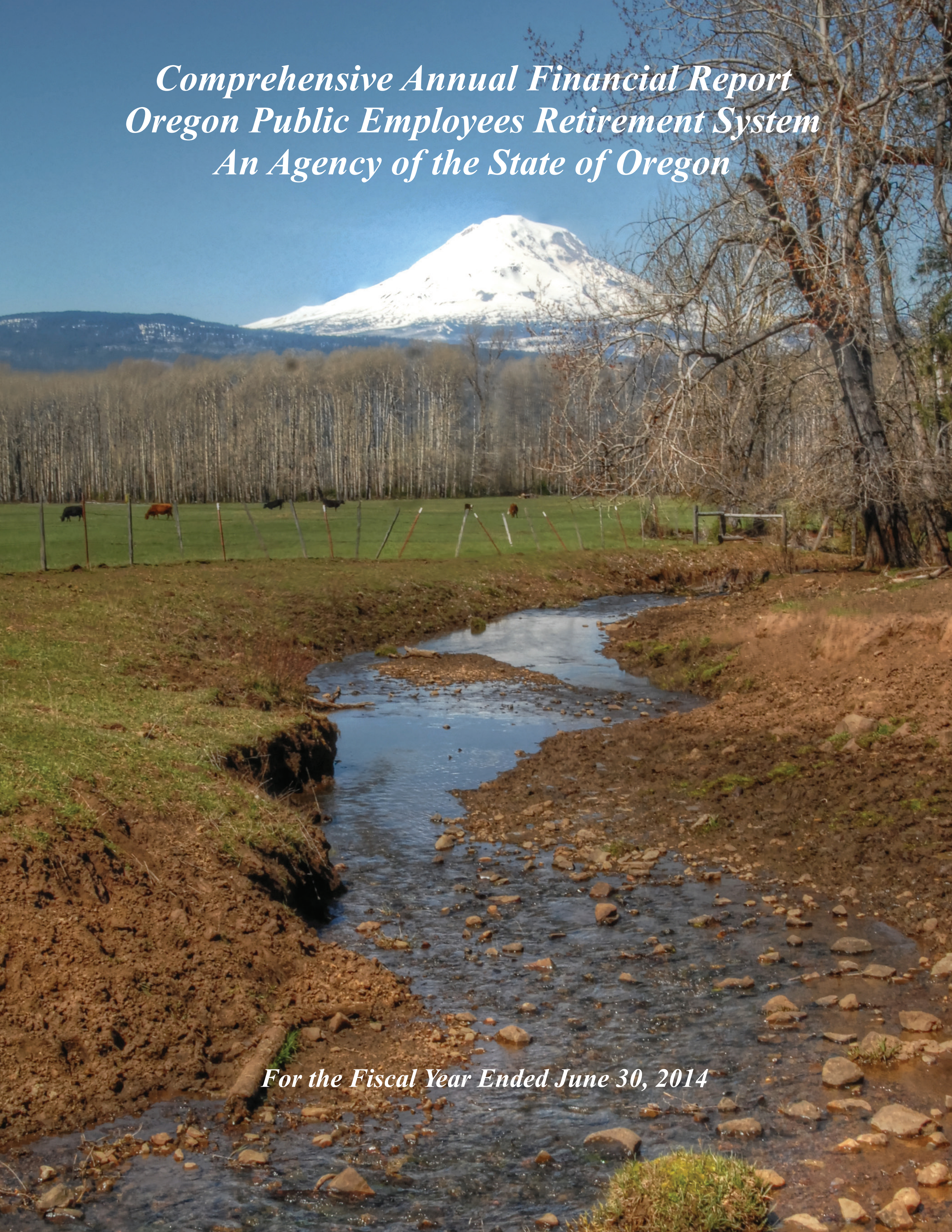
Comprehensive Annual Financial Report
Oregon Public Employees Retirement System
An Agency of the State of Oregon



For the Fiscal Year Ended June 30, 2014

Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Steven Patrick Rodeman
Executive Director

Kyle J. Knoll
Chief Financial Officer

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

PERS Oregon Public Employees Retirement System

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Introductory Section

Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System
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Mailing Address:
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December 29, 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, 2014. 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, 2014, PERS provided services to 912 employers and to nearly 338,000 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 the independent auditor's report 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 17.

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 68 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 management system allows PERS to better align its strategic planning and organizational development to support its mission, vision, values, and operating principles. The System has 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.

The System conducted a maturity assessment of its capabilities in the various areas of outcome-based management, and identified three key areas to improve. Here are the current three areas of focus in the System's efforts to build and hone its outcome-based management process:

1. Sustaining Activities - Establish the structure and routines needed to maintain and sustain the PERS Outcome-Based Management System (POBMS)
2. Cascaded Measures - Each division has its own scorecard and is reviewing performance on a regular basis
3. Problem-solving - Enhance the current 7-step problem-solving structure and capabilities, focusing in the initiation of problem-solving initiatives and the follow-through

Customer Satisfaction Survey

Our member and employer customer satisfaction surveys conducted in fiscal year 2014 show overall improvement from 2013, continuing the positive trend of year-to-year improvement over the nine-year survey period. Over 92 percent of the member survey respondents and 89 percent of the employer survey respondents rated our overall customer service as "good" or "excellent."

Impact of Legislation

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 September 2013, the Oregon Legislative Assembly approved two bills that affect PERS members and employers – Senate Bills 861 and 862.

Senate Bill 861 supersedes the 2014 cost-of-living adjustment (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 subsequent yearly COLAs for all PERS benefit recipients. Effective with the August 1, 2014 benefit payment, the COLA was 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 supplementary, one-time payment of 0.25 percent of their 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 supplementary, 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.

Lastly, House Bill 4155, enacted during the 2014 regular legislative session, authorizes the PERS Board to establish procedures for recovering administrative costs from participating public employers for providing to those employers information or services needed to report in compliance with generally accepted accounting principles (GAAP), including GASB Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*

Changes in Accounting Standards

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for the fiscal year ended June 30, 2014.

In August 2012, GASB published Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68. GASB Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and has been implemented for fiscal year ended June 30, 2014. GASB Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, will be implemented by employers for the fiscal year ending June 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Issued in November 2013, this statement amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

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.

Assumed Rate of Return on Investments

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

At its July 26, 2013 meeting, the Board directed its actuary to reduce the assumed rate of return on investments from 8 percent to 7.75 percent for the 2012 System valuation. The new assumed rate became effective for earnings crediting in 2014 and was used as the basis for updated actuarial equivalency factors that became effective January 1, 2014.

Financial Information

The 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, 2013 actuarial valuation, PERS has a funded ratio of 95.9 percent for the defined benefit plan it administers, including employer side accounts, and 86.4 percent excluding side accounts.

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, 2014, is 37.5 percent public equity, 20 percent private equity, 20 percent debt securities, 12.5 percent real estate and 10 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 2014 with a rate of return of 16.6 percent. This compares with a rate of return of 12.7 percent for fiscal year 2013. The fund's trailing 10-year return was 8.3 percent, 0.6 percent higher than the System's current assumed rate of 7.75 percent. Descriptions of specific OIC policies regarding diversification, performance objectives, fees, and asset allocation are found on pages 70 through 75.

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, 2013. 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 23 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 2014 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 twelfth year the PPCC has offered the award to public retirement systems and the eleventh 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 Office of the State Treasurer staff, our advisors and consultants, and the many other people who work diligently to ensure the successful operation of PERS.

Respectfully submitted,

Steven Patrick Rodeman
Executive Director

Kyle J. 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 is composed of 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 and local government employees.

Statute specifies Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees. All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson.

As of June 30, 2014, the three Board members representing business management, pension management, or investing are Krystal Gema, John Thomas (chair), and Rhoni Wiswall. Pat West (vice-chair) was appointed to represent public employees and retirees; Michael Jordan was appointed to represent public employers. 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 is a managing director at Neuberger Berman (NB), a private, independent, employee-controlled investment management firm. Prior to joining NB, she spent 4-½ years at Crestline Investors as head of Consultant Relations. She spent 23 years with Invesco, where her positions included partner, managing director, and senior account manager. She is a member of the Board of Trustees for the American Cancer Society-Great West Region, Bridge Meadows, St. Andrew's Nativity School, and Meals On Wheels. Ms. Wiswall serves on the President's Advisory Council at Portland Community College 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

As of 12/1/2014

- **Public Employees Retirement Board**
  - **Steven P. Rodeman**, Executive Director
    - Internal Auditor
      - Oregon State Social Security Administration
    - Executive Support
    - Project Management Office
    - **Vacant**, Deputy Director
      - **Yvette S. Elledge**, Administrator, Customer Services Division
        - Member Account Priority Processing
        - Member/Employer Relations
        - Information Center
      - **Jordan Masanga**, 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
        - PERS Health Insurance Program
        - Procurement, Facilities, and Logistics
        - Human Resources

Oregon Public Employees Retirement System Consultants

Actuary
Milliman, Inc.

