$ 20,869
12/31/2004[2]	6,754	$149,474	2,863	$ 35,151	101,668	2,154,856	5.6	21,195
12/31/2005[2]	4,472	149,127	3,217	36,784	102,923	2,267,198	5.2	22,028
12/31/2006	5,060	151,240	3,263	39,735	104,720	2,378,704	4.9	22,715
12/31/2007[2]	5,385	183,232	3,304	40,590	106,801	2,521,345	6.0	23,608
12/31/2008[2]	5,963	171,484	3,626	47,062	109,138	2,645,767	4.9	24,242
12/31/2009[2]	6,377	226,713	3,374	46,228	112,141	2,826,252	6.8	25,203
12/31/2010[2]	6,359	217,424	3,512	51,627	114,988	2,992,048	5.9	26,021
12/31/2011[2]	8,715	282,098	3,679	55,633	120,024	3,218,514	7.6	26,816
12/31/2012[2]	7,023	235,917	4,875	59,353	122,172	3,395,079	5.5	27,789

[1] Since last valuation date.
[2] Annual allowances reflect estimated adjustments to retiree benefits due to the implementation of the *Strunk v. PERB, et al.* and *City of Eugene v. State of Oregon, PERB, et al*. decisions.
[3] Discrepancies contained in this table are the result of rounding differences.

GASB Nos. 25 and 43 Information

Schedules of Funding Progress by Rate Pool

(dollar amounts in millions) [8]

Actuarial Valuation Date	Actuarial Value of Assets[1,2] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL)[2] (b-a)	Funded Ratio (a/b)	Covered Payroll[3] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Tier One/Tier Two State and Local Government Rate Pool						
12/31/2007[4]	$ 30,314.8	$ 26,883.1	$ (3,431.7)	112.8%	$ 3,448.1	(99.5)%
12/31/2008	22,301.2	27,551.8	5,250.6	80.9	3,452.7	152.1
12/31/2009[5]	25,068.8	29,029.1	3,960.3	86.4	3,465.1	114.3
12/31/2010	26,499.5	30,285.0	3,785.4	87.5	3,333.1	113.6
12/31/2011[6]	25,679.2	31,109.1	5,429.9	82.5	3,179.3	170.8
12/31/2012[7]	28,022.3	30,601.9	2,579.5	91.6	3,043.7	84.7
Tier One/Tier Two School District Rate Pool						
12/31/2007	24,053.6	21,299.3	(2,754.3)	112.9	2,185.0	(126.1)
12/31/2008	17,458.5	21,742.7	4,284.2	80.3	2,153.7	198.9
12/31/2009	19,388.0	22,517.6	3,129.6	86.1	2,079.2	150.5
12/31/2010	20,343.5	23,303.3	2,959.8	87.3	2,027.5	146.0
12/31/2011	19,668.2	23,973.7	4,305.5	82.0	1,880.7	228.9
12/31/2012[7]	21,202.1	22,908.0	1,705.8	92.6	1,769.0	96.4
Tier One/Tier Two Independent Employers and Judiciary						
12/31/2007[4]	4,765.5	4,423.2	(342.3)	107.7	628.8	(54.4)
12/31/2008	3,576.7	4,566.0	989.3	78.3	619.4	159.7
12/31/2009[5]	3,926.7	4,665.9	739.3	84.2	579.1	127.7
12/31/2010	4,189.4	4,913.1	723.7	85.3	569.7	127.0
12/31/2011	4,083.2	5,069.8	986.6	80.5	547.9	180.1
12/31/2012[7]	4,479.4	5,043.4	564.0	88.8	529.0	106.6
OPSRP Rate Pool						
12/31/2007	275.1	203.0	(72.1)	135.5	1,459.9	(4.9)
12/31/2008	270.5	336.8	66.3	80.3	1,904.3	3.5
12/31/2009	445.4	535.5	90.1	83.2	2,388.8	3.8
12/31/2010	659.0	767.6	108.6	85.8	2,819.8	3.9
12/31/2011	840.5	986.4	145.9	85.2	2,942.6	5.0
12/31/2012[7]	1,190.0	1,795.6	605.5	66.3	3,249.2	18.6
Postemployment Healthcare Benefits - Retirement Health Insurance Account						
12/31/2007	250.8	499.6	248.8	50.2	6,261.9	4.0
12/31/2008	183.8	494.0	310.2	37.2	6,225.8	5.0
12/31/2009	214.1	511.2	297.1	41.9	6,123.4	4.9
12/31/2010	232.3	547.1	314.8	42.5	5,930.3	5.3
12/31/2011	239.6	461.1	221.5	52.0	5,607.9	3.9
12/31/2012	291.6	471.8	180.2	61.8	5,314.7	3.4
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account						
12/31/2007	7.8	23.3	15.5	33.6	1,692.1	0.9
12/31/2008	5.7	21.3	15.6	26.7	1,708.5	0.9
12/31/2009	6.4	24.5	18.2	25.9	1,705.1	1.1
12/31/2010	5.7	33.9	28.2	16.8	1,603.3	1.8
12/31/2011	4.5	34.4	29.9	13.2	1,539.5	1.9
12/31/2012	4.4	60.3	55.9	7.4	1,478.4	3.8

Notes:

[1] Side account assets are included with Tier One/Tier Two assets.
[2] Excludes effect of Multnomah Fire District (UAAL of $166 million as of December 31, 2012).
[3] Covered payroll shown is payroll for members of the rate pool benefiting from the specified program. For example, Tier One/Tier Two School District payroll is only payroll for Tier One/Tier Two members and excludes OPSRP. However, UAAL is amortized using combined Tier One/Tier Two and OPSRP.
[4] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2008.
[5] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2010.
[6] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.
[7] The December 31, 2012 valuation reflects the benefit changes enacted by the 2013 Oregon Legislature in Senate Bills 822 and 861, as well as a change in cost method to Entry Age Normal.
[8] Discrepancies contained in this table are the result of rounding differences.

Actuarial Schedules

Analysis of Financial Experience

Gains and Losses in Unfunded Accrued Liabilities During the Year Ended December 31 Resulting from Differences Between Assumed Experience and Actual Experience and Assumption Changes

(dollar amounts in millions) [1]

	$ Gain/(Loss) for Year	
Pension and Retiree Healthcare Plans	2012	2011
Type of Activity		
Retirements from Active Status	$ 48.2	$ (68.2)
Active Mortality and Withdrawal	(14.1)	19.1
Pay Increases	157.1	130.7
Contributions	47.0	(37.9)
Interest Crediting Experience	(81.3)	171.9
Investment Income	2,882.7	(2,372.9)
Retirement, Mortality, and Lump Sums from Dormant Status	29.2	38.3
Retiree and Beneficiary Mortality	101.5	(110.0)
Data Corrections	—	27.7
COLA Experience	—	54.0
New Entrants	(31.5)	(21.8)
Other	(96.2)	(0.5)
Gain/(Loss) During Year From Financial Experience	**$ 3,042.5**	**$ (2,169.6)**
Non-Recurring Items		
Assumption Changes	(2,496.6)	—
Plan Changes	5,243.5	—
Composite Gain/(Loss) During Year	**$ 5,789.4**	**$ (2,169.6)**

[1] Discrepancies contained in this table are the result of rounding differences.

Solvency Test

Defined Benefit Pension and Retiree Healthcare Plans

(dollar amounts in millions)[12]

	Actuarial Accrued Liability[1]						
Valuation Date[2]	Active Member Contributions	Retired Members and Beneficiaries	Other Members	Valuation Assets [1,3]	Portion of Actuarial Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
12/31/2003[4]	$ 9,005.8	$ 23,625.9	$ 11,993.9	$ 42,874.4	100%	100%	85%
12/31/2004[5,6]	9,073.0	25,363.0	13,547.6	45,735.3	100	100	83
12/31/2005[7,8]	9,169.7	26,602.4	14,044.7	51,569.6	100	100	112
12/31/2006	9,410.8	27,711.3	14,666.2	56,844.8	100	100	134
12/31/2007[9]	9,225.0	29,157.3	15,011.8	59,586.4	100	100	141
12/31/2008	8,341.5	30,537.7	15,895.7	43,710.2	100	100	30
12/31/2009[10]	8,392.0	32,484.2	16,470.1	48,949.7	100	100	49
12/31/2010	8,407.9	34,432.5	17,070.2	51,821.6	100	100	53
12/31/2011[11]	7,779.7	37,362.4	16,551.8	50,412.4	100	100	32
12/31/2012[12]	7,704.9	36,759.3	16,473.1	55,080.1	100	100	64

[1] Includes effect of Multnomah Fire District (net UAAL of $166 million as of 12/31/2012).
[2] An extensive revision of the actuarial assumptions occurs prior to each odd-year valuation; therefore, the figures are not directly comparable. Effective with the December 31, 2006 valuation, revisions to actuarial assumptions occur prior to each even-year valuation.
[3] Effective with the December 31, 2002 valuation, includes the value of UAL Lump Sum Side Accounts.
[4] Figures do not reflect the judicial review or subsequent Board action related to PERS Reform legislation enacted in 2003.
[5] Effective with the 2004 valuation, the Oregon Supreme Court rulings in *Strunk v. PERB, et al.(issued March 8, 2005)* and *City of Eugene v. State of Oregon, PERB, et al*. (issued August 11, 2005) are reflected.
[6] Effective with the December 1, 2004 valuation, the cost method was changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value.
[7] Assets and liabilities for OPSRP are first valued in the 2005 valuation.
[8] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2006.
[9] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2008.
[10] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2010.
[11] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.
[12] The December 31, 2012 valuation reflects the benefit changes enacted by the 2013 Oregon legislature in Senate Bills 822 and 861.

Plan Summary

Summary of Plan Provisions

The following section summarizes the plan provisions considered in the actuarial valuation. A more detailed description of plan provisions is available from the PERS administrative office.

Membership	All employees of public employers participating in this System who are in qualifying positions become members of the System after completing six months of service except those who are eligible for and have elected to participate in an optional retirement plan. Different benefit provisions of the plan apply based on date of hire.	
	Tier One	Hired prior to 1996
	Tier Two	Hired after 1995 and before August 29, 2003
	OPSRP	Hired after August 28, 2003, not a judge, and not a former Tier One/Tier Two member eligible to reestablish Tier One/Tier Two membership.
	Judges	Members of the state Judiciary
Employee Contributions	**Judges**	7 percent of salary
	All others	None
Employer Contributions	Set by the PERS Board based on actuarial calculations that follow Board rate-setting policies for employers.	

Summary of Chapter 238 Provisions — Tier One/Tier Two and Judges

Normal Retirement Age	**Police and Fire**	Age 55
	Judges	Age 65
	Tier One General Service	Age 58
	Tier Two General Service	Age 60

Normal Retirement Allowance

For members who are not judges, the greatest of the Full Formula benefit, the Money Match benefit, or the Formula Plus Annuity benefit (only available to members who made contributions before August 21, 1981). For members with 15 or more years of creditable service, the benefit will not be less than the minimum service retirement allowance of $100 per month, as described in ORS 238.310.

Full Formula — The percentage multiplier from the table below multiplied by final average salary and years of credited service, plus a prior service pension, if applicable.

Percentage Multiplier	Membership Classification
2.00 percent	Police and Fire; Legislators
1.67 percent	All other members

Money Match — The member's account balance and a matching employer amount converted to an actuarially equivalent annuity.