Legal Counsel
Oregon Department of Justice

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 66.

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, 2013

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

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

Alan H. Winkle
Program Administrator

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Financial Section

MGO Certified Public Accountants.

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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, 2014, and the related notes to the financial statements, which collectively comprise the System's 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 System'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.

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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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, the System implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25*, for the fiscal year ended June 30, 2014.

As discussed in Note 10 to the basic financial statements, the Defined Benefit Pension Plan's fiduciary net position exceeded the total pension liability, based on the actuarial valuation as of December 31, 2012, rolled forward to June 30, 2014, by $2.3 billion. The actuarial valuation is very sensitive to the underlying assumptions, including a discount rate of 7.75 percent, which represents the long-term expected rate of return.

Also discussed in Note 11 to the basic financial statements, based on the most recent actuarial valuations for the post-employment healthcare benefit plans as of December 31, 2013, the System's independent actuary determined that the value of the System's actuarial accrued liabilities exceeded the actuarial value of its assets by $120.1 million for the Retirement Health Insurance Account plan, and $56.0 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

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with 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 fiscal year ended June 30, 2013, from which such partial information was derived.

We have previously audited the System's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the fiduciary activities and the proprietary activities in our report dated January 27, 2014. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2013, 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 schedule of changes in net pension (asset)/liability, the schedule of investment returns, the schedule of defined benefit pension plan contributions, the schedule of funding progress, the schedule of employer contributions, and the schedule of claims development information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 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 December 29, 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
December 29, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2014. 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 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 cost-sharing multiple-employer defined benefit pension plan, 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 financial statements, which comprise the following components: Fund Financial Statements and Notes to the Financial Statements. Also presented are the 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, 2014. It also summarizes the combined changes in net position restricted for pension and OPEB, the changes in unrestricted net position, and the cash flows of the proprietary fund for the year then ended, along with information about the total pension liability (asset), the employers' net pension liability (asset), and the funded status of the other postemployment benefit plans. The information available in each of these sections is briefly summarized below.

Fund Financial Statements

At June 30, 2014, 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, 2014, along with comparative total information as of and for the year ended June 30, 2013. These financial statements reflect the resources available to pay benefits to retired members 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, 2014, along with comparative total information as of and for the year ended June 30, 2013. These financial statements reflect the net position, changes in net position, and cash flows resulting from PERS business-type activities.

Notes to the Financial Statements

Note 1 – 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 2 – 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 3 – provides information on the System's accounts receivable and payable as of June 30, 2014.

Note 4 – 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 5 – provides information about capital assets used in plan operations.

Note 6 – provides information about PERS' long-term debt.

Note 7 – provides information on reserves.

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 on the total pension liability (asset) relating to the defined benefit pension plan and the employers' collective net pension liability (asset).

Note 11 – provides information about the other postemployment benefit healthcare plans administered by PERS.

Required Supplementary Information

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

• The Schedule of Changes in Net Pension (Asset)/ Liability and Related Ratios, page 57, presents the total pension liability, the pension plan's fiduciary net position, the employers' net pension asset, the change in net pension asset, fiduciary net position as a percentage of the total pension asset, total covered-employee payroll, and net pension asset as a percentage of covered-employee payroll. This new required 10-year trend schedule will disclose future years prospectively.

• The Schedule of Defined Benefit Contributions, pages 58 and 59, contains a 10-year schedule comparing the amount of actuarially determined contributions with the amount of contributions recognized in relation to the actuarially determined contributions, and showing whether there is a contribution deficiency or excess. The schedule also shows the amounts of contributions recognized by the pension plan in relation to the actuarially determined contribution as a percentage of employee-covered payroll.

• The Schedule of Investment Returns, page 57, presents for each fiscal year the annual money-weighted return (internal rate of return) on pension plan investments, net of pension plan investment expense. This is new required 10-year trend schedule, which will disclose future years prospectively.

• The Schedules of Funding Progress, page 60, contain actuarial information about the status of other postemployment retiree health benefit plans from an ongoing, long-term perspective, showing whether there are sufficient assets to pay 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 61, contain historical trend information regarding the value of the total annual contributions employers must pay to the other postemployment benefit plans and the actual contributions made to meet this requirement.

• The Schedule of Claims Development Information for SRHIA, page 62, shows earned revenues and expenses over the past four years.

Other Supplementary Information

• The Schedule of Fiduciary Net Position and Schedule of Changes in Fiduciary Net Position, pages 63 through 64, display the components of the defined benefit pension plan.

• The Schedule of Administrative Expenses and Schedule of Payments to Consultants and Contractors on page 65 show the costs of managing the System.

• The Summary of Investment Fees, Commissions, and Expenses on page 66 provides the detail of investment-related expenses included in the Investment Expense line item reported in the Statement of Changes in Fiduciary Net Position.

FIDUCIARY FUNDS

• PERS' assets exceed its liabilities at the close of fiscal year 2014, with $73,728.2 million restricted for defined benefit pension, Oregon Public Service Retirement Plan Individual Account Program (IAP), other postemployment benefits, and deferred compensation benefits.

• Fiduciary net position increased by $8,365.6 million, or 12.8 percent, during the fiscal year. This increase was due primarily to high investment returns exceeding increased benefits.

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

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2014	2013	2014	2013	2014	2013
Cash and Receivables	$ 5,064,113	$ 6,889,379	$ 476,028	$ 600,818	$ 64,939	$ 70,088
Investments at Fair Value	62,656,313	55,587,488	6,183,653	5,036,793	1,413,130	1,203,166
Securities Lending Collateral	1,979,910	2,149,201	198,128	197,531	16	13
Other	37,781	42,703	5,827	765	—	—
Total Assets	69,738,117	64,668,771	6,863,636	5,835,907	1,478,085	1,273,267
Investment Purchases	2,240,478	3,912,414	192,525	331,159	692	580
Securities Lending Payable	1,981,850	2,154,453	198,321	198,014	16	13
Other Payables	114,296	122,990	15,673	16,889	707	711
Total Liabilities	4,336,624	6,189,857	406,519	546,062	1,415	1,304
Total Net Position	$ 65,401,493	$ 58,478,914	6,457,117	$ 5,289,845	$ 1,476,670	$ 1,271,963

• As of June 30, 2014, the defined benefit pension plan's net position exceeded the total pension liability measured by an actuarial valuation dated December 31, 2012, and rolled forward to June 30, 2014, by $2.266.7 million.

• PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2013, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan, including side accounts, was 95.9 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $0.96 available for payment.

• Revenues (additions to fiduciary net position), which include member and employer contributions of $1,604.4 million and net income from investment activities totaling $11,117.9 million, rose 37.7 percent to $12,728.7 million, for fiscal year 2014, compared to $9,243.7 in fiscal year 2013.

• Expenses (deductions from fiduciary net position) increased to $4,363.1 million, or 10.1 percent, during the fiscal year from $3,963.0 million in fiscal year 2013.

FIDUCIARY NET POSITION

The condensed comparative summaries of Fiduciary Net Position in Tables 3 and 4 on page 21 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 $6,922.6 million, or 11.8 percent, during the year ended June 30, 2014.

• The net position of the OPSRP IAP increased approximately $1,167.3 million, or 22.1 percent, during the year ended June 30, 2014, as member contributions and strong investment returns outweighed benefit payments.

• The net position of the deferred compensation plan increased approximately $204.7 million, or 16.1 percent, during the year ended June 30, 2014, due to increases in investments and investment income.

• The net position of the Retirement Health Insurance Account increased approximately $69.3 million, or 21.8 percent, during the year ended June 30, 2014, as increases in investments and investment income, as well as employer contributions, more than offset increases in healthcare premium subsidies.

The net position of the Retiree Health Insurance Premium Account increased approximately $1.8 million, or 42.3 percent, during the year ended June 30, 2014, as increases in investments and investment income, as well as an increase in employer contribution rates, substantially offset 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. See Tables 3 and 4 on page 21.

• Member contributions to the defined benefit pension plan decreased $1.7 million, or 9.8 percent, from fiscal year 2013 to fiscal year 2014, due to a decrease 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 increased $16.5 million, or 3.2 percent, as covered salaries increased due to an 8.8% increase in IAP members from fiscal year 2013 to fiscal year 2014.

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account	
	2014	2013	2014	2013
Cash and Receivables	$ 31,774	$ 39,316	$ 1,287	$ 901
Investments at Fair Value	369,203	297,952	5,307	3,608
Securities Lending Collateral	11,843	11,702	175	144
Other	1	24	—	—
Total Assets	412,821	348,994	6,769	4,653
Investment Purchases	14,067	19,572	545	237
Securities Lending Payable	11,855	11,730	175	144
Other Payables	25	108	17	32
Total Liabilities	25,947	31,410	737	413
Total Net Position	$ 386,874	$ 317,584	$ 6,032	$ 4,240

• Member contributions to the deferred compensation plan increased $17.9 million, or 24.1 percent, in fiscal year 2014. Active membership increased only 2.7 percent from 20,357 to 20,897 during the year, but there were increased rollovers into the deferred compensation plan and, with no furlough days in fiscal year 2014, salary-based contributions increased.

• Employer contributions to the defined benefit pension plan increased $81.1 million, or 9.7 percent, in fiscal year 2014. Employer contribution rates generally increased from fiscal year 2013 to 2014, and covered salaries increased in fiscal year 2014.

• Employer contributions to the Retirement Health Insurance Account increased slightly in fiscal year 2014 as employer contribution rates were stable. Employer contributions were $48.3 million in fiscal year 2014 compared to $47.3 million in fiscal year 2013, a 2.0 percent increase.

• Employer contributions to the Retiree Health Insurance Premium Account $6.1 million in fiscal year 2014, compared to $3.4 million in fiscal year 2013, an increase of $2.7 million, or 78.6 percent, primarily due to an increase in covered salaries, as well as a 59 percent increase in employer contribution rates.

• Net investment and other income increased due to continued higher investment returns:

- Defined benefit pension plan: $9,886.7 million, a $2,937.0 million, or 42.3 percent, increase over the fiscal year 2013 gain of $6,949.7 million
- IAP: $977.4 million in fiscal year 2014, a $342.1 million, or 53.8 percent, increase from the fiscal year 2013 gain of $635.4 million.
- Retirement Health Insurance Account: $56.2 million, a $20.6 million, or 57.7 percent, increase from the fiscal year 2013 gain of $35.6 million.
- Retiree Health Insurance Premium Account: increased $0.2 million to $0.7 million, a 48.0 percent increase over the fiscal year 2013 gain of $0.5 million.
- Deferred compensation plan: $203.2 million, a $67.6 million, or 49.9 percent, increase from the fiscal year 2013 gain of $135.6 million.

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 $3,894.7 million in fiscal year 2014, a $287.7 million, or 8.0 percent, increase over fiscal year 2013 expenses of $3,607.0 million. An increase in service retirements and benefit payments during the fiscal year produced an increase in deductions to net position.

• IAP benefit and other payments increased $89.1 million, or 35.9 percent, during the year, from $248.4 million in fiscal year 2013 to $337.5 million in fiscal year 2014. 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 $19.2 million, or 26.9 percent, from $71.4 million in fiscal year 2013 to $90.6 million fiscal year 2014. Benefit payments were higher due to investment gains and increased retirement activity.

• Retirement Health Insurance Account benefit and other payments increased $3.2 million, or 10.1 percent, from $31.9 million in fiscal year 2013 to $35.2 million in fiscal year 2014, as a result of increases in participants due to additional retirements, and more retirees becoming Medicare eligible.

• Retiree Health Insurance Premium Account benefit payments increased $0.8 million, or 19.6 percent, from $4.3 million in fiscal year 2013 to $5.1 million in fiscal year 2014, as a result of increases in premium payments due to additional retirements.

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, 2014, is $72.5 million, a $5.6 million, or 7.1 percent decrease over fiscal year 2013. This decrease is due to claims expense and rate subsidies exceeding premium revenues. Other Payables increased by $10 million as a result of the change in claim reimbursement methodology by MODA. See Table 5 on page 22.

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	
	2014	2013	2014	2013	2014	2013
Additions:						
Employer Contributions	$ 915,237	$ 834,161	$ —	$ —	$ —	$ —
Member Contributions	15,319	16,986	527,303	510,796	92,174	74,248
Net Investment and Other Income	9,886,701	6,949,742	977,440	635,350	203,182	135,573
Total Additions	10,817,257	7,800,889	1,504,743	1,146,146	295,356	209,821
Deductions:						
Pension Benefits	3,837,870	3,556,060	330,536	241,327	89,652	70,551
Other	56,808	50,945	6,935	7,094	997	875
Total Deductions	3,894,678	3,607,005	337,471	248,421	90,649	71,426
Net Increase	6,922,579	4,193,884	1,167,272	897,725	204,707	138,395
Net Position						
Beginning of year, as previously reported	58,478,914	53,659,424	5,289,845	4,392,120	1,271,963	1,133,568
Prior Period Adjustment	—	625,606	—	—	—	—
Beginning of Year, as Restated	58,478,914	54,285,030	5,289,845	4,392,120	1,271,963	1,133,568
End of Year	$ 65,401,493	$ 58,487,914	$ 6,457,117	$ 5,289,845	$ 1,476,670	$ 1,271,963

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	
	2014	2013	2014	2013
Additions:				
Employer Contributions	$ 48,253	$ 47,294	$ 6,150	$ 3,444
Net Investment and Other Income	56,194	35,637	739	499
Total Additions	104,447	82,931	6,889	3,943
Deductions:				
Healthcare Premium Subsidies	34,113	30,778	4,926	4,093
Administrative Expense	1,044	1,149	171	169
Total Deductions	35,157	31,927	5,097	4,262
Net Increase/(Decrease)	69,290	51,004	1,792	(319)
Net Position				
Beginning of Year	317,584	266,580	4,240	4,559
End of Year	$ 386,874	$ 317,584	$ 6,032	$ 4,240

CHANGES IN NET POSITION

Standard Retiree Health Insurance Account insurance premium and other revenue for the year ended June 30, 2014, was $198.4 million, a $3.1 million, or 1.6 percent, increase from fiscal year 2013. This modest increase was due to the increase in retirees participating in the program, which was offset by the utilization of Early Retirement Reinsurance Program (ERRP) reserves to subsidize premium rates and the utilization of unrestricted net position.

Standard Retiree Health Insurance Account healthcare and other payments for the year ended June 30, 2014 increased $6.5 million, or 3.3 percent, from $197.9 million in fiscal year 2013 to $204.4 million in fiscal year 2014 due to increases in administrative and claims expense, consistent with the increase in retiree participation.

Tables 5 and 6 below 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	
	2014	2013
Cash and Cash Equivalents	$ 97,586	$ 92,412
Securities Lending Collateral	4,818	5,300
Total Assets	102,404	97,712
Claims Payable	14,492	14,090
Other Payables	10,637	305
Securities Lending Payable	4,818	5,300
Total Liabilities	29,947	19,695
Total Net Position	$ 72,457	$ 78,017

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

	Standard Retiree Health Insurance Account	
	2014	2013
Revenues:		
Insurance Premiums	$ 198,367	$ 195,252
Investment Income	464	320
Other Income	23	22
Total Revenues	198,854	195,594
Expenses:		
Estimated Insurance Claims Due	175,011	172,758
Increase in Estimated Liabilities	402	131
Administrative Expense	29,001	25,031
Total Expenses	204,414	197,920
Net Decrease	(5,560)	(2,326)
Net Position		
Beginning of Year	78,017	80,343
End of Year	$ 72,457	$ 78,017

PLAN MEMBERSHIP

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

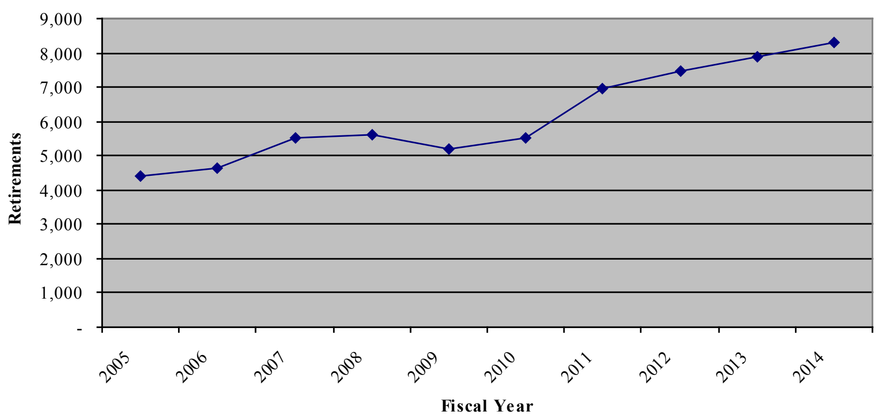
TABLE 7
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2014	2013	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	119,168	114,267	4.3 %
Police and Fire	9,970	9,560	4.3
Total	129,138	123,827	4.3
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	190,023	189,318	0.4
Police and Fire	15,993	15,945	0.4
Nonvested:			
General	2,485	2,690	(7.6)
Police and Fire	119	125	(4.8)
Total	208,620	208,078	0.3 %

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 2014 were 8,320 compared to 7,902 in fiscal year 2013, an increase of 5.3 percent.