Formula Plus Annuity — The member's account balance converted to an actuarially equivalent cash refund annuity plus the percentage multiplier from the table below multiplied by final average pay and years of credited service, plus a prior service pension, if applicable.

Percentage Multiplier	Membership Classification
1.35 percent	Police and Fire; Legislators
1.00 percent	All other members

Judges — Final average salary multiplied by the first percentage multiplier from the table below for up to 16 years of service plus the second percentage multiplier for any service in excess of 16 years, but not to exceed the maximum percentage of final average salary also shown below. Judges must elect Plan A or Plan B no later than age 60. A "Plan B" judge must serve as a pro tem judge for a total of 175 days postretirement.

Summary of Chapter 238 Provisions — Tier One/ Tier Two and Judges (continued)

Plan	Percentage Factor (up to 16 years)	Percentage Factor (after 16 years)	Maximum Percentage of Final Average Pay
A	2.8125%	1.67%	65%
B	3.75	2.00	75

Final Average Salary

The greater of:
- Average salary earned during the three calendar years in which the member was paid the highest salary, even if one of those years is less than a full calendar year.
- Total salary earned over the last 36 months of employment divided by the actual months of service during that 36-month period.

Covered salary for this purpose includes the value of member contributions assumed and paid by employers, any payment due to an employer's participation in the Unused Sick Leave program, and, for Tier One members, lump-sum payment of unused vacation time.

Creditable Service

The number of years and months an active member is paid a salary by a participating PERS employer and PERS benefits are being funded.

Prior Service Pension

Benefits payable on account of Prior Service Credit for a member's service with a participating employer prior to the employer's participation in PERS, as described in ORS 238.442.

SB 656/HB 3349 Adjustment

All members receive an increase to their monthly retirement benefit equal to the greater of the increase under Senate Bill 656 (SB 656) or House Bill 3349 (HB 3349). The adjustment for SB 656 only applies to members who established membership prior to July 14, 1995. Senate Bill 822, enacted in 2013, limits eligibility for these adjustments to only PERS beneficiaries who pay Oregon state income tax.

SB 656 Increase

Years of Service	General Service	Police and Fire
0-9	0.0%	0.0%
10-14	1.0	1.0
15-19	1.0	1.0
20-24	2.0	2.5
25-29	3.0	4.0
30 and over	4.0	4.0

HB 3349 Increase

$$\left(\frac{1}{\text{1 - maximum Oregon personal income tax rate (limited to 9\%)}}\right) -1 \quad X \quad \frac{\text{Service prior to October 1, 1991}}{\text{All Service}}$$

Early Retirement Eligibility

Police and Fire Age 50 or 30 years of service
Judges Age 60
General Service Age 55 or 30 years of service

Early Retirement Allowance

Normal retirement allowance, actuarially reduced to early retirement age. However, there is no reduction applied if a member has completed 30 years of service (25 years for police and fire members) or for judges in Plan B.

Vesting

Contributions made in any part of five calendar years or attainment of age 50 (45 for police and fire) while working in a qualifying position.

Termination Benefits

Non-Vested Payment of member's account balance.

Vested Same as normal (or early) retirement allowance, but commencement is deferred to normal (or early) retirement date.

Summary of Chapter 238 Provisions — Tier One/ Tier Two and Judges (continued)

Optional Forms of Retirement Allowance	The normal form of benefit is a cash refund annuity (joint and two-thirds survivor contingent annuity for a married judge). All optional amounts are adjusted to be actuarially equivalent. **Options Available** • Life annuity • Cash refund annuity • Life annuity guaranteed 15 years • Joint and 50 percent or 100 percent survivor contingent annuity, with or without pop-up feature • Partial Lump Sum: Refund of member contribution account balance plus a pension (under any optional form) or employer-paid portion of the Full Formula or Money Match annuity. • Total Lump Sum: Refund of member contribution account plus a matching employer amount.	
Pre-retirement Death Benefit Eligibility	**Judges**	Six or more years of service.
	All others	Death occurring while the member is an employee of a participating employer or within 120 days of termination provided the employee does not withdraw the account balance or retire, or a result of injuries received while in the service of a participating employer.
Pre-retirement Death Benefit	**Judges**	The spouse shall receive a life pension equal to two-thirds of the service retirement allowance. The beneficiary of an unmarried judge shall receive the member's accumulated contributions with interest.
	All others	The member's account balance plus a matching employer amount.
Additional Police and Fire Death Benefits	Upon the death of a retired police officer or firefighter, the surviving spouse or dependent children under age 18 will receive a monthly benefit based on 25 percent of the cash refund retirement allowance due to police and fire service.	
Disability Benefit Eligibility	**Duty**	Disablement occurring as a direct result of a job-related injury or illness, regardless of length of service.
	Non-Duty	Disablement occurring after 10 years of service (six years, if a judge), but prior to normal retirement eligibility.
Disability Benefits	The normal retirement allowance calculated based on the service credit that would have been earned if the member had continued working to age 58 (age 55 for police and fire, age 65 for judge members) payable commencing immediately. **Police and Fire Members' Alternative** In lieu of the above, police officers and firefighters who qualify for duty disability may elect to receive a benefit of 50 percent of final average monthly salary at the time of disablement. **Minimum Monthly Retirement Allowance** Judges .... 45 percent of final average monthly salary. All others .... $100 for a member with at least 15 years of credited service, actuarially reduced if an optional form of benefit is chosen. **Reduction of Benefits** Whenever a disabled employee's disability benefit and earned income for any month exceed the monthly salary received at the time of disablement or $400, if greater, the disability benefit will be reduced by the excess. For Tier Two members, the disability benefit may not exceed the member's salary at the time of disablement.	
Waiting Time Service Purchases	Members with at least 10 years of combined credited and/or prior service under PERS may elect to purchase service credit for the six-month waiting-time period worked prior to establishing membership in the system. The waiting-time purchase is interest-free and must be purchased in one payment prior to retirement.	

Summary of Chapter 238 Provisions - Tier One/Tier Two and Judges (continued)

Police and Fire Unit Purchases	Police and fire members may purchase 60-month annuity benefits (up to $80 per month) that must be paid out by age 65 and cannot commence prior to the earliest retirement age. The amount purchased by the member is matched by the employer. In certain situations, such as termination of employment prior to retiring or working beyond age 65, the employer's matching purchase is forfeited.	
Postretirement Adjustments	All monthly pension and annuity benefits except unit purchases are eligible for postretirement adjustments.	
	Automatic Adjustments Pre-2014	Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit, except for 2013 when the adjustment is limited to 1.5 percent. Any CPI change in excess of the limit is accumulated for future benefit adjustments that would otherwise be less than the limit. No benefit will be decreased below its original amount.
	Automatic Adjustments Post-2013	In 2014 and future years benefits will be increased annually based on a marginal rate schedule. The increase is calculated as 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on amounts above $60,000 of annual benefit.
	***Ad Hoc* Adjustments**	From time to time, as granted by the Legislature, retired members and beneficiaries have received increases in their monthly benefits.
Supplemental Payments	For the years 2014 through 2019, retirees are provided a supplemental payment of 0.25 percent of annual benefit, not to exceed $150. In addition, retirees with an annual benefit of less than $20,000 will receive an additional supplemental payment equal to 0.25 percent of the annual benefit. These payments are required to be funded out of the Contingency Reserve and do not compound into the retiree's annual benefit used in determining future automatic adjustments.	
Variable Annuity Program	**Contributions**	Prior to January 1, 2004, a member could elect to have 25, 50, or 75 percent of his or her contributions invested in the variable account.
	Benefit	At retirement, a member may elect to receive a variable annuity with the funds accumulated in his or her variable account. Alternatively, a member may elect to have all or a portion of the funds in his or her variable account transferred back to the regular account and receive an annuity from the System as though no variable annuity program existed. The employer-provided benefit, however, is based on the earnings the member would have received in the regular account.
Interest Credit on Member Accounts	**Tier One Regular**	Actuarially assumed rate of return until the rate guarantee reserve has been fully funded for three consecutive years and the Board elects to credit additional interest.
	Tier Two Regular	Amount determined by the Board based on actual investment earnings of the regular account.
	Variable	Actual earnings in variable account
Retiree Healthcare – Medicare Supplement (RHIA)	**Retiree Eligibility**	All of the following must be met: (a) Currently receiving a retirement allowance from the System, (b) Covered for eight years before retirement, (c) Enrolled in a PERS-sponsored health plan, and (d) Enrolled in both Medicare Part A and Part B.
	Surviving Spouse or Dependent Eligibility	A surviving spouse or dependent of a deceased RHIA-eligible retiree is eligible for RHIA benefits if they are enrolled in both Medicare Part A and Part B, and *either* of the following criteria are met: (a) currently receiving a retirement allowance from the System, or (b) the surviving spouse or dependent was covered under the eligible retiree's PERS-sponsored health insurance at the time of the retiree's death, and the deceased retiree retired before May 1, 1991.
	Benefit Amount	A monthly contribution of up to $60 per retiree is applied to PERS-sponsored Medicare supplemental insurance costs.
Retiree Healthcare – Under Age 65 (RHIPA) (RHIPA)	**Retiree Eligibility**	Retired PERS members who were state employees at the time of retirement, are enrolled in a PERS-sponsored health plan, and are not eligible for Medicare.

Summary of Chapter 238 Provisions - Tier One/Tier Two and Judges (continued)

	Surviving Spouse or Dependent Eligibility	A surviving spouse or dependent of a deceased RHIPA-eligible retiree is eligible for RHIPA benefits if they are not yet eligible for Medicare, and either of the following criteria are met: (a) currently receiving a retirement allowance from the System, or (b) the surviving spouse or dependent was covered under the eligible retiree's PERS-sponsored health plan at the time of the retiree's death and the deceased retiree retired on or after September 29, 1991.
	Benefit	A percentage (as shown in the table below) of the maximum monthly subsidy based on years of service. The maximum monthly subsidy is calculated annually as the average difference between the health insurance premiums paid by active state employees and the premium retirees would pay if they were rated separately from active state employees.

The maximum monthly subsidy for 2013 is $323.18 per month.