TABLE 8
SERVICE RETIREMENTS
By Fiscal Year



NET PENSION ASSET

The Employer's Net Pension Asset (NPA) as of June 30, 2014, was the result of several factors, including:

- the actuarial cost method was changed from projected unit cost to entry age normal,
- investment gains through December 31, 2013, exceeded actuarially assumed earnings, and
- two bills enacted by the 2013 Oregon legislature reduced the total pension liability by lowering the annual cost of living adjustments for retired members and other benefit recipients, and removing a benefit increase for income tax liability to recipients who do not pay Oregon income tax on their benefits because they do not reside in Oregon.

INVESTMENT ACTIVITIES

During fiscal year 2014, investments increased 13.7 percent over the prior fiscal year as markets continued to advance significantly from the prior year, and all asset classes experienced positive investment returns. Public equity increased approximately $5,660.4 million, or 23.2 percent, as both domestic and international equity exhibited positive returns. Investments in debt securities increased $1,086.4 million as a result of purchases made in accordance with the Oregon Investment Council's asset allocation policy. Private equity investments were up approximately $1,041.9 million for the year. The Opportunity Portfolio increased approximately $87.5 million during the fiscal year, and Alternative asset class increased $389.0, or 62.0 percent. The fair value of real estate investments increased by $233.4 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 Table 9 on the next page.

EFFECT OF ECONOMIC FACTORS

The financial position of the System improved during the fiscal year due to strong investment returns. Table 9 on the next page shows portfolio returns and indexes, which are reflective of the market environment.

Benefit payments increased in fiscal year 2014 due to an increase in the number of retired members. The majority of members who retired elected to transfer out of the variable account at retirement. Retired members who elected to continue participating in the variable account after retirement experienced an increase in related benefits of approximately 18.4 percent, effective February 1, 2014, compared to an increase of 3.0 percent effective February 1, 2013. This increase in benefits was 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 benefit recipients who are not subject to Oregon income tax because they do not reside in Oregon, and limited the 2013 post-retirement COLA to 1.5% of the annual benefit. Senate Bill 861, signed into law in October 2013, further limited the post-retirement COLA for years beyond 2013 to 1.25% on the first $60,000 of annual benefit and 0.15% on annual benefits above $60,000. Passage of these bills reduced PERS' total pension liability 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.

TABLE 9
INVESTMENT RETURN*
Periods Ending June 30:

	2014	2013
Total Portfolio	16.6%	12.7%
Policy Benchmark	17.5	12.4
Domestic Stocks	24.8	21.9
Benchmark: Russell 3000 Index	25.2	21.5
International Stocks	23.2	16.4
Benchmark: Custom Index[1]	22.3	13.9
Fixed Income Segment	5.5	3.6
Benchmark: Custom Index[2]	4.4	2.7
Real Estate[3]	12.7	14.4
Benchmark: NCREIF Index	11.2	10.5
Private Equity[4]	18.8	12.7
Benchmark: Russell 3000 + 300 bps	26.2	18.0
Alternative Equity[5]	4.9	(0.1)
Benchmark: Consumer Price Index + 400 bps	6.3	5.8
Opportunity Portfolio	19.1	17.7
Benchmark: Russell 3000	21.5	21.5

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 ex-Investable Market Index Net Index
[2] 2 90% Barclays Capital U.S. Universal Index and 10% Solomon Smith Barney Inc. Non-US World Government Bond Hedged through February 28, 2011. From March 1, 2011 to December 31, 2013, 60% Barclays Capital U.S. Universal Index, 20% S&P/LSTA Leveraged Loan Index, 10% JMP Emerging Market Bond Index Global (EMBI Global) Index, and 10% Bank Of America Merrill Lynch High Yield Master II Index. From January 1, 2014 to current, 40% Barclays Capital U.S. Aggregate Bond, 40% Barclays Capital U.S. 1-3 Government Credit Bond Index, 15% S&P LSTA Leveraged Loan Index, and 5% Bank Of America Merrill Lynch High Yield Master II Index.
[3] Returns are lagged one quarter
[4] Beginning in September 2010, the return combines the estimated return from the most recent quarter with a revision component that trues up the past two quarters' reported returns with the past two quarters' actual returns.
[5] The inception date is July 1, 2011.
* 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.

Statement of Fiduciary Net Position
Pension and Other Postemployment Plans
As of June 30, 2014, with Comparative Totals as of June 30, 2013

	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	$ 3,002,273,583	$ 332,510,436	$ 21,742,103	$ 844,938
Receivables:				
Employer	29,427,895	—	1,524,200	257,845
Plan Member	—	9,340,930	—	—
Interest and Dividends	281,017,290	28,095,147	1,677,455	24,114
Member Loans	—	—	—	—
Investment Sales and Other Receivables	1,156,225,413	106,082,248	6,332,006	136,126
Transition Liability	595,168,180	—	—	—
Total Receivables	2,061,838,778	143,518,325	9,533,661	418,085
Due from Other Funds	844,763	5,467,120	497,840	23,757
Investments:				
Debt Securities	13,854,756,699	1,385,151,164	82,702,159	1,188,862
Public Equity	26,133,746,284	2,532,251,845	151,191,221	2,173,407
Real Estate	6,981,572,461	697,993,724	41,674,576	599,081
Private Equity	13,953,159,152	1,394,989,104	83,289,546	1,197,305
Alternative Equity	919,273,456	91,905,814	5,487,350	78,882
Opportunity Portfolio	813,805,406	81,361,480	4,857,788	69,832
Total Investments	62,656,313,458	6,183,653,131	369,202,640	5,307,369
Securities Lending Collateral	1,979,909,857	198,127,745	11,842,944	174,389
Prepaid Expenses	976,410	26,601	1,588	23
Capital Assets at Cost, Net	35,960,272	333,485	—	—
Total Assets	**69,738,117,121**	**6,863,636,843**	**412,820,776**	**6,768,561**
Liabilities:				
Investment Purchases and Accrued Expenses	2,240,478,178	192,524,810	14,067,156	545,227
Deposits and Other Liabilities	105,979,022	15,022,704	6,178	1,110
Due to Other Funds	5,988,717	650,652	19,222	16,056
Bonds Payable	1,943,191	—	—	—
Unearned Revenue	385,416	—	—	—
Securities Lending Collateral Due Borrowers	1,981,849,933	198,321,411	11,854,506	174,555
Total Liabilities	**4,336,624,457**	**406,519,577**	**25,947,062**	**736,948**
Net Position Restricted for Pension and Other Postemployment Benefits	**$ 65,401,492,664**	**$ 6,457,117,266**	**$ 386,873,714**	**$ 6,031,613**

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

Deferred Compensation Plan	2014	2013
$ 54,655,645	$ 3,412,026,705	$ 3,820,560,372
—	31,209,940	24,841,098
—	9,340,930	7,647,814
261,674	311,075,680	332,950,654
9,915,472	9,915,472	8,310,742
106,132	1,268,881,925	2,786,283,235
—	595,168,180	613,560,681
10,283,278	2,225,592,127	3,773,594,224
—	6,833,480	6,346,672
216,886,528	15,540,685,412	14,454,283,027
1,196,243,211	30,015,605,968	24,355,200,338
—	7,721,839,842	7,488,441,651
—	15,432,635,107	14,390,761,791
—	1,016,745,502	627,700,136
—	900,094,506	812,619,811
1,413,129,739	70,627,606,337	62,129,006,754
16,395	2,190,071,330	2,358,590,495
—	1,004,622	5,449,201
—	36,293,757	38,043,308
1,478,085,057	**78,499,428,358**	**72,131,591,026**
691,764	2,448,307,135	4,263,960,894
14,021	1,004,622	131,220,168
112,564	6,787,211	6,083,984
—	1,943,191	2,490,239
580,500	965,916	935,717
16,395	2,192,216,800	2,364,354,506
1,415,244	**4,771,243,288**	**6,769,045,508**
$ 1,476,669,813	**$ 73,728,185,070**	**$ 65,362,545,518**

Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Plans
For the Year Ended June 30, 2014, with Comparative Totals for the Year Ended June 30, 2013

	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	$ 915,236,878	$ —	$ 48,253,398	$ 6,149,608
Plan Member	15,319,270	527,303,202	—	—
Total Contributions	930,556,148	527,303,202	48,253,398	6,149,608
Investment Income:				
Net Appreciation in Fair Value of Investments	8,845,864,001	871,578,421	50,228,012	660,573
Interest, Dividends, and Other Investment Income	1,474,709,485	149,023,396	8,528,791	113,055
Total Investment Income	10,320,573,486	1,020,601,817	58,756,803	773,628
Less Investment Expense	453,252,690	45,561,005	2,645,917	35,618
Net Investment Income	9,867,320,796	975,040,812	56,110,886	738,010
Securities Lending Income:				
Securities Lending Income	17,103,815	1,619,334	96,345	1,219
Less Securities Lending Expense	(2,258,279)	(218,039)	(13,014)	(173)
Net Securities Lending Income	14,845,536	1,401,295	83,331	1,046
Other Income	4,534,307	997,260	—	—
Total Additions	10,817,256,787	1,504,742,569	104,447,615	6,888,664
Deductions:				
Benefits	3,832,067,614	330,535,801	—	—
Death Benefits	5,802,797	—	—	—
Refunds of Contributions	25,560,094	—	—	—
Administrative Expense	31,247,350	6,934,980	1,044,937	170,901
Healthcare Premium Subsidies	—	—	34,112,567	4,925,743
Total Deductions	3,894,677,855	337,470,781	35,157,504	5,096,644
Net Increase	**6,922,578,932**	**1,167,271,788**	**69,290,111**	**1,792,020**
Net Position Restricted for Pension and Other Postemployment Benefits				
Beginning of Year, as Previously Reported	58,478,913,732	5,289,845,478	317,583,603	4,239,593
Prior Period Adjustment	—	—	—	—
Beginning of Year, as Restated	58,478,913,732	5,289,845,478	317,583,603	4,239,593
End of Year	**$ 65,401,492,664**	**$ 6,457,117,266**	**$ 386,873,714**	**$ 6,031,613**

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

Deferred Compensation Plan	2014	2013
$ —	$ 969,639,884	$ 884,899,452
92,174,335	634,796,807	602,029,916
92,174,335	1,604,436,691	1,486,929,368
187,315,813	9,955,646,820	6,467,347,952
18,258,226	1,650,632,953	1,675,640,670
205,574,039	11,606,279,773	8,142,988,622
3,185,480	504,680,710	413,706,321
202,388,559	11,101,599,063	7,729,282,301
11	18,820,724	28,729,164
(11)	(2,489,516)	(3,750,396)
—	16,331,208	24,978,768
793,039	6,324,606	2,539,858
295,355,933	12,728,691,568	9,243,730,295
89,652,030	4,252,255,445	3,863,354,675
—	5,802,797	4,582,777
—	25,560,094	17,439,568
997,202	40,395,370	42,792,995
—	39,038,310	34,871,206
90,649,232	4,363,052,016	3,963,041,221
204,706,701	**8,365,639,552**	**5,280,689,074**
1,271,963,112	65,362,545,518	59,456,250,160
—	—	625,606,284
1,271,963,112	65,362,545,518	60,081,856,444
$ 1,476,669,813	**$ 73,728,185,070**	**$ 65,362,545,518**

Statement of Net Position - Proprietary Fund
As of June 30, 2014, with Comparative Totals as of June 30, 2013

	Standard Retiree Health Insurance Account	
	2014	2013
Assets:		
Current Assets		
Cash and Cash Equivalents	$ 97,585,675	$ 92,412,569
Securities Lending Collateral	4,818,121	5,299,675
Total Assets	**102,403,796**	**97,712,244**
Liabilities:		
Current Liabilities		
Estimated Insurance Claims Due	14,492,000	14,090,000
Accrued Expenses	10,561,724	13,304
Due to Other Funds	46,269	262,688
Securities Lending Collateral Due Borrowers	4,818,121	5,299,675
Total Current Liabilities	**29,918,114**	**19,665,667**
Long-Term Liabilities		
Other Liabilities	29,012	29,627
Total Long-Term Liabilities	**29,012**	**29,627**
Total Liabilities	**29,947,126**	**19,695,294**
Total Unrestricted Net Position	**$ 72,456,670**	**$ 78,016,950**

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, 2014, with Comparative Totals for the Year Ended June 30, 2013

	Standard Retiree Health Insurance Account	
	2014	2013
Operating Revenues:		
Insurance Premium Revenue	$ 198,366,723	$ 195,251,909
Other Income	23,358	22,451
Total Operating Revenues	198,390,081	195,274,360
Operating Expenses:		
Claims Expense	175,010,623	172,758,371
Increase in Estimated Liabilities	402,000	131,000
Administrative Expense	29,001,260	25,030,801
Total Operating Expenses	204,413,883	197,920,172
Operating Loss	**(6,023,802)**	**(2,645,812)**
Non-Operating Revenues:		
Interest, Dividends, and Other Investment Income	463,522	320,210
Securities Lending Income	5,333	7,887
Less Securities Lending Expense	(5,333)	(7,887)
Net Securities Lending Income	—	—
Total Non-Operating Revenue	463,522	320,210
Change in Unrestricted Net Position	(5,560,280)	(2,325,602)
Total Unrestricted Net Position		
Beginning of Year	78,016,950	80,342,552
End of Year	**$ 72,456,670**	**$ 78,016,950**

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

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2014, with Comparative Totals for the Year Ended June 30, 2013

	Standard Retiree Health Insurance Account	
	2014	2013
Cash Flows from Operating Activities:		
Insurance Premiums Collected	$ 198,366,723	$ 195,288,755
Claims Paid	(175,010,623)	(172,758,371)
Other Receipts	23,358	22,451
Other Payments	(18,669,874)	(27,046,992)
Net Cash Provided by/(Used for) Operating Activities	**4,709,584**	**(4,494,157)**
Cash Flows from Investing Activities		
Interest and Dividends Received	463,522	320,210
Net Increase/(Decrease) in Cash and Cash Equivalents	5,173,106	(4,173,947)
Cash and Cash Equivalents Beginning of Year	92,412,569	96,586,516
Cash and Cash Equivalents End of Year	$ 97,585,675	$ 92,412,569
Reconciliation of Operating Loss to Net Cash Provided by/(Used for) Operating Activities		
Operating Loss	$ (6,023,802)	$ (2,645,812)
Changes in Assets and Liabilities		
Due from Other Funds	—	36,846
Estimated Insurance Claims Due	402,000	131,000
Accrued Expenses	10,548,420	(1,802,651)
Due to Other Funds	(216,420)	(242,744)
Other Liabilities	(614)	29,204
Net Cash Provided by/(Used for) Operating Activities	**$ 4,709,584**	**$ (4,494,157)**

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

Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, the Oregon Public employees Retirement System (PERS or the System) 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 on the basis of a fiscal year ended June 30, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statements and 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 Plan, a cost-sharing multiple-employer plan
- Oregon Public Service Retirement Plan - 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 legal (or statutory) requirements. Benefits are recognized in the month they are earned, and withdrawals 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 claim 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. Investments

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 executive 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 Oregon Public Employees Retirement Fund (OPERF) 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.

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. The fair value of real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services

Investments in private equities are recorded at fair value, as of June 30, 2014, as determined by management based on valuation information provided by the general partner. Investments in private equities 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).

Investments in real estate, other than publicly traded REITS, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2014, 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.

Investments in the opportunity and alternatives portfolios are recorded at fair value as of June 30, 2014 by the respective general partner or account manager. Investments in the opportunity and alternatives portfolios representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner or account manager 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); (2) the income approach (e.g. the discounted cash flow method).

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity, alternatives, 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.

OIC has approved the following asset classes for the OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF 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.

As of June 30, 2014, PERS did not hold investments in any one organization that represent 5 percent or more of PERS' fiduciary net position.

Table 1 on page 35 displays the OIC approved asset allocation policy for fiscal year 2014 and the long term expected real rates of return. The previous allocation was amended to reduce debt securities and public entity holdings, and to increase private equity, real estate and alternative equity holdings.

TABLE 1

Asset Class	Target Allocation
Cash	0.0%
Debt Securities	20.0%
Public Equity	37.5%
Private Equity	20.0%
Real Estate	12.5%
Alternative Equity	10.0%
Opportunity Portfolio	0.0%
Total	100.0%

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. 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.

H. 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.

I. 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 financial statements for the year ended June 30, 2013, from which the summarized information was derived.

J. GASB Pronouncements

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2014, PERS implemented the following GASB Pronouncement:

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Issued in June 2012, this statement makes significant changes to accounting by pension plans by replacing 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*. This Statement is effective for the fiscal year ended June 30, 2014.

GASB Statement No. 67 separates funding from financial reporting and 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 2 - Description of Plan

A. Organization

PERS is a cost-sharing, multiple-employer plan for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional, but irrevocable if elected. As of June 30, 2014, there were 912 participating employers.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. 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.

B. Plan Membership

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, 2014, there were 36,176 active plan members, 118,496 inactive plan members or their beneficiaries currently receiving benefits, 14,901 inactive plan members entitled to but not yet receiving benefits, and 1,712 inactive plan members not eligible for refund or retirement, for a total of 171,285 Tier One members. As of June 30, 2014, there were 43,367 active plan members, 9,447 inactive plan members or their beneficiaries currently receiving benefits, 11,277 inactive plan members entitled to but not yet receiving benefits, and 5,112 inactive plan members not eligible for refund or retirement, for a total of 69,203 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, 2014, there were 85,431 active plan members, 1,195 inactive plan members or their beneficiaries currently receiving benefits, 3,652 inactive plan members entitled to but not yet receiving benefits, and 6,992 inactive plan members not eligible for refund or retirement, for a total of 97,270 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 Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan 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.