Years of Service with State Employer	Subsidized Amount
Under 8	0%
8-9	50
10-14	60
15-19	70
20-24	80
25-29	90
30 and over	100

Benefits Not Included in the Valuation	Supplemental payments made for all retirees for the years 2014 through 2019 are required to be paid out of the Contingency Reserve. Because the Contingency Reserve is excluded from the valuation assets, the liabilities for supplemental payments are also excluded from the valuation.
Changes in Plan Provisions	Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5 percent of annual benefit. The effects of this legislation were reflected in this valuation. Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000. The effects of this legislation were reflected in this valuation. Senate Bill 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

Summary of Chapter 238A Provisions - OPSRP

Normal Retirement Age	**Police and Fire**	Age 60 or age 53 with 25 years of retirement credit
	General Service	Age 65 or age 58 with 30 years of retirement credit
	School Districts	Age 65 or age 58 with 30 calendar years of active membership
Normal Retirement Allowance	A single life annuity equal to final average salary times years of retirement credit attributable to service as police and fire times 1.8 percent plus final average salary times all other years of retirement credit times 1.5 percent.	
Final Average Salary	The greater of: • Average salary earned during the three calendar years in which the member was paid the highest salary, even if one of those years is less than a full calendar year. • Total salary earned over the last 36 months of employment divided by the actual months of service during that 36-month period. Covered salary for this purpose includes base pay, plus overtime up to an average amount, plus bonuses, plus member contributions paid by the employer on a salary reduction basis. Excludes payments of unused vacation or accumulated sick leave at retirement and member contributions assumed and paid by the employer.	
Early Retirement Eligibility	**Police and Fire**	Age 50 and 5 years of vesting service
	General Service	Age 55 and 5 years of vesting service
Early Retirement Allowance	Normal retirement allowance, actuarially reduced to early retirement age.	
Vesting	Five years or attainment of normal retirement age.	
Vested Termination Benefit	Same as normal (or early) retirement allowance, but commencement is deferred to normal (or early) retirement date.	
Optional Forms of Retirement Benefit	The normal form of benefit is a life annuity. All optional amounts are adjusted to be actuarially equivalent. **Options Available** • Life annuity • Joint and 50 percent or 100 percent survivor contingent benefit, with or without pop-up feature. • Lump sum if monthly normal retirement benefit is less than $200 or if lump-sum value is less than $5,000.	
Pre-Retirement Death Benefit Eligibility	Death of a vested member before retirement benefits begin.	
Pre-Retirement Death Benefit	If member was eligible for early retirement, the actuarial equivalent of 50 percent of the early retirement benefit the participant was eligible to receive at date of death. If member was not eligible for early retirement, the actuarial equivalent of 50 percent of the early retirement benefit the participant would have been eligible to receive if he terminated employment on his date of death and retired at the earliest possible date.	
Disability Benefit Eligibility	**Duty**	Disablement occurring as a direct result of a job-related injury or illness, regardless of length of service.
	Non-Duty	Disablement occurring after 10 years of service, but prior to normal retirement eligibility.

Summary of Chapter 238A Provisions - OPSRP

Disability Benefit Amounts	**Pre-Retirement Benefit**	45 percent of salary during last full month of employment before disability, reduced if total benefit including workers' compensation exceeds 75 percent of salary. Benefit is payable monthly until normal retirement age.
	Retirement Benefit	Same formula as Normal Retirement Benefit, except: • final average salary is adjusted to reflect cost-of-living increases from date of disability to normal retirement age, and • retirement credits continue to accrue from date of disability to normal retirement age.
Postretirement Adjustments	All monthly pension and annuity benefits are eligible for postretirement adjustments.	
	Automatic Adjustments Pre-2014	Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit, except for 2013 when the adjustment is limited to 1.5 percent. Any CPI change in excess of 2 percent is accumulated for future benefit adjustments that would otherwise be less than 2 percent. No benefit will be decreased below its original amount.
	Automatic Adjustments Post-2013	In 2014 and future years benefits will be increased annually based on a marginal rate schedule. The increase is calculated as 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on amounts above $60,000 of annual benefit.
Supplemental Payments	For the years 2014 through 2019, retirees are provided a supplemental payment of 0.25 percent of annual benefit, not to exceed $150. In addition, retirees with an annual benefit of less than $20,000 will receive an additional supplemental payment equal to 0.25 percent of the annual benefit. These payments are required to be funded out of the Contingency Reserve and do not compound into the retiree's annual benefit used in determining future automatic adjustments.	
Benefits Not Included in the Valuation	Supplemental payments made for all retirees for the years 2014 through 2019 are required to be paid out of the Contingency Reserve. Because the Contingency Reserve is excluded from the valuation assets, the liabilities for supplemental payments are also excluded from the valuation.	
Changes in Plan Provisions	Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5 percent of annual benefit. The effects of this legislation were reflected in this valuation. Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000. The effects of this legislation were reflected in this valuation. Senate Bill 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.	

Statistical Section

Statistical Notes

The statistical section of the Oregon Public Employees Retirement System (PERS or the System) CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the System's overall financial health. The data presented was extracted from the PERS' information systems.

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and well being have changed over time. Financial information is presented on an accrual basis.

The Schedules of Revenues by Source, Expenses by Type, and Changes in Fiduciary Net Position are presented on both a fiscal and calendar year basis. The System prepares its financial statements on a fiscal-year basis but has its actuarial valuations performed on a calendar-year basis.

The Schedule of Benefit Expenses by Type provides additional detail of benefit expense for fiscal years reported in the aggregate in the Schedules of Expenses by Type.

The Schedule of Earnings and Crediting at December 31 shows earnings available for crediting net of administrative expenses and the rates approved by the Board for the programs it administers.

Operating Information

These schedules contain data to help understand how the information in the System's financial reports relates to the services the System provides and the activities it performs.

The Schedule of Average OPEB Benefits for Retirement Health Insurance Account and Schedule of Average OPEB Benefits for Retiree Health Insurance Premium Account show the average monthly other post-employment healthcare benefits, and the number of retirees receiving benefits under each plan.

The Schedule of Average Defined Benefit Pension Payments presents average monthly benefits, final average salary, and number of retirees still receiving benefits, by year of retirement. The year 2003 shows a large increase in retirements due to members applying for retirement before pending policy changes and legislation became effective.

The Schedule of Benefit Recipients by Benefit Type shows retired members by benefit level, benefit type, and payment option selected.

The Schedule of Retirement System Membership shows demographics of membership over a period of time. The fiscal year schedule shows membership over the last six years. The calendar-year schedule is in five-year increments going back to 1985.

The Schedule of Principal Participating Employers shows the 10 employers with the largest number of current employees, along with aggregate information for the remaining employers with current employees.

The Schedule of Participating Employers lists all employers as of June 30, 2013, to show public employers of the state of Oregon participating in PERS.

Revenues by Source - Retirement Programs
For the Last Ten Years Ended June 30:

Defined Benefit Pension Plan[1]

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ 185,693,017	$ 3,166,153,073	63.39%	$ 7,182,539,171	$ 10,534,385,261
2005	9,590,285	815,807,985	14.77	5,686,759,377	6,512,157,647
2006	9,611,666	783,921,381	12.70	6,919,097,410	7,712,630,457
2007	13,680,980	597,372,229	8.70	10,589,123,834	11,200,177,043
2008	11,937,362	763,164,823	10.30	(2,804,736,029)	(2,029,633,844)
2009	8,452,030	649,706,891	7.88	(12,903,220,545)	(12,245,061,624)
2010	13,600,476	433,268,434	4.88	7,279,890,664	7,726,759,574
2011	14,024,484	424,101,414	5.30	10,931,390,952	11,369,516,850
2012	16,534,650	830,123,405	9.69	380,749,755	1,227,407,810
2013	16,985,722	834,161,587	16.26	6,949,742,064	7,800,889,373

Oregon Public Service Retirement Plan[2]
Individual Account Program

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ 201,306,142	$ N/A	N/A%	$ 1,606,791	$ 202,912,933
2005	362,893,934	N/A	N/A	51,969,806	414,863,740
2006	417,555,791	N/A	N/A	139,735,992	557,291,783
2007	439,720,328	N/A	N/A	309,126,786	748,847,114
2008	465,517,744	N/A	N/A	(54,596,058)	410,921,686
2009	495,933,952	N/A	N/A	(553,146,972)	(57,213,020)
2010	505,922,492	N/A	N/A	393,651,362	899,573,854
2011	513,715,949	N/A	N/A	735,695,057	1,249,411,006
2012	516,174,983	N/A	N/A	71,535,911	587,710,894
2013	510,796,006	N/A	N/A	635,350,054	1,146,146,060

Deferred Compensation Plan

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ 6,479,388	$ N/A	N/A%	$ 79,874,001	$ 136,353,389
2005	56,542,080	N/A	N/A	53,506,406	110,048,486
2006	59,724,202	N/A	N/A	70,672,287	130,396,489
2007	66,152,631	N/A	N/A	129,511,435	195,664,066
2008	70,448,534	N/A	N/A	(74,030,166)	(3,581,632)
2009	66,727,977	N/A	N/A	(142,099,959)	(75,371,982)
2010	66,708,970	N/A	N/A	84,417,201	151,126,171
2011	73,291,691	N/A	N/A	176,999,516	250,291,207
2012	80,632,698	N/A	N/A	9,841,830	90,474,528
2013	74,248,188	N/A	N/A	135,572,819	209,821,007

1 House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2005 includes activity of the OPSRP Pension Program.

2 The Oregon Public Service Retirement Plan was added to the System in January 2004.

Expenses by Type - Retirement Programs
For the Last Ten Years Ended June 30:

Defined Benefit Pension Plan[1]

Fiscal Year	Benefits	Administrative Expenses[3]	Refunds	Total
2004	$ 2,495,222,891	$ 26,318,257	$ 42,193,518	$ 2,563,734,666
2005	2,340,813,964	34,549,034	60,241,863	2,435,604,861
2006	2,371,628,570	24,350,573	33,172,837	2,429,151,980
2007	2,574,588,942	29,214,866	41,222,535	2,645,026,343
2008	2,768,305,300	27,061,038	50,660,781	2,846,027,119
2009	2,790,218,464	26,195,676	36,548,963	2,852,963,103
2010	2,915,568,801	28,512,343	25,692,404	2,969,773,548
2011	3,203,938,769	29,256,747	26,487,226	3,259,682,742
2012	3,295,709,818	33,102,667	34,020,450	3,362,832,935
2013	3,556,059,999	33,505,928	17,439,568	3,607,005,495

Oregon Public Service Retirement Plan[2]
Individual Account Program

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	$ N/A	$ 1,400,300	$ N/A	$ 1,400,300
2005	1,234,891	5,243,347	N/A	6,478,238
2006	14,791,999	6,237,195	N/A	21,029,194
2007	36,379,230	7,291,683	N/A	43,670,913
2008	55,478,104	7,871,419	N/A	63,349,523
2009	49,534,423	8,413,392	N/A	57,947,815
2010	72,802,216	7,673,682	N/A	80,475,898
2011	133,970,603	6,810,487	N/A	140,781,090
2012	224,729,644	7,698,098	N/A	232,427,742
2013	241,326,511	7,093,871	N/A	248,420,382

Deferred Compensation Plan

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	$ 40,377,599	$ 759,180	$ N/A	$ 41,136,779
2005	39,406,579	703,809	N/A	40,110,388
2006	40,544,067	884,438	N/A	41,428,505
2007	49,835,260	606,410	N/A	50,441,670
2008	50,366,273	800,668	N/A	51,166,941
2009	38,858,335	816,033	N/A	39,674,368
2010	45,901,913	889,647	N/A	46,791,560
2011	55,929,452	1,326,224	N/A	57,255,676
2012	61,465,377	417,776	N/A	61,883,153
2013	70,550,942	874,584	N/A	71,425,526

1 House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2005 includes activity of the OPSRP Pension Program.

2 The Oregon Public Service Retirement Plan was added to the System in January 2004.

3 Balances restated for fiscal years 2004 to 2009 due to prior period adjustment.

Changes in Fiduciary Net Position - Retirement Programs
For the Last Ten Years Ended June 30:

Defined Benefit Pension Plan[1]

Fiscal Year	Additions	Deductions	Net Change	Net Position[2] Beginning of Year	Net Position[2] End of Year
2004	$ 10,534,385,261	$ 2,563,734,666	$ 7,970,650,595	$ 37,641,487,977	$ 45,612,138,572
2005	6,512,157,647	2,435,604,861	4,076,552,786	45,612,183,572	49,688,691,358
2006	7,712,630,457	2,429,151,980	5,283,478,477	49,688,691,358	54,972,169,835
2007	11,200,177,043	2,645,026,343	8,555,150,700	54,972,169,835	63,527,320,535
2008	(2,029,633,844)	2,846,027,119	(4,875,660,963)	63,527,320,535	58,651,659,572
2009	(12,245,061,624)	2,852,963,103	(15,098,024,727)	58,651,659,572	43,553,634,845
2010	7,726,759,574	2,969,773,548	4,756,986,026	43,553,634,845	48,310,620,871
2011	11,369,516,850	3,259,682,742	8,109,834,108	48,310,620,871	56,420,454,979
2012	1,227,407,810	3,362,832,935	(2,135,425,125)	55,794,848,695	54,285,029,854
2013	7,800,889,373	3,607,005,495	4,193,883,878	54,285,029,854	58,478,913,732