Employer, employee, and retiree data as of June 30, 2014, is shown in Table 2 below.

C. Plan Benefits

a. PERS Pension (Chapter 238)

1. Pension Benefits

The PERS retirement allowance is payable monthly

TABLE 2

		Defined Benefit Plan				Post-Employment Healthcare	
Plan Membership as of June 30, 2014	**Employers**	**Tier 1**	**Tier 2**	**OPSRP**	**Total**	**RHIA**	**RHIPA**
Employers							
State Agencies	115						
School Districts	293						
Political Subdivisions	487						
Community Colleges	17						
Inactive Members - General Service							
Retirees and beneficiaries currently receiving benefits		109,022	7,075	1,101	117,198	41,122	1,164
Alternate Payees currently receiving benefits		541	1,429	—	1,970	N/A	N/A
Inactive members eligible for, but not yet receiving benefits		9,711	6,153	3,557	19,421	15,526	N/A
Inactive members eligible for refund value of account only		4,657	4,666	N/A	9,323	N/A	N/A
Inactive members not eligible for refund or retirement		1,661	4,902	6,672	13,235	N/A	N/A
Inactive Members - Police and Fire							
Retirees and beneficiaries currently receiving benefits		8,788	629	94	9,511	2,287	124
Alternate Payees currently receiving benefits		145	314	—	459	N/A	N/A
Inactive members eligible for, but not yet receiving benefits		350	214	95	659	753	N/A
Inactive members eligible for refund value of account only		183	244	N/A	427	N/A	N/A
Inactive members not eligible for refund or retirement		51	210	320	581	N/A	N/A
Active Members - General Service							
State Agencies		9,024	9,412	21,791	40,227	18,257	18,395
School Districts		14,124	17,419	33,224	64,767	31,188	
Political Subdivisions		8,122	9,762	19,303	37,187	17,692	
Community Colleges		1,488	1,991	4,869	8,348	3,426	
Active Members - Police and Fire							
State Agencies		1,192	1,957	2,398	5,547	3,140	3,188
School Districts		15	22	20	57	37	
Political Subdivisions		2,211	2,804	3,826	8,841	4,998	
Community Colleges		—	—	—	—	—	

[1]Defined benefit only. No individual accounts are maintained.

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, 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 PERS 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 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 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.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA in fiscal year 2014 was 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

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.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested 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.

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 vested 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, 2014, PERS employers contributed 0.10 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.49 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, 2013 actuarial valuation. This is included in the employer contribution rates listed in Table 3 on page 39.

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 receiving benefits was 43,409 for the fiscal year ended June 30, 2014, and there were 78,738 active and 16,279 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 with a state agency 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, 2014, state agencies contributed 0.07 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIPA benefits. State agencies contributed 0.20 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, 2013 actuarial valuation. This is included in the employer contribution rates listed in Table 3 below.

The number of active plan RHIPA participants receiving benefits was 1,288 for the fiscal year ended June 30, 2014. As of June 30, 2014 there were 21,583 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 51, 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, 2014, the fair value of investments was $1,413.1 million.

The 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 received. Participants or their beneficiaries cannot receive 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, 2014, total $9.9 million. Of that amount $7.9 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, 2014, was 20,897.

TABLE 3

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%	0.00%	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	8.92	9.15	8.17	11.03	21.89	6.27	9.00	0.10	0.07
Unfunded Actuarial Liability	1.03	6.02	13.38	2.40	(4.31)	0.15	0.15	0.49	0.20
Total Employer Contributions	9.95	15.17	21.55	13.43	17.58	6.42	9.15	0.59	0.27

1 Group average rates shown were effective as of July 1, 2013, post Senate Bill 822.
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.

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, 2014, averaged 0.23 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, 2014, there are 58,760 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 service providers which totaled approximately $6.7 million as of June 30, 2014. 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 $14.5 million.

In fiscal year 2012 SRHIA received $2.2 million in Early Retiree Reinsurance Program (ERRP) funds 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 funds to reduce healthcare insurance premiums. Unexpended ERRP funds at June 30, 2014, are approximately $0.2 million.

D. Contributions

PERS' funding policy provides for periodic member and employer contributions at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's actuary.

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 7.A., 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, 2011 actuarial valuation, which became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. See the contribution rate summary provided in Table 3 on the previous page.

1. PERS Defined Benefit Plan Contributions (ORS 238)

Pension rates for the State and Local Government Rate Pool were 15.17 percent, schools 21.55 percent, and judiciary 17.58 percent of PERS-covered salaries, effective July 1, 2013. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension rate of 13.43 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 was effective for the actuarial valuation period beginning January 1, 2002.

Based on the actuarial valuation as of December 31, 2011, judiciary, state agencies, schools, had increases in employer contribution rates on July 1, 2013, while political subdivisions slightly decreased. These rate changes are measured against the actual average rates paid since July 1, 2011. 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, 2013, through June 30, 2015, 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 for the period July 1, 2011, through June 30, 2015. Each of these rates includes a component related to disability benefits for general service and police and fire members.

Note 3 – Receivables and Payables

A. Receivables

Table 4 disaggregates receivable balances reported in the Statements of Fiduciary Net Position as Investment Sales and Other Receivables.

The Strunk and Eugene Accrual resulted from recalculating benefits for recipients who received overpayments based on the reallocation of 1999 earnings. Approximately 82.4 percent of these receivables, or $75.5 million, is expected to be collected after June 30, 2015.

TABLE 4

Accounts Receivable	June 30, 2014
Broker Receivable	$ 1,173,250,940
Strunk/Eugene Accrual	91,615,792
Overpaid Benefits	270,496
Other	3,744,697
Total	**$ 1,268,881,925**

B. Payables

Table 5 disaggregates payable balances reported in the Statements of Fiduciary Net Position as Investment Purchases and Accrued Expenses.

TABLE 5

Accounts Payable	June 30, 2014
Broker Payable	$ 2,079,815,812
Pension Roll	305,020,947
Investment Fees	36,583,008
Death Benefits	19,074,538
Compensated Absences	1,664,457
Services and Supplies	913,938
Other	5,234,435
Total	**$ 2,448,307,135**

Note 4 - 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 Oregon Public Employees Retirement Fund (OPERF). 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 the health insurance provider. 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 6). OSTF is separately audited by the Oregon Audits Division. The audited financial statements can be viewed at http://sos.oregon.gov/audits/Documents/2014-17.pdf. OSTF investment risks are addressed in the notes to those financial statements.

Health Insurance Claims Fund of $16.8 million was held at US Bank. The account is identified as Public Funds, therefore, any amount in the account above Federal Deposit Insurance Corporation (FDIC) was insured by Public Funds Collateralized program.

TABLE 6

Depository Account	Bank Balance
Insured	$ 500,000
Oregon Short Term Fund	1,601,617,272
Health Insurance Claims Fund	16,752,830
Uninsured and uncollateralized	1,890,742,278
Total deposits	**$ 3,509,612,380**

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, 2014, the carrying amount of PERS' deposits in OSTF totaled $1,601.6 million, and corresponding bank balance was $1,603.4 million.

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. As of June 30, 2014, there was $1,911.8 million on deposit for the accounts of the OPERF investment managers.

Cash and cash equivalents of $6.7 million as of June 30, 2014, held by the Moda Health in the Standard Retiree Health Insurance Account (SRHIA) are exposed to custodial credit risk because the underlying investments are not held in PERS' name.

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, 2014, $162.3 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 10 on page 44.

3. Restricted Cash Equivalents

PERS' cash and cash equivalents at June 30, 2014, include collateral of $50.1 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 7 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2014.

1. Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on defined benefit pension plan investments, net of defined benefit pension plan investment expenses, was 17.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

2. Investment Concentrations

As of June 30, 2014, there were no organizations that represent 5 percent or more of the pension plan's fiduciary net position.

3. Credit Risk Debt Securities

It is OIC's policy that no more than 30 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, 2014, the fair value of below grade investments, excluding unrated securities, is $3,416.9 million, or 26.8 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 $969.8 million in bank loans, $878.7 million in mutual funds, guaranteed investment contracts, and $920.1 million in other debt securities.

Table 8 on the next page shows the quality ratings for credit risk debt securities as of June 30, 2014.

4. 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, 2014, no investments were exposed to custodial credit risk.

5. 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.

TABLE 7

Investments at June 30, 2013	Fair Value
Repurchase Agreements	$ 958,000
U.S. Treasury Obligations	2,222,263,115
U.S. Federal Agency Mortgage Securities	905,027,033
U.S. Federal Agency Mortgage TBAs	622,483,069
U.S. Federal Agency Debt	205,388,836
U.S. Federal Agency Strips	54,496,138
U.S. Treasury Obligations – Strips	28,655,682
U.S. Treasury Obligations – TIPS	200,248,954
International Debt Securities	2,181,350,669
Non-Government Debt Securities	335,784,970
Corporate Bonds	3,343,075,084
Bank Loans	2,354,311,611
Municipal Bonds	46,478,236
Collateralized Mortgage Obligations	1,088,246,773
Asset-Backed Securities	1,073,242,157
Guaranteed Investment Contracts	159,756,807
Mutual Funds – Domestic Fixed Income	646,450,066
Mutual Funds – International Fixed Income	72,468,212
Total Debt Securities	15,540,685,412
Derivatives	33,999,112
Domestic Equity Securities	10,039,388,501
International Equity Securities	12,305,081,535
Mutual Funds – Domestic Equity	2,987,680,111
Mutual Funds – Global Equity	805,295,413
Mutual Funds – International Equity	3,429,199,644
Mutual Funds – Target Date	410,145,902
Oregon Savings Growth Plan - Self-Directed	4,815,750
Limited Partnerships and Leveraged Buyouts	15,432,635,107
Real Estate and Real Estate Investment Trusts	7,721,839,843
Alternative Equity	1,016,745,502
Opportunity Portfolio	900,094,505
Total PERS Investments	**$ 70,627,606,337**

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, 2014, there were no single issuer debt investments that exceeded the above guidelines nor were

TABLE 8

Credit Risk Debt Securities at June 30, 2014	Fair Value
Quality Rating	
AAA	$ 1,230,470,087
AA	577,411,776
A	1,142,959,840
BBB	2,370,131,142
BB	748,312,987
B	2,019,041,655
CCC	582,689,632
CC	13,517,243
C	18,587,516
D	34,710,420
Not Rated	2,768,558,046
Not Rated[1]	1,223,664,425
Total Subject to Credit Risk	**12,730,054,769**
U.S. Government Guaranteed Securities	2,810,630,643
Total Debt Securities	**$ 15,540,685,412**

[1]Federal Agency securities, which are not rated by the credit rating agencies as they carry an implicit guarantee of the U.S. Government.

TABLE 9

Schedule of Interest Rate Risk - Effective Duration at June 30, 2014

Investment	Fair Value	Effective Weighted Duration Rate (in years)
U.S. Treasury Obligations	$ 2,202,763,505	4.12
U.S. Treasury Obligations - Strips	9,033,812	3.70
U.S. Treasury Obligations - TIPS	200,248,954	7.08
U.S. Federal Agency Mortgage Securities	853,341,195	3.79
U.S. Federal Mortgage TBAs	622,483,069	4.28
U.S. Federal Agency Debt	190,391,236	4.33
U.S. Federal Agency Strips	54,496,138	3.74
International Debt Securities	295,473,034	6.26
Non-U.S. Government Debt Securities	13,283,607	10.32
Corporate Bonds	3,193,133,833	4.37
Bank Loans	1,701,721,440	5.47
Municipal Bonds	41,261,980	10.00
Collateralized Mortgage Obligations	745,326,531	3.32
Asset-Backed Securities	965,471,114	1.80
No Effective Duration:		
U.S. Treasury Obligations	19,499,610	N/A
U.S. Treasury Obligations - Strips	19,621,870	N/A
U.S. Federal Agency Mortgage Securities	51,685,838	N/A
U.S. Federal Agency Debt	14,997,600	N/A
International Debt Securities	1,885,877,635	N/A
Non-U.S. Government Debt Securities	322,501,363	N/A
Corporate Bonds	149,941,251	N/A
Bank Loans	652,590,171	N/A
Municipal Bonds	5,216,256	N/A
Collateralized Mortgage Obligations	342,920,242	N/A
Asset-Backed Securities	107,771,043	N/A
Guaranteed Investment Contracts	159,756,807	N/A
Mutual Funds - Domestic Fixed Income	646,450,066	N/A
Mutual Funds - International Fixed Income	72,468,212	N/A
Repurchase Agreements	958,000	N/A
Total Debt Securities	**15,540,685,412**	
Cash Equivalent - Mutual Funds - STIF	1,632,677,267	40 Days[1]
Cash Equivalent - Oregon Short Term Funds	1,306,752,421	234 Days[1]
Total Subject to Interest Rate Risk	**$ 18,480,115,100**	

[1]Weighted average maturity

there investments in any one issuer that represent 5 percent or more of total investments or total net position.

6. 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, 2014, the weighted average duration of PERS' fixed income portfolio was 4.27 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, 2014. Table 9 on the left shows the investments by type, amount, and effective weighted duration.

At June 30, 2014, PERS held approximately $1,993.3 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 $622.5 million in To Be Announced (TBA) federal agency-issued mortgage pools. An additional $1,073.2 million of debt instruments held are asset-backed securities backed primarily by automobile, consumer credit receivables, heavy equipment lease, and student loan receivables.

7. 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, 2014, approximately 3.5 percent of the debt investment portfolio was invested in non-dollar denominated securities. (See Table 10.)

8. Unfunded Commitments

OIC has entered into agreements that commit OPERF, upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2014, the OPERF had $7,657.3 million in commitments to purchase private equity investments, which includes $4,196.5 million in recallable distributions, $2,141.3 million in commitments to purchase real estate investments, $1,139.0 million in commitments to purchase alternative equity investments, which includes $56.3 in recallable distributions, and $426.0 million in commitments to pur-

TABLE 10

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2014

Currency	Cash and Cash Equivalents	Debt Securities	Public Equity	Derivatives	Real Estate	Private Equity	Total
Argentine peso	$ 41,019	$ -	$ -	$ -	$ -	$ -	$ 41,019
Australian dollar	1,075,797	25,590,463	394,796,485	-	79,800,286	-	501,263,031
Bolivar fuerte	2,528	-	14	-	-	-	2,542
Brazilian real	1,523,795	6,852,671	235,532,660	-	2,345,740	-	246,254,866
Canadian dollar	3,393,240	16,868,703	716,809,340	37,916	27,399,801	-	764,509,000
Chilean peso	-	-	4,356,834	-	-	-	4,356,834
Chinese yuan	290,134	-	5,632,151	-	-	-	5,922,285
Colombian peso	-	-	4,147,670	-	-	-	4,147,670
Czech koruna	30,496	-	13,039,562	-	-	-	13,070,058
Danish krone	676,434	5,662	136,780,373	-	-	-	137,462,469
Egyptian pound	142,764	-	8,807,134	-	-	-	8,949,898
Euro	111,655,507	289,195,507	2,673,459,516	711,654	85,061,997	407,496,077	3,567,580,258
Hong Kong dollar	1,807,023	-	586,752,532	334,729	108,998,300	-	697,892,584
Hungarian forint	3,929	-	2,025,422	-	-	-	2,029,351
Indian rupee	426,864	-	159,500,302	-	-	-	159,927,166
Indonesian rupiah	59,333	-	51,033,280	-	-	-	51,092,613
Israeli shekel	244,137	-	47,833,709	568	-	-	48,078,414
Japanese yen	11,278,918	41,002,004	1,946,246,810	-	142,675,358	-	2,141,203,090
Kenya shilling	12,269	-	2,044,126	-	-	-	2,056,395
Malaysian ringgit	45,468	-	45,675,646	-	-	-	45,721,114
Mexican peso	1,497,382	68,685,187	49,655,044	-	8,945,586	-	128,783,199
New Zealand dollar	493,367	14,141,788	8,032,047	-	-	-	22,667,202
Nigerian naira	62,075	-	12,776,260	-	-	-	12,838,335
Norwegian krone	123,512	-	102,245,491	-	1,378,319	-	103,747,322
Pakistani rupee	-	-	2,853,797	-	-	-	2,853,797
Peruvian nuevo sol	-	-	1,369,200	-	-	-	1,369,200
Philippine peso	35,185	-	17,321,432	-	-	-	17,356,617
Polish zloty	4,528	-	26,121,943	-	-	-	26,126,471
Pound sterling	22,053,964	76,450,877	1,935,490,214	-	82,808,345	-	2,116,803,400
Qatar riyal	-	-	3,161,705	-	-	-	3,161,705
Russian ruble	173,361	-	-	-	-	-	173,361
Singapore dollar	1,345,919	-	92,857,590	-	31,718,330	-	125,921,839
South African rand	67,209	-	196,728,116	-	-	-	196,795,325
South Korean won	201,927	-	337,398,080	176,099	-	-	337,776,106
Swedish krona	679,096	-	266,988,128	-	7,648,714	-	275,315,938
Swiss franc	1,181,426	-	625,093,610	-	7,413,109	-	633,688,145
Taiwan dollar	1,293,372	-	389,267,775	-	-	-	390,561,147
Thai baht	63,980	-	52,892,877	81,189	1,569,268	-	54,607,314
Turkish lira	347,305	-	69,649,133	-	5,103,162	-	75,099,600
United Arab Emirates dirham	9,164	-	10,548,953	-	-	-	10,558,117
Total Subject to Foreign Currency Risk	**$ 162,342,427**	**$ 538,792,862**	**$ 11,234,924,961**	**$ 1,342,155**	**$ 592,866,315**	**$ 407,496,077**	**$ 12,937,764,797**

chase opportunity portfolio investments, which includes $134.1 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, OPERF 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 OPERF 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 OPERF did not impose any restrictions during the fiscal year on the amount of the loans the custodian made on its behalf. OPERF 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, OPERF 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, OPERF withdrew from this pool and directed SSgA to allocate its share of pool assets into a new legacy fund owned exclusively by OPERF. At the same time OPERF 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 OPERF, the balances in the funds are stated at fair value in the Statements of Fiduciary Net Position as of June 30, 2014. Previous securities lending collateral reinvestment pool balances were stated at "constant value" since OPERF 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, 2014, is effectively one day. On June 30, 2014, OPERF had no credit risk exposure to borrowers because the amounts OPERF owes borrowers exceed the amounts borrowers owe OPERF.