Oregon Public Service Retirement Plan[3]
Individual Account Program

Fiscal Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2004	$ 202,912,933	$ 1,400,300	$ 201,512,633	$ 25,360,523	$ 226,873,156
2005	414,863,740	6,478,238	408,385,502	226,873,156	635,258,658
2006	557,291,783	21,029,194	536,262,589	635,258,658	1,171,521,247
2007	748,847,114	43,670,913	705,176,201	1,171,521,247	1,876,697,448
2008	410,921,686	63,349,523	347,572,163	1,876,697,448	2,224,269,611
2009	(57,213,020)	57,947,815	(115,160,835)	2,224,269,611	2,109,108,776
2010	899,573,854	80,475,898	819,097,956	2,109,108,776	2,928,206,732
2011	1,249,411,006	140,781,090	1,108,629,916	2,928,206,732	4,036,836,648
2012	587,710,894	232,427,742	355,283,152	4,036,836,648	4,392,119,800
2013	1,146,146,060	248,420,382	897,725,678	4,392,119,800	5,289,845,478

Deferred Compensation Plan

Fiscal Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2004	$ 136,353,389	$ 41,136,779	$ 95,216,610	$ 578,055,949	$ 673,272,559
2005	110,048,486	40,110,388	69,938,098	673,272,559	743,210,657
2006	130,396,489	41,428,505	88,967,984	743,210,657	832,178,641
2007	195,664,066	50,441,670	145,222,396	832,178,641	977,401,037
2008	(3,581,632)	51,166,941	(54,748,573)	977,401,037	922,652,464
2009	(75,371,982)	39,674,368	(115,046,350)	922,652,464	807,606,114
2010	151,126,171	46,791,560	104,334,611	807,606,114	911,940,725
2011	250,291,207	57,255,676	193,035,531	911,940,725	1,104,976,256
2012	90,474,528	61,883,153	28,591,375	1,104,976,256	1,133,567,631
2013	209,821,007	71,425,526	138,395,481	1,133,567,631	1,271,963,112

[1] House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2005 includes activity of the OPSRP Pension Program.
[2] Balances in fiscal years 2004 through 2012 are restated due to prior period adjustments.
[3] The Oregon Public Service Retirement Plan was added to the System in January 2004.

Revenues by Source - OPEB
For the Last Ten Years Ended June 30:

Retirement Health Insurance Account

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ N/A	$ 40,619,811	0.64%	$ 20,706,960	$ 61,326,771
2005	N/A	37,308,769	0.64	17,106,276	54,415,045
2006	N/A	38,162,075	0.59	23,296,256	61,458,331
2007	N/A	41,171,759	0.59	39,609,224	80,780,983
2008	N/A	27,783,093	0.37	(10,246,057)	17,537,036
2009	N/A	28,812,705	0.37	(52,278,868)	(23,466,163)
2010	N/A	22,351,240	0.29	31,145,418	53,496,658
2011	N/A	22,176,966	0.29	47,359,659	69,536,625
2012	N/A	46,464,958	0.54	3,023,553	49,488,511
2013	N/A	47,294,060	0.57	35,636,711	82,930,771

Retiree Health Insurance Premium Account

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ N/A	$ 3,100,423	0.16%	$ 642,012	$ 3,742,435
2005	N/A	2,344,259	0.16	594,376	2,938,635
2006	N/A	2,190,254	0.13	777,757	2,968,011
2007	N/A	2,399,843	0.13	1,301,049	3,700,892
2008	N/A	1,791,179	0.10	(312,725)	1,478,454
2009	N/A	2,005,173	0.10	(1,578,384)	426,789
2010	N/A	1,496,640	0.08	939,274	2,435,914
2011	N/A	1,428,453	0.08	1,135,114	2,563,567
2012	N/A	3,378,230	0.13	16,723	3,394,953
2013	N/A	3,443,805	0.14	499,279	3,943,084

Expenses by Type - OPEB
For the Last Ten Years Ended June 30:

Retirement Health Insurance Account

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	$ 24,632,880	$ 708,696	$ N/A	$ 25,341,576
2005	25,282,377	777,979	N/A	26,060,356
2006	26,059,316	887,743	N/A	26,947,059
2007	26,887,060	876,363	N/A	27,763,423
2008	27,624,361	899,601	N/A	28,523,962
2009	28,262,580	958,311	N/A	29,220,891
2010	28,821,538	974,988	N/A	29,796,526
2011	29,251,771	1,039,603	N/A	30,291,374
2012	29,935,920	963,843	N/A	30,899,763
2013	30,777,470	1,149,475	N/A	31,926,945

Retirement Health Insurance Premium Account

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	$ 1,656,993	$ 62,320	$ N/A	$ 1,719,313
2005	1,922,701	81,816	N/A	2,004,517
2006	2,120,368	143,252	N/A	2,263,620
2007	2,047,322	119,875	N/A	2,167,197
2008	1,906,431	104,880	N/A	2,011,311
2009	1,926,236	115,770	N/A	2,042,006
2010	2,307,059	103,645	N/A	2,410,704
2011	3,024,382	161,559	N/A	3,185,941
2012	3,885,769	71,981	N/A	3,957,750
2013	4,093,736	169,137	N/A	4,262,873

Changes in Fiduciary Net Position - OPEB
For the Last Ten Years Ended June 30:

Retirement Health Insurance Account

Fiscal Year	Additions	Deductions	Net Change	Net Position: Beginning of Year	Net Position: End of Year
2004	$ 61,326,771	$ 25,341,576	$ 35,985,195	$ 96,850,911	$ 132,836,106
2005	54,415,045	26,060,356	28,354,689	132,836,106	161,190,795
2006	61,458,331	26,947,059	34,511,272	161,190,795	195,702,067
2007	80,780,983	27,763,423	53,017,560	195,702,067	248,719,627
2008	17,537,036	28,523,962	(10,986,926)	248,719,627	237,732,701
2009	(23,466,163)	29,220,891	(52,687,054)	237,732,701	185,045,647
2010	53,496,658	29,796,527	23,700,131	185,045,647	208,745,778
2011	69,536,625	30,291,374	39,245,251	208,745,778	247,991,029
2012	49,488,511	30,899,763	18,588,748	247,991,029	266,579,777
2013	82,930,771	31,926,945	51,003,826	266,579,777	317,583,603

Retiree Health Insurance Premium Account

Fiscal Year	Additions	Deductions	Net Change	Net Position: Beginning of Year	Net Position: End of Year
2004	$ 3,742,435	$ 1,719,313	$ 2,023,122	$ 2,672,090	$ 4,695,212
2005	2,938,635	2,004,517	934,118	4,695,212	5,629,330
2006	2,968,011	2,263,620	704,391	5,629,330	6,333,721
2007	3,700,892	2,167,197	1,533,695	6,333,721	7,867,416
2008	1,478,454	2,011,311	(532,857)	7,867,416	7,334,559
2009	426,789	2,042,006	(1,615,217)	7,334,559	5,719,342
2010	2,435,914	2,410,703	25,211	5,719,342	5,744,553
2011	2,563,567	3,185,941	(622,374)	5,744,553	5,122,179
2012	3,394,953	3,957,750	(562,797)	5,122,179	4,559,382
2013	3,943,084	4,262,873	(319,789)	4,559,382	4,239,593

Revenues by Source - Retirement Programs
For the Years Ended December 31[1]:

Defined Benefit Pension Plan[2]

Calendar Year	Member Contributions	Employer Contributions: Dollars[4]	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2003	$ 404,989,521	$ 3,726,733,326	58.44%	$ 8,841,448,116	$ 12,973,170,963
2004	14,180,906	1,035,192,490	18.39	5,883,962,236	6,933,335,632
2005	8,354,073	1,165,678,216	18.51	6,045,479,892	7,219,512,181
2006	10,751,524	605,587,796	8.27	7,920,833,371	8,537,172,691
2007	16,130,758	744,532,532	10.47	5,587,420,758	6,348,084,048
2008	7,316,509	639,128,268	7.86	(16,483,601,895)	(15,837,157,118)
2009	11,209,060	561,305,422	6.59	8,054,309,024	8,626,823,506
2010	14,327,206	411,590,742	4.61	6,018,828,853	6,444,746,801
2011	15,771,376	593,451,757	6.85	1,189,044,156	1,798,267,289
2012	14,148,372	862,934,319	10.99	7,201,022,711	8,078,105,402

Oregon Public Service Retirement Plan[3]
Individual Account Program

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2003	$ N/A	$ N/A	N/A%	$ N/A	$ N/A
2004	357,062,609	N/A	N/A	31,356,902	388,419,511
2005	426,126,034	N/A	N/A	112,037,318	538,163,352
2006	444,988,910	N/A	N/A	212,183,144	657,172,054
2007	451,403,761	N/A	N/A	197,649,097	649,052,858
2008	476,238,379	N/A	N/A	(681,055,059)	(204,816,680)
2009	504,209,955	N/A	N/A	435,988,065	940,198,020
2010	502,322,036	N/A	N/A	400,883,000	903,205,036
2011	518,199,449	N/A	N/A	96,058,972	614,258,421
2012	499,094,923	N/A	N/A	623,896,684	1,122,991,607

Deferred Compensation Plan

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2003	$ 50,217,519	$ N/A	N/A%	$ 99,459,493	$ 149,677,012
2004	59,671,251	N/A	N/A	68,420,696	128,091,947
2005	56,557,468	N/A	N/A	49,783,696	106,341,164
2006	63,268,289	N/A	N/A	90,212,220	153,480,509
2007	67,874,937	N/A	N/A	65,816,348	133,691,285
2008	72,316,124	N/A	N/A	(268,310,470)	(195,994,346)
2009	63,087,307	N/A	N/A	147,674,587	210,761,894
2010	67,994,065	N/A	N/A	82,812,783	150,806,848
2011	75,619,604	N/A	N/A	35,406,816	111,026,420
2012	78,115,678	N/A	N/A	105,067,553	183,183,231

1 Calendar year-end information is provided because earnings are distributed as of December 31.

2 House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2005 includes activity of the OPSRP Pension Program.

3 The Oregon Public Service Retirement Plan was added to the System in January 2004.

4 Amounts represent actual employer contributions net of employer side account amortization.

Expenses by Type - Retirement Programs
For the Years Ended December 31[1]:

Defined Benefit Pension Plan[2]

Calendar Year		Benefits		Administrative Expenses[3]		Refunds		Total
2003	$	2,305,913,864	$	23,026,963	$	44,485,825	$	2,373,426,652
2004		2,432,307,750		29,965,677		75,329,010		2,537,602,437
2005		2,372,895,822		30,659,957		42,143,663		2,445,699,442
2006		2,514,479,244		24,438,769		61,059,360		2,599,977,373
2007		2,630,279,015		31,358,911		38,197,392		2,699,835,318
2008		2,784,164,757		24,645,591		27,117,003		2,835,927,351
2009		2,823,723,754		26,011,412		18,269,906		2,868,005,072
2010		3,053,863,566		29,126,521		17,996,148		3,100,986,235
2011		3,351,517,947		29,244,166		38,369,101		3,419,131,214
2012		3,351,430,408		31,807,897		17,970,250		3,401,208,555

Oregon Public Service Retirement Plan[4]
Individual Account Program

Calendar Year		Benefits		Administrative Expenses		Refunds		Total
2003	$	N/A	$	264,574	$	N/A	$	264,574
2004		6,272,929		4,472,158		N/A		10,745,087
2005		3,682,712		4,177,338		N/A		7,860,050
2006		30,051,229		8,061,455		N/A		38,112,684
2007		47,529,077		7,583,898		N/A		55,112,975
2008		58,765,223		8,183,279		N/A		66,948,502
2009		53,171,640		7,905,631		N/A		61,077,271
2010		95,293,228		7,822,430		N/A		103,115,658
2011		196,350,366		8,363,154		N/A		204,713,520
2012		218,180,975		5,528,973		N/A		223,709,948

Deferred Compensation Plan

Calendar Year		Benefits		Administrative Expenses		Refunds		Total
2003	$	38,162,887	$	745,559	$	N/A	$	38,908,446
2004		41,080,360		748,208		N/A		41,828,568
2005		38,351,898		878,538		N/A		39,230,436
2006		40,706,739		684,991		N/A		41,391,730
2007		50,697,210		763,382		N/A		51,460,592
2008		47,955,641		795,233		N/A		48,750,874
2009		37,366,503		863,699		N/A		38,230,202
2010		46,759,679		804,345		N/A		47,564,024
2011		60,816,774		963,874		N/A		61,780,648
2012		65,498,582		783,755		N/A		66,282,337

1 Calendar year-end information is provided because earnings are distributed as of December 31.

2 House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2005 includes activity of the OPSRP Pension Program.

3 Balances restated for calendar years 2005 to 2009 due to prior period adjustment.

4 The Oregon Public Service Retirement Plan was added to the System in January 2004.

Changes in Fiduciary Net Position - Retirement Programs For the Last Ten Years Ended December 31[1]:

Defined Benefit Pension Plan[2]

Calendar Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2003	$ 12,973,170,963	$ 2,373,426,652	$ 10,599,744,311	$ 32,981,285,238	$ 43,581,029,549
2004	6,933,335,632	2,537,602,437	4,395,733,195	43,581,029,549	47,976,762,744
2005	7,219,512,181	2,445,699,442	4,773,812,739	47,976,762,744	52,750,575,483
2006	8,537,172,691	2,599,977,373	5,937,195,318	52,750,575,483	58,687,770,801
2007	6,348,084,048	2,699,835,318	3,648,248,730	58,687,770,801	62,336,019,531
2008	(15,837,157,118)	2,835,927,351	(18,673,084,469)	62,336,019,531	43,662,935,062
2009	8,626,823,506	2,868,005,072	5,758,818,434	43,662,935,062	49,421,753,496
2010	6,444,746,801	3,100,986,235	3,343,760,566	49,421,753,496	52,765,514,062
2011	1,798,267,289	3,419,131,214	(1,620,863,925)	52,765,514,062	51,144,650,137
2012	8,078,105,402	3,401,208,555	4,676,896,847	51,144,650,137	55,821,546,984

Oregon Public Service Retirement Plan[3]

Individual Account Program

Calendar Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2003	$ N/A	$ 264,574	$ (264,574)	$ 27,697,457	$ 27,432,883
2004	388,419,511	10,745,087	377,674,424	27,432,883	405,107,307
2005	538,163,352	7,860,050	530,303,302	405,107,307	935,410,609
2006	657,172,054	38,112,684	619,059,370	935,410,609	1,554,469,979
2007	649,052,858	55,112,975	593,939,883	1,554,469,979	2,148,409,862
2008	(204,816,680)	66,948,502	(271,765,182)	2,148,409,862	1,876,644,680
2009	940,198,020	61,077,271	879,120,749	1,876,644,680	2,755,765,429
2010	903,205,036	103,115,658	800,089,378	2,755,765,429	3,555,854,807
2011	614,258,421	204,713,520	409,544,901	3,555,854,807	3,965,399,708
2012	1,122,991,607	223,709,948	899,281,659	3,965,399,708	4,864,681,367

Deferred Compensation Plan

Calendar Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2004	$ 128,091,947	$ 41,828,568	$ 86,263,379	$ 641,222,425	$ 727,485,804
2005	106,341,164	39,230,436	67,110,728	727,485,804	794,596,532
2006	153,480,509	41,391,730	112,088,779	794,596,532	906,685,311
2007	133,691,285	51,460,592	82,230,693	906,685,311	988,916,004
2008	(195,994,346)	48,750,874	(244,745,220)	988,916,004	744,170,784
2009	210,761,894	38,230,202	172,531,692	744,170,784	916,702,476
2010	150,806,848	47,564,024	103,242,824	916,702,476	1,019,945,300
2011	111,026,420	61,780,648	49,245,772	1,019,945,300	1,069,191,072
2012	183,183,231	66,282,337	116,900,894	1,069,191,072	1,186,091,966

[1] Calendar year-end information is provided because earnings are distributed as of December 31.
[2] House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2004 includes activity of the OPSRP Pension Program.
[3] The Oregon Public Service Retirement Plan was added to the System in January 2004.

Revenues by Source - OPEB
For the Years Ended December 31[1]:

Retirement Health Insurance Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2003	$ N/A	$ 40,789,302	0.65%	$ 23,713,608	$ 64,502,910
2004	N/A	37,923,918	0.56	16,550,236	54,474,154
2005	N/A	39,202,772	0.58	20,112,501	59,315,273
2006	N/A	39,481,902	0.54	28,532,583	68,014,485
2007	N/A	35,457,965	0.45	22,089,579	57,547,544
2008	N/A	28,043,517	0.34	(66,077,417)	(38,033,900)
2009	N/A	25,863,178	0.31	33,958,964	59,822,142
2010	N/A	22,156,216	0.25	26,075,309	48,231,525
2011	N/A	32,610,644	0.38	5,474,204	38,084,848
2012	N/A	48,118,569	0.59	35,088,054	83,206,623

Retiree Health Insurance Premium Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2003	$ N/A	$ 2,175,955	0.13%	$ 728,395	$ 2,904,350
2004	N/A	2,678,731	0.14	550,508	3,229,239
2005	N/A	2,454,389	0.13	679,346	3,133,735
2006	N/A	2,284,194	0.14	920,910	3,205,104
2007	N/A	2,148,731	0.03	688,777	2,837,508
2008	N/A	1,867,402	0.08	(2,004,488)	(137,086)
2009	N/A	1,796,343	0.08	1,016,811	2,813,154
2010	N/A	1,458,105	0.06	659,794	2,117,899
2011	N/A	2,347,710	0.10	158,742	2,506,452
2012	N/A	3,450,509	0.15	557,438	4,007,947

[1] Calendar year-end information is provided because earnings are distributed as of December 31.

Expenses by Type - OPEB
For the Years Ended December 31[1]:

Retirement Health Insurance Account

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
2003	$ 24,236,456	$ 467,080	$ N/A	$ 24,703,536
2004	24,991,280	712,195	N/A	25,703,475
2005	25,601,296	698,986	N/A	26,300,282
2006	26,552,598	978,785	N/A	27,531,383
2007	27,244,840	888,308	N/A	28,133,148
2008	27,976,500	918,244	N/A	28,894,744
2009	28,537,920	974,580	N/A	29,512,500
2010	29,066,220	973,329	N/A	30,039,549
2011	29,524,122	1,283,144	N/A	30,807,266
2012	30,375,640	837,282	N/A	31,212,922

Retiree Health Insurance Premium Account

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
2003	$ 1,519,455	$ 219,529	$ N/A	$ 1,738,984
2004	1,735,776	63,256	N/A	1,799,032
2005	2,070,218	117,939	N/A	2,188,157
2006	2,158,432	140,794	N/A	2,299,226
2007	1,923,159	111,240	N/A	2,034,399
2008	1,902,292	101,664	N/A	2,003,956
2009	2,020,198	113,096	N/A	2,133,294
2010	2,664,123	106,791	N/A	2,770,914
2011	3,547,400	124,769	N/A	3,672,169
2012	3,968,267	134,246	N/A	4,102,513

1 Calendar year-end information is provided because earnings are distributed as of December 31.

Changes in Fiduciary Net Position - OPEB
For the Last Ten Years Ended December 31[1]:

Retirement Health Insurance Account

Calendar Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2003	$ 64,502,910	$ 24,703,536	$ 39,799,374	$ 79,277,416	$ 119,076,790
2004	54,474,154	25,703,475	28,770,679	119,076,790	147,847,469
2005	59,315,273	26,300,282	33,014,991	147,847,469	180,862,460
2006	68,014,485	27,531,383	40,483,102	180,862,460	221,345,562
2007	57,547,544	28,133,148	29,414,396	221,345,562	250,759,958
2008	(38,033,900)	28,894,744	(66,928,644)	250,759,958	183,831,314
2009	59,822,142	29,512,500	30,309,642	183,831,314	214,140,956
2010	48,231,525	30,039,549	18,191,976	214,140,956	232,332,932
2011	38,084,848	30,807,266	7,277,582	232,332,932	239,610,514
2012	83,206,623	31,212,922	51,993,701	239,610,514	291,604,215

Retiree Health Insurance Premium Account

Calendar Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
2003	$ 2,904,350	$ 1,738,984	$ 1,165,366	$ 2,569,177	$ 3,734,543
2004	3,229,239	1,799,032	1,430,207	3,734,543	5,164,750
2005	3,133,735	2,188,157	945,578	5,164,750	6,110,328
2006	3,205,104	2,299,226	905,878	6,110,328	7,016,206
2007	2,837,508	2,034,399	803,109	7,016,206	7,819,315
2008	(137,086)	2,003,956	(2,141,042)	7,819,315	5,678,273
2009	2,813,154	2,133,294	679,860	5,678,273	6,358,133
2010	2,117,899	2,770,914	(653,015)	6,358,133	5,705,118
2011	2,506,452	3,672,169	(1,165,717)	5,705,118	4,539,401
2012	4,007,946	4,102,513	(94,567)	4,539,401	4,444,834

[1] Calendar year-end information is provided because earnings are distributed as of December 31.

Schedule of Benefit Expenses By Type - Defined Benefit Pension Plan For the Years Ended June 30:

Fiscal Year	Service Benefits	Disability Benefits: Duty	Disability Benefits: Non-Duty	Retirement Benefit Totals	Death Benefits	Refunds[1]: Normal	Refunds[1]: Death	Total
2004	$ 2,395,783,190	$ 10,035,722	$ 80,793,817	$ 2,486,612,729	$ 8,610,162	$ 42,193,518	$ N/A	$ 2,537,416,409
2005	2,233,603,114	10,929,003	85,709,442	2,330,241,559	10,572,405	60,241,863	N/A	2,401,055,827
2006	2,264,988,154	11,371,883	89,310,558	2,365,670,595	5,957,975	33,172,837	N/A	2,404,801,407
2007	2,462,885,953	12,113,128	93,493,033	2,568,492,114	6,096,828	41,222,535	N/A	2,615,811,477
2008	2,646,746,186	13,363,139	96,763,796	2,756,873,121	11,432,179	50,660,781	N/A	2,818,966,081
2009	2,672,728,881	14,270,486	100,050,006	2,787,049,373	3,169,091	36,548,963	N/A	2,826,767,427
2010	2,795,098,921	15,188,097	101,866,823	2,912,153,841	3,414,960	25,692,404	N/A	2,941,261,205
2011	3,074,390,373	15,967,087	105,974,442	3,196,331,902	7,606,867	17,203,318	9,283,908	3,230,425,995
2012	3,166,918,154	16,449,589	108,423,907	3,291,791,650	3,918,168	27,966,120	6,054,330	3,329,730,268
2013	3,422,618,167	17,242,718	111,616,337	3,551,477,222	4,582,777	10,074,038	7,365,530	3,573,499,567

1 Prior to fiscal year 2011, information to present refunds by type was not available and Death Refunds were combined with Normal Refunds.

Schedule of Earnings and Crediting at December 31[1]:

Calendar Year	Tier One Earnings/ (Loss) Available for Crediting	Credited: Tier One	Credited: Tier Two	Variable Earnings/ (Loss) Credited	Individual Account Program
2003	23.79	8.00	22.00	34.68	
2004	13.80	8.00	13.27	13.00	12.77%[2]
2005	13.74	8.00	18.31	8.29	12.80
2006	15.57	8.00	15.45	15.61	14.98
2007	10.22	7.97	9.47	1.75	9.46
2008	(27.18)	8.00	(27.18)	(43.71)	(26.75)
2009	19.12	8.00	19.12	37.57	18.47
2010	12.65	8.00	12.44	15.17	12.13
2011	2.21	8.00	2.21	(7.80)	2.15
2012	14.53	8.00	14.68[3]	18.43[4]	14.09

1 Calendar year-end information is provided because earnings are credited as of December 31.
2 The Individual Account Program began in 2004 and was remediated in 2006 to reflect annual earnings credited for 2004 and 2005
3 Earnings rate includes allocation from settlement of Murray v. PERB litigation.
4 Earnings rate includes allocation from settlement of White, et. al. v. PERB litigation.

Schedule of Average OPEB Benefits for Retirement Health Insurance Account[1] For the Year Ended June 30, 2013:

Years Credited Service	8+
Average Monthly Benefit	$ 60
Final Average Salary	N/A
Number of Active Retirees	42,497

Schedule of Average OPEB Benefits for Retiree Health Insurance Premium Account[1] For the Year Ended June 30, 2013:

	Years Credited Service: 8 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Average Monthly Benefit	$162	$194	$226	$259	$291	$323	$292
Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Active Retirees	9	58	88	169	264	605	1,193

1 Effective years of retirement and final average salary are not available for OPEB.

Schedule of Average Defined Benefit Pension Payments

Retirement Effective Dates July 1, 2003 to June 30, 2013	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
2004 Average Monthly Benefit	$ 833	$ 997	$ 1,388	$ 1,922	$ 2,929	$ 4,167	$ 4,702	$ 2,628
Final Average Salary	$ 2,530	$ 2,914	$ 3,204	$ 3,726	$ 4,288	$ 4,744	$ 5,084	$ 3,959
Number of Active Retirees	242	654	862	922	1,141	1,407	364	5,592
2005 Average Monthly Benefit	$ 691	$ 935	$ 1,420	$ 1,937	$ 2,936	$ 4,196	$ 4,225	$ 2,457
Final Average Salary	$ 2,958	$ 3,066	$ 3,514	$ 3,983	$ 4,414	$ 4,887	$ 5,065	$ 4,046
Number of Active Retirees	193	480	550	562	530	826	138	3,279
2006 Average Monthly Benefit	$ 739	$ 894	$ 1,279	$ 1,888	$ 2,871	$ 4,091	$ 4,181	$ 2,418
Final Average Salary	$ 3,404	$ 3,126	$ 3,625	$ 3,929	$ 4,439	$ 5,005	$ 5,056	$ 4,149
Number of Active Retirees	184	499	628	638	610	868	224	3,651
2007 Average Monthly Benefit	$ 766	$ 895	$ 1,270	$ 1,891	$ 2,687	$ 4,100	$ 4,535	$ 2,473
Final Average Salary	$ 3,169	$ 3,399	$ 3,705	$ 4,227	$ 4,604	$ 5,080	$ 5,408	$ 4,336
Number of Active Retirees	227	583	627	742	595	1,013	349	4,136
2008 Average Monthly Benefit	$ 735	$ 902	$ 1,322	$ 1,734	$ 2,524	$ 4,028	$ 4,757	$ 2,498
Final Average Salary	$ 2,889	$ 3,266	$ 3,837	$ 4,242	$ 4,489	$ 5,135	$ 5,599	$ 4,385
Number of Active Retirees	218	564	659	834	689	1,119	429	4,512
2009 Average Monthly Benefit	$ 743	$ 925	$ 1,269	$ 1,787	$ 2,515	$ 3,895	$ 4,929	$ 2,510
Final Average Salary	$ 3,397	$ 3,454	$ 3,821	$ 4,375	$ 4,722	$ 5,230	$ 5,712	$ 4,529
Number of Active Retirees	221	587	631	773	702	1,023	514	4,451
2010 Average Monthly Benefit	$ 654	$ 995	$ 1,210	$ 1,789	$ 2,469	$ 3,850	$ 4,859	$ 2,473
Final Average Salary	$ 3,360	$ 3,700	$ 3,874	$ 4,491	$ 4,982	$ 5,398	$ 5,778	$ 4,680
Number of Active Retirees	240	643	711	917	893	1,150	558	5,112
2011 Average Monthly Benefit	$ 631	$ 933	$ 1,288	$ 1,734	$ 2,424	$ 3,728	$ 5,080	$ 2,445
Final Average Salary	$ 3,358	$ 3,688	$ 4,085	$ 4,592	$ 5,136	$ 5,718	$ 6,131	$ 4,852
Number of Active Retirees	293	788	963	1,086	1,143	1,240	776	6,289
2012 Average Monthly Benefit	$ 618	$ 941	$ 1,310	$ 1,700	$ 2,367	$ 3,563	$ 4,896	$ 2,356
Final Average Salary	$ 3,399	$ 3,789	$ 4,169	$ 4,516	$ 5,132	$ 5,643	$ 6,156	$ 4,834
Number of Active Retirees	334	909	1,043	1,078	1,243	1,207	864	6,678
2013 Average Monthly Benefit	$ 662	$ 932	$ 1,303	$ 1,759	$ 2,358	$ 3,549	$ 5,050	$ 2,360
Final Average Salary	$ 3,494	$ 3,727	$ 4,241	$ 4,724	$ 5,434	$ 5,950	$ 6,118	$ 4,962
Number of Active Retirees	357	903	1,021	1,044	1,243	1,063	871	6,502

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2013

Monthly Benefit Amount	Number of Retirees	Type of Retirement* 1	2	3	4	5	Refund Annuity	Annuity Options** 1	2	3	4	Lump-Sum Options** 1	2	3
$ 1 -500	18,885	15,036	122	169	3,144	414	2,333	4,873	4,094	1,171	735	3,138	2,037	504
501 - 1000	18,991	15,499	124	699	2,121	548	2,618	6,002	5,138	1,891	842	1,227	987	286
1001 - 1500	15,482	12,808	87	707	1,445	435	1,861	4,687	4,668	1,840	656	804	747	219
1501 - 2000	12,637	10,574	84	637	1,008	334	1,481	3,647	4,087	1,481	474	632	648	187
2001 - 2500	10,765	9,307	82	471	682	223	1,194	2,950	3,461	1,366	380	535	731	148
2501 - 3000	9,037	7,965	62	362	497	151	1,000	2,479	2,998	1,234	305	403	488	130
3001 - 3500	7,748	7,048	43	202	377	78	849	2,117	2,822	1,102	282	208	292	76
3501 - 4000	6,932	6,428	33	164	271	36	698	1,849	2,771	1,057	245	120	137	55
4001 - 4500	6,089	5,780	25	84	178	22	461	1,581	2,651	977	226	71	92	30
4501 - 5000	5,100	4,850	13	57	167	13	426	1,246	2,284	878	151	24	67	24
5001 - 5500	3,775	3,621	8	32	103	11	291	987	1,678	625	138	16	33	7
5501 - 6000	2,689	2,572	11	24	77	5	174	654	1,273	478	68	16	21	5
6000 +	5,697	5,464	8	29	191	5	299	1,121	2,897	1,160	138	15	54	13
Totals	**123,827**	**106,952**	**702**	**3,637**	**10,261**	**2,275**	**13,685**	**34,193**	**40,822**	**15,260**	**4,640**	**7,209**	**6,334**	**1,684**

Type of Retirement
1 - Normal
2 - Duty Disability
3 - Non-Duty Disability
4 - Survivor Payment
5 - Alternate Payee

** Annuity and Lump-Sum Options
1 - No benefit for beneficiary.
2 - Beneficiary receives same monthly benefit for life.
3 - Beneficiary receives half the monthly benefit for life.
4 - 15-year certain.

Schedule of Retirement System Membership at December 31:

	1985	1990	1995	2000	2005	2010
State Agencies	37,824	46,187	45,068	42,434	38,076	48,018
School Districts	47,590	48,144	55,734	63,133	56,756	79,798
Political Subdivisions	26,238	33,177	40,635	53,291	50,085	65,332
Inactive Members	15,920	23,225	32,033	44,830	47,289	40,481
Total Non-Retired	127,572	150,733	173,470	203,688	192,206	233,629
Retired Members and Beneficiaries	46,181	55,540	64,796	82,355	101,213	110,573
Total Membership	173,753	206,273	238,266	286,043	293,419	344,202
Administrative Expense[1]	$ 2,905,072	$ 8,901,091	$ 13,500,677	$ 24,358,550	$ 40,056,600	$ 38,029,071
Pension Roll (one month)	$ 18,083,614	$ 33,175,888	$ 58,457,531	$ 122,467,087	$ 202,633,214	$ 265,490,496

Schedule of Retirement System Membership at June 30:

	2008	2009	2010	2011	2012	2013
State Agencies	41,872	44,377	46,105	46,739	45,953	45,019
School Districts	69,840	70,946	72,656	75,915	67,172	63,297
Political Subdivisions	55,740	55,745	57,989	60,695	56,656	54,943
Inactive Members	46,356	43,397	37,624	41,832	42,286	44,819
Total Non-Retired	213,808	214,465	214,374	225,181	212,067	208,078
Retired Members and Beneficiaries	105,721	107,936	110,642	114,252	119,346	123,827
Total Membership	319,529	322,401	325,016	339,433	331,413	331,905
Administrative Expense[1,2]	$38,758,835	$38,648,977	$40,351,845	$ 38,594,620	$42,254,365	$42,792,995
Pension Roll (one month)	$230,863,092	$227,379,725	$236,323,468	$ 270,111,478	$284,236,712	$299,997,147

[1]Prior year balances revised to show effect of prior period adjustments.
[2]Fiduciary Funds only.

Schedule of Principal Participating Employers Current Fiscal Year and Seven Years Ago

	2013			2006		
	Number of Current Employees	Rank	Percent of Total System	Number of Current Employees	Rank	Percent of Total System
State of Oregon	45,019	1	27.58%	37,973	1	24.23%
Portland Public Schools	5,279	2	3.23	4,988	3	3.18
Oregon Health & Science University	5,081	3	3.11	4,984	2	3.18
Salem-Keizer Public Schools	4,491	4	2.75	3,948	5	2.52
Multnomah County	4,394	5	2.69	3,509	4	2.24
City of Portland	4,390	6	2.69	4,047	6	2.58
Beaverton School District	3,907	7	2.39	3,488	7	2.23
Portland Community College	2,421	8	1.48	1,974	8	1.26
Hillsboro School District IJ	2,329	9	1.43	2,849	9	1.82
Clackamas County	1,934	10	1.18	-		
Eugene School District 4J	-		-	1,864	10	1.19
All Others*	84,014		51.47	87,074		55.57
Total	163,259		100.00%	156,698		100.00%
* "All Others" consisted of:						
Counties	10,547		6.46%	12,381		7.90%
Municipalities	12,317		7.55	11,410		7.28
School Districts	47,291		28.97	49,710		31.73
Community Colleges	6,058		3.71	6,635		4.23
Other Political Subdivisions	7,801		4.78	6,938		4.43
Total All Others	84,014		51.47%	87,074		55.57%

Information is not available to display principal participating employers' data prior to 2006.

Schedule of Participating Employers (911)

State (113)

Appraiser Certification and Licensure Board
Board of Accountancy
Board of Architect Examiners
Board of Chiropractic Examiners
Board of Examiners for Engineering and Land Surveying
Board of Geologists Examiners
Board of Optometry
Board of Parole and Post-Prison Supervision
Board of Pharmacy
Board of Psychologist Examiners
Bureau of Labor and Industries
Chancellor's Office
Commission on Indian Services
Commission on Judicial Fitness and Disability
Construction Contractors Board
Department of Administrative Services
Department of Agriculture
Department of Aviation
Department of Community Colleges and Work Force Development
Department of Consumer and Business Services
Department of Corrections
Department of Education
Department of Energy
Department of Environmental Quality
Department of Human Services
Department of Justice
Department of Land Conservation and Development
Department of Military — Federal Employees
Department of Revenue
Department of State Lands
Department of State Police
Department of Transportation
Department of Veterans' Affairs
District Attorneys Department
Eastern Oregon University
Employment Department
Employment Relations Board
Forestry Department
Geology and Mineral Industries
Health Related Licensing Boards
Judges PERS
Judicial Department
Land Use Board of Appeals
Landscape Contractors Board
Legislative Administration Committee
Legislative Assembly
Legislative Committees
Legislative Fiscal Office
Long Term Care Ombudsman
Military Department
Office of the Governor
Office of Legislative Counsel
Oregon Advocacy Commission Office
Oregon Board of Licensed Professional Counselors and Therapists
Oregon Beef Council
Oregon Board of Dentistry
Oregon Board of Massage Therapists
Oregon Board of Medical Examiners
Oregon Business Development Department
Oregon Commission for the Blind
Oregon Commission on Children and Families
Oregon Corrections Enterprises
Oregon Criminal Justice Commission
Oregon Dairy Products Commission
Oregon Department of Fish and Wildlife
Oregon Dungeness Crab Commission
Oregon Film and Video
Oregon Forest Resources Institute
Oregon Government Ethics Commission
Oregon Health Authority
Oregon Health Insurance Exchange Corporation
Oregon Health Licensing Agency
Oregon Hop Commission
Oregon Housing and Community Services
Oregon Institute of Technology
Oregon Liquor Control Commission
Oregon Parks and Recreation Department
Oregon Patient Safety Commission
Oregon Potato Commission
Oregon Racing Commission
Oregon Salmon Commission
Oregon Student Assistance Commission
Oregon State Bar
Oregon State Bar Professional Liability Fund
Oregon State Board of Nursing
Oregon State Library
Oregon State Treasury
Oregon State University
Oregon Tourism Commission
Oregon Trawl Commission
Oregon Watershed Enhancement Board
Oregon Wheat Commission
Oregon Youth Authority
Physical Therapist Licensing Board
Portland State University
Psychiatric Security Review Board
Public Defense Services Commission
Public Employees Retirement System
Public Safety Standards and Training
Public Utility Commission
Real Estate Agency
Secretary of State
Southern Oregon University
State Accident Insurance Fund
State Board of Clinical Social Workers
State Board of Tax Practitioners
State Lottery Commission
State Marine Board
Teacher Standards and Practices Commission
Travel Information Council
University of Oregon
Water Resources Department
Western Oregon University

Political Subdivisions (487)

Adair Village, City of
Albany, City of
Amity, City of
Amity Fire District
Applegate Valley RFPD 9
Arch Cape Service District
Ashland, City of
Ashland Parks Commission
Astoria, City of
Athena, City of
Aumsville, City of
Aumsville RFPD
Aurora, City of
Aurora RFPD
Baker, City of
Baker County
Baker County Library District
Baker Valley Irrigation District
Bandon, City of
Banks, City of
Banks Fire District 13
Bay City, City of
Beaverton, City of
Bend, City of
Bend Metropolitan Park and Recreation District
Benton County
Black Butte Ranch RFPD
Black Butte Ranch Service District
Boardman, City of
Boardman RFPD
Boring RFD 59
Brookings, City of
Brownsville RFPD
Burns, City of
Burnt River Irrigation District
Butte Falls, Town of
Canby, City of
Canby FPD 62
Canby Utility Board
Cannon Beach, City of
Cannon Beach RFPD
Canyon City, Town of
Canyonville, City of
Carlton, City of
Cascade Locks, City of
Cave Junction, City of
Central Oregon Coast Fire and Rescue District
Central Oregon Intergovernmental Council
Central Oregon Irrigation District
Central Oregon Regional Housing Authority
Central Point, City of
Charleston RFPD
Chetco Community Public Library Board
Chiloquin, City of
Chiloquin-Agency Lake RFPD

City County Insurance Services
Clackamas County
Clackamas County Fair
Clackamas County Fire District 1
Clackamas County Vector Control District
Clackamas River Water Providers
Clackamas River Water
Clatskanie, City of
Clatskanie Library District
Clatskanie People's Utility District
Clatskanie RFPD
Clatsop County
Clatsop County 4-H and Extension Service District
Clean Water Services
Cloverdale RFPD
Coburg, City of
Coburg RFPD
Colton RFPD 70
Columbia City, City of
Columbia County
Columbia County 911 Communications District
Columbia Drainage Vector Control District
Columbia River Fire and Rescue
Columbia River PUD
Community Services Consortium
Condon, City of
Coos Bay, City of
Coos County
Coos County Airport District
Coquille, City of
Corbett Water District
Cornelius, City of
Corvallis, City of
Cottage Grove, City of
Crescent RFPD
Creswell, City of
Crook County
Crook County RFPD 1
Crooked River Ranch RFPD
Crystal Springs Water District
Culver, City of
Curry County
Curry Public Library District
Dallas, City of
Dayton, City of
Depoe Bay, City of
Depoe Bay RFPD
Deschutes County
Deschutes County RFPD 2
Deschutes Public Library District
Deschutes Valley Water District
Dexter RFPD
Douglas County
Douglas County RFPD 2
Douglas County Soil and Water Conservation District
Drain, City of
Dufur, City of
Dundee, City of
Dunes City, City of
Durham, City of
Eagle Point, City of
East Fork Irrigation District
East Umatilla County RFPD
Echo, City of
Elgin, City of
Elkton, City of
Enterprise, City of
Estacada, City of
Estacada Cemetery Maintenance District
Estacada RFD 69
Eugene, City of
Eugene Water and Electric Board
Fairview, City of
Fairview Water District
Falls City, City of
Farmers Irrigation District
Fern Ridge Community Library
Florence, City of
Fossil, City of
Garibaldi, City of
Gaston, City of
Gaston RFPD
Gearhart, City of
Gervais, City of
Gilliam County
Gladstone, City of
Glide RFPD
Gold Beach, City of
Gold Hill, City of
Goshen RFPD
Grant County
Grants Pass, City of
Grants Pass Irrigation District
Greater St. Helens Parks and Recreation District
Green Sanitary District
Gresham, City of
Halsey, City of
Halsey-Shedd RFPD
Happy Valley, City of
Harbor Water PUD
Harney County
Harney Health District
Harrisburg, City of
Harrisburg Fire and Rescue
Helix, City of
Heppner, City of
Hermiston, City of
Hermiston RFPD
High Desert Park and Recreation District
Hillsboro, City of
Hines, City of
Hood River, City of
Hood River County
Hoodland RFD 74
Horsefly Irrigation District
Housing Authority of Clackamas County
Housing Authority of Jackson County
Housing Authority of Portland
Hubbard, City of
Hubbard RFPD
Huntington, City of
Ice Fountain Water District
Illinois Valley RFPD
Imbler RFPD
Independence, City of
Irrigon, City of
Jackson County
Jackson County Fire District 3
Jackson County Fire District 4
Jackson County Fire District 5
Jackson County Fire District 6
Jackson County Vector Control District
Jacksonville, City of
Jefferson, City of
Jefferson County
Jefferson County EMS District
Jefferson County Library District
Jefferson County RFPD 1
Jefferson County SWCD
Jefferson RFPD
Job Council
John Day, City of
Jordan Valley, City of
Joseph, City of
Josephine County
Junction City, City of
Junction City RFPD
Keizer, City of
Keizer RFPD
Keno RFPD
King City, City of
Klamath County
Klamath County Emergency Communications District
Klamath County Fire District 1
Klamath Falls, City of
Klamath Housing Authority
Klamath Vector Control District
Knappa Svensen Burnside RFPD
La Grande, City of
La Pine RFPD
Lafayette, City of
Lake County
Lake County 4-H and Extension Service District
Lake County Library District
Lake Oswego, City of
Lakeside, City of
Lakeside Water District
Lakeview, Town of
Lane Council of Governments
Lane County
Lane County Fire District 1
Lane Rural Fire Rescue
League of Oregon Cities
Lebanon Aquatic District
Lebanon, City of
Lebanon RFPD
Lincoln City, City of
Lincoln County
Linn County
Linn-Benton Housing Authority
Local Government Personnel Institute
Lowell, City of
Lowell RFPD
Lyons, City of
Lyons RFPD
Madras, City of
Malheur County
Malin, City of
Manzanita, City of
Mapleton Water District

Marion County
Marion County Fire District 1
Marion County Housing Authority
Maupin, City of
McKenzie RFPD
McMinnville, City of
McMinnville Water and Light Department
Medford, City of
Medford Irrigation District
Medford Water Commission
Merrill, City of
Metolius, City of
METRO
Metropolitan Area Communication Commission
Mid-Columbia Center for Living
Mid-Columbia Fire and Rescue
Mill City, City of
Mill City RFPD
Millersburg, City of
Millington RFPD
Milton-Freewater, City of
Milwaukie, City of
Mist-Birkenfeld RFPD
Mohawk Valley RFD
Molalla, City of
Molalla RFPD 73
Monmouth, City of
Monroe, City of
Monroe RFPD
Moro, City of
Mosier Fire District
Mt. Angel, City of
Mt. Angel Fire District
Mt. Vernon, City of
Mulino Water District 23
Multnomah County
Multnomah County Drainage District 1
Multnomah County RFPD 14
Myrtle Creek, City of
Myrtle Point, City of
Nehalem Bay Fire and Rescue
Nehalem Bay Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend City Housing Authority
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell Sanitary District
Ontario, City of
Oregon Cascades West COG
Oregon City, City of
Oregon Community College Association
Oregon Consortium, The
Oregon Coastal Zone Management Association
Oregon Health & Science University
Oregon Municipal Electric Utilities Association
Oregon School Boards Association
Oregon Trail Library District
Owyhee Irrigation District
Parkdale RFPD
Pendleton, City of
Philomath, City of
Philomath Fire and Rescue
Phoenix, City of
Pilot Rock, City of
Pleasant Hill RFPD
Polk County
Polk County Fire District 1
Polk Soil and Water Conservation District
Port of Astoria
Port of Cascade Locks
Port of Coos Bay, International
Port of Garibaldi
Port of Hood River
Port of Newport
Port of Portland
Port of St. Helens
Port of The Dalles
Port of Tillamook Bay
Port of Umatilla
Port Orford, City of
Port Orford Public Library
Portland, City of
Portland Development Commission
Powers, City of
Prairie City, City of
Prineville, City of
Rainbow Water District
Rainier, City of
Rainier Cemetery District
Redmond Area Park and Recreation District
Redmond Fire and Rescue
Redmond, City of
Reedsport, City of
Riddle, City of
Rockaway Beach, City of
Rockwood Water PUD
Rogue River, City of
Rogue River RFPD
Rogue River Valley Irrigation District
Roseburg, City of
Roseburg Urban Sanitary Authority
Rural Road Assessment District 3
Salem, City of
Salem Housing Authority
Salmon Harbor and Douglas County
Sandy, City of
Sandy RFPD 72
Santa Clara RFPD
Scappoose, City of
Scappoose Public Library District
Scappoose RFPD
Scio RFPD
Seal Rock RFPD
Seal Rock Water District
Shady Cove, City of
Sheridan, City of
Sheridan Fire District
Sherman County
Sherwood, City of
Silver Falls Library District
Silverton, City of
Silverton RFPD 2
Sisters and Camp Sherman RFPD
Sisters, City of
Siuslaw Public Library District
Siuslaw RFPD 1
South Fork Water Board
South Lane County Fire and Rescue
South Suburban Sanitary District
Southwest Polk County RFPD
Southwest Lincoln County Water District
Springfield, City of
Springfield Utility Board
St. Helens, City of
Stanfield, City of
Stanfield Fire District 7-402
Stayton, City of
Stayton RFPD
Sublimity RFPD
Suburban East Salem Water District
Sunrise Water Authority
Sunriver Service District
Sutherlin, City of
Sutherlin Water Control District
Sweet Home, City of
Sweet Home Cemetery Maintenance District
Sweet Home Fire and Ambulance District
Talent, City of
Talent Irrigation District
Tangent RFPD
Tigard, City of
Tillamook, City of
Tillamook County Emergency Communications District
Tillamook County Soil and Water Conservation District
Tillamook Fire District
Tillamook People’s Utility District
Toledo, City of

Tri-City Water and Sanitary Authority
Tri-County Cooperative Weed Management Area
Troutdale, City of
Tualatin, City of
Tualatin Valley Fire and Rescue
Tualatin Valley Irrigation District
Tualatin Valley Water District
Turner, City of
Umatilla, City of
Umatilla County
Umatilla County Soil and Water District
Umatilla County Special Library District
Umatilla-Morrow Radio and Data District
Umatilla RFPD 7-405
Vale, City of
Valley View Cemetery Maintenance District
Veneta, City of
Vernonia, City of
Vernonia RFPD
Waldport, City of
Wallowa, City of
Wallowa County
Warrenton, City of
Wasco County
Wasco County Soil and Water Conservation District
Washington County
Washington County Consolidated Communications Agency
Washington County Fire District 2
West Extension Irrigation District
West Linn, City of
West Multnomah Soil and Water Conservation District
West Side Fire District
West Slope Water District
West Valley Fire District
West Valley Housing Authority
Western Lane Ambulance District
Westfir, City of
Weston, City of
Weston Cemetery District
Wheeler, City of
Wickiup Water District
Willamette Valley Fire and Rescue Authority
Willamina, City of
Wilsonville, City of
Winchester Bay Sanitary District
Winston, City of
Winston-Dillard Fire District
Winston-Dillard Water District
Wood Village, City of
Woodburn, City of
Woodburn Fire District
Wy'East Fire District
Yachats, City of
Yachats RFPD
Yamhill, City of
Yamhill Communications Agency
Yamhill County
Yamhill Fire Protection District
Yoncolla, City of

Community Colleges (17)

Blue Mountain Community College
Central Oregon Community College
Chemeketa Community College
Clackamas Community College
Clatsop Community College
Columbia Gorge Community College
Klamath Community College
Lane Community College
Linn-Benton Community College
Mt. Hood Community College
Oregon Coast Community College
Portland Community College
Rogue Community College
Southwestern Oregon Community College
Tillamook Bay Community College
Treasure Valley Community College
Umpqua Community College

School Districts (294)

Alliance Charter Academy
Arco Iris Spanish Immersion Charter School
Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Baker Web Academy
Ballston Community School
Beaverton School District 48J
Bennett Pearson Academy Charter School
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Cascade Heights Public Charter School
Center for Advanced Learning
Central Curry School District 1
City View Charter School
Clackamas Charter Alliance 1
Clackamas Charter Alliance 2
Clackamas County ESD
Clackamas CSD 3
Clackamas CSD 7J
Clackamas CSD 12
Clackamas CSD 35
Clackamas CSD 46
Clackamas CSD 53
Clackamas CSD 62
Clackamas CSD 86
Clackamas CSD 108
Clackamas CSD 115
Clatskanie School District 6J
Clatsop CSD 1C
Clatsop CSD 4
Clatsop CSD 8
Clatsop CSD 10
Clatsop CSD 30
Coburg Community Charter School
Columbia CSD 13
Columbia CSD 47 J
Columbia CSD 502
Columbia Gorge Education Service District
Condon Admin. School District 25J
Coos CSD 8
Coos CSD 9
Coos CSD 13
Coos CSD 31
Coos CSD 41
Coos CSD 54
Corbett Charter School
Crook CSD
Curry CSD 2CJ
Curry CSD 17C
Dayton School District 8
Deschutes CSD 1
Deschutes CSD 2J
Deschutes CSD 6
Douglas County ESD
Douglas CSD 1
Douglas CSD 4
Douglas CSD 12
Douglas CSD 15
Douglas CSD 19
Douglas CSD 21
Douglas CSD 22
Douglas CSD 32
Douglas CSD 34
Douglas CSD 70
Douglas CSD 77
Douglas CSD 105
Douglas CSD 116
Douglas CSD 130
EagleRidge High School
Eddyville Charter School
Estacada Web and Early College Academy 1
Forest Grove Community School
Fossil School District 21J
Four Rivers Community School
Gilliam CSD 3
Grant School District 3
Grant County ESD
Grant CSD 4
Grant CSD 8
Grant CSD 16J
Grant CSD 17
Greater Albany Public Schools 8J
Gresham Barlow Web Academy Public Charter School
Harney ESD Region 17
Harney CSD 3
Harney CSD 4
Harney CSD 5
Harney CSD 7
Harney CSD 10
Harney CSD 13
Harney CSD 16
Harney CSD 28
Harney CSD UH1J
Harrisburg School District 7
High Desert Education Service District
Hillsboro School District 1J
Home Scholars Academy of Oakridge and Westfir
HomeSource Family Charter
Hood River CSD
Hope Chinese Charter School

Howard Street Charter School, Inc.
Inavale Community Partners
Insight School Of Oregon Charter Option
Ione School District
Jackson CSD 4
Jackson CSD 5
Jackson CSD 6
Jackson CSD 9
Jackson CSD 35
Jackson CSD 59
Jackson CSD 91
Jackson CSD 94
Jackson CSD 549C
Jefferson County ESD
Jefferson CSD 4
Jefferson CSD 8
Jefferson CSD 41
Jefferson CSD 509J
Jordan Valley School District 3
Josephine County UJ School District
Josephine CSD 7
Kings Valley Charter School
Klamath CSD CU
Klamath Falls City Schools
Knova Learning Oregon
Lake County ESD
Lake CSD 7
Lake CSD 11C
Lake CSD 14
Lake CSD 18
Lake CSD 21
Lane County ESD
Lane CSD 1
Lane CSD 4J
Lane CSD 19
Lane CSD 28J
Lane CSD 32
Lane CSD 40
Lane CSD 45J3
Lane CSD 52
Lane CSD 66
Lane CSD 68
Lane CSD 69
Lane CSD 71
Lane CSD 76
Lane CSD 79J
Lane CSD 90
Lane CSD 97J
LEP High
Le Monde Immersion
Lewis and Clark Montessori Charter School
Lincoln CSD
Linn CSD 9
Linn CSD 55
Linn CSD 95C
Linn CSD 129J
Linn CSD 552C
Linn Benton Lincoln ESD
Logos Public Charter School
Lourdes Charter School
Luckiamute Valley Charter School
Madrone Trail Public Charter School
Malheur ESD Region 14
Malheur CSD 8C
Malheur CSD 12
Malheur CSD 26C
Malheur CSD 29
Malheur CSD 61
Malheur CSD 66
Malheur CSD 81
Malheur CSD 84
Marion CSD 1
Marion CSD 4J
Marion CSD 5
Marion CSD 14CJ
Marion CSD 15
Marion CSD 24J
Marion CSD 45
Marion CSD 91
Marion CSD 103C
Mastery Learning Institute
Molalla River Academy
Morrow CSD
Mosier Community School
Mosier Middle School
Multisensory Institute Teaching Children
Multisensory Learning Academy
Multnomah County ESD
Multnomah CSD 1
Multnomah CSD 3
Multnomah CSD 7
Multnomah CSD 10
Multnomah CSD 28-302 JT
Multnomah CSD 39
Multnomah CSD 51JT
Multnomah CSD R-40
Nixyaawii Community School
North Central ESD
North Santiam School District 29J
North Powder School District
North Wasco CSD 21
Northwest Regional ESD
Opal School
Oregon Building Congress Academy for Architecture, Construction and Engineering
Oregon Connections Academy
Oregon Virtual Academy
Oregon Virtual Education East
Oregon Virtual Education West
Personalized Learning, Inc.
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Powell Butte Community Charter School
Renaissance Public Academy
Ridgeline Montessori Public Charter School
Rimrock Academy
River's Edge Academy Charter School
Sage Community School
Sand Ridge Charter School
Sauvie Island Academy
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan AllPrep Academy
Sheridan Japanese School Foundation
Sherman CSD
Sherwood Charter School
Siletz Valley Early College Academy
Siletz Valley School
Sisters Web and Early College Academy #3
South Coast ESD Region 7
South Columbia Family School
South Harney School District 33
South Wasco County School District 1
Southwest Charter School
Southern Oregon ESD
Springfield Academy of Arts & Academics
Springwater Environmental Sciences School
Sunny Wolf Charter School
Sweet Home Charter School
The Emerson School
The Ivy School
The Lighthouse School
The Village School
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 56
Tillamook CSD 101
Trillium Charter School
Umatilla County Administrative School District 1R
Umatilla Morrow ESD
Umatilla CSD 2R
Umatilla CSD 5
Umatilla CSD 6R
Umatilla CSD 7
Umatilla CSD 8R
Umatilla CSD 16R
Umatilla CSD 29RJ
Umatilla CSD 61R
Umatilla CSD 80R
Union CSD 1
Union CSD 5
Union CSD 11
Union CSD 15
Union CSD 23
Wallowa County Region 18 ESD
Wallowa CSD 6
Wallowa CSD 12
Wallowa CSD 21
Wallowa CSD 54
Wasco CSD 29
Washington CSD 13
Washington CSD 15
Washington CSD 23J
Washington CSD 88J
Washington CSD 511JT
West Lane Technical Learning Center
Wheeler CSD 1
Wheeler CSD 55U
Willamette ESD
Woodland Charter School
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J