On June 30, 2014, the fair value of cash collateral received and invested cash collateral were $2,179.6 million and $2,177.5 million, respectively. The cumulative unrealized loss in invested cash collateral of $2.1 million has been recognized in securities lending income in the Statements of Changes in Fiduciary Net Position in the period in which the gain or losses occurred. For the fiscal year ended June 30, 2014, total income from securities lending activity was $18.8 million, and total expenses for the period were $2.5 million for a net gain of $16.3 million.

During the 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 OPERF was a net provider of liquidity and was entitled to compensation of $5.6 million, which OPERF received from SSgA in May of 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, 2014, the remaining balance was $4.1 million.

TABLE 11

Securities Lending as of June 30, 2014

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury Securities	$ 674,589,895	$ 688,240,005	$ 356,679,438
U.S. Agency Securities	81,423,837	83,093,520	78,516,405
Domestic Equity Securities	1,001,016,345	1,023,208,365	960,530,194
Domestic Debt Securities	291,671,188	297,782,885	298,801,744
International Equity Securities	700,066,546	733,660,325	455,809,754
International Debt Securities	26,378,433	27,139,609	27,112,931
Allocation from Oregon Short Term Fund	28,637,844	29,225,026	17,438,985
Total	**$ 2,803,784,088**	**$ 2,882,349,735**	**$ 2,194,889,451**

OSTF also participates in securities lending activity. OPERF receives an allocated portion of this activity based on its deposits in OSTF. As of June 30, 2014, OPERF's allocated portion of cash collateral received and invested cash collateral were $17.4 million and $17.4 million, respectively.

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

Table 11 on page 45 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 as of June 30, 2014, is shown in Table 12 below. Securities lending collateral subject to interest rate risk as of June 30, 2014, is shown in Table 13 below.

D. Derivatives

Oregon Investment Council policy allows, with some restrictions, for the use of derivative instruments in the prudent management of OPERF 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 OPERF's investing objectives. All derivative instruments held by OPERF are considered investments. The fair value of OPERF derivative investments is

TABLE 12

Securities Lending Invested Cash Collateral Subject to Credit Risk at June 30, 2014

Quality Rating	Fair Value
AAA	$ 203,797,075
AA	342,138,568
A[1]	1,566,973,821
BBB	2,819,573
B	4,399,852
Unrated	13,405,053
Total Subject to Credit Risk	**2,133,533,942**
Allocation from Oregon Short Term Fund	17,438,985
Cash	43,916,524
Total Securities Lending Invested Cash Collateral	**$ 2,194,889,451**

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

TABLE 13

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	$ 454,881,454	33
Certificates of Deposit	150,025,030	28
Collateralized Mortgage Obligations	115,993,447	28
Commercial Paper	446,927,235	44
Corporate Bonds	217,730,538	38
International Debt Securities	165,000,000	1
Repurchase Agreements	582,976,238	35
Total Subject to Interest Rate Risk	**$ 2,133,533,942**	**33**
Allocation from Oregon Short Term Fund	17,438,985	
Cash	43,916,524	
Total Securities Lending Invested Cash Collateral	**$ 2,194,889,451**	

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

reported in the Investment Sales and Other Receivables, Investment Purchases and Accrued Expenses, and the Public Equity lines of the Statements of Fiduciary Net Position – Pension and Other Postemployment Plans on pages 26 and 27. Changes in fair value during the fiscal year are reported in the Net Appreciation (Depreciation) in Fair Value of Investments line of the Statements of Changes in Fiduciary Net Position – Pension and Other Postemployment Plans on pages 28 and 29.

Table 14 below presents the related net appreciation/(depreciation) in fair value amounts and the notional amounts of derivative instruments outstanding as of June 30, 2014.

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. The fair value of a foreign currency forward is determined by the difference between the contract exchange rate and the closing exchange rate, at the end of reporting period. Risks associated with such contracts include movement in the value of foreign currencies and the ability of the counterparty to perform.

A futures contract represents a commitment to purchase or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are traded on exchanges. The counterparty credit risk for futures is generally less than for privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-traded future, settles daily the net change in the futures contract's value in cash with the broker and results in the contract itself having no fair value at the end of any trading day.

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. Swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. OPERF held various types of swaps including credit default, interest rate, and total return swaps. The payment flows are usually netted against each other, with the difference being paid by one

TABLE 14

Derivative Instruments as of June 30, 2014

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value of Investments(1)(4)	Classification	Fair Value (2)	Notional Value (3)
Credit Default Swaps Bought	$ (9,281,699)	Public Equity	$ (882,846)	$ 88,101,700
Credit Default Swaps Written	5,137,789	Public Equity	1,157,140	31,221,333
Fixed Income Futures Long	28,217,202	Public Equity	-	2,504,000,000
Fixed Income Futures Short	(15,168,765)	Public Equity	-	(735,301,294)
Fixed Income Options Bought	(3,847,257)	Public Equity	1,799,805	195,035,000
Fixed Income Options Written	4,888,042	Public Equity	(1,537,878)	(225,222,876)
Foreign Currency Options Bought	(295,343)	Public Equity	-	-
Foreign Currency Options Written	477,559	Public Equity	(12,226)	(300,000)
Futures Options Bought	(2,371,323)	Public Equity	177,556	4,185,500
Futures Options Written	4,292,704	Public Equity	(283,638)	(2,626,500)
Foreign Exchange Forwards	14,565,128	Public Equity	(997,008)	4,454,534,431
Index Futures Long	152,236,330	Public Equity	-	519,010
Index Futures Short	(35,415,357)	Public Equity	-	(2,032,640)
Index Options Written	697,524	Public Equity	-	-
Pay Fixed Interest Rate Swaps	1,361,479	Public Equity	(1,143,104)	293,080,000
Receive Fixed Interest Rate Swaps	475,983	Public Equity	(775,187)	159,884,898
Rights	4,072,362	Public Equity	809,347	1,421,840
Total Return Swaps Bond	12,504	Public Entity	-	-
Total Return Swaps Equity	138,981,638	Public Equity	21,630,229	(417,596,081)
Warrants	(4,741,024)	Public Equity	8,263,874	4,859,968
Total	**$ 284,295,476**		**$ 28,206,064**	**$ 6,353,764,289**

(1) Negative values (in brackets) refer to losses.
(2) Negative values refer to liabilities.
(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.
(4) Excludes futures margin payments.

party or another. In addition, collateral may be pledged or received by OPERF in accordance with the terms of the respective swap agreements to provide value and recourse to OPERF or its counterparties. Swaps are subject to general market risk, liquidity risk, credit risk, interest rate risk and the risk that the counterparty may fail to perform.

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. In writing an option, OPERF 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 OPERF could result in OPERF selling or buying an asset at a price different from the current market value. 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.

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. 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. In the OPERF portfolio, rights and warrants are often obtained and held due to existing investments and are subject to general market risk and liquidity risk.

Counterparty Credit Risk

Table 15 below presents a summary of counterparty credit ratings relating to derivative instruments as of June 30, 2014.

TABLE 15

Derivative Instruments Subject to Counterparty Credit Risk as of June 30, 2014

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	43.16%	A	A	A2
Credit Suisse International	18.96%	A	A	A1
State Street Bank and Trust Company	9.49%	AA-	A+	Aa3
UBS AG	8.49%	A	A	A2
Royal Bank of Scotland PLC	8.32%	A-	A	Baa1
Deutsche Bank AG London	5.39%	A	A+	A2
Royal Bank of Canada (U.K.)	1.31%	AA-	AA	Aa3
HSBC Bank	1.20%	A+	AA-	Aa3
Barclay's Bank PLC Wholesale	0.63%	A	A	A2
BNP Paribas SA	0.60%	A+	A+	A1
Goldman Sachs Capital Markets LP	0.41%	A-	A	Baa1
JP Morgan CME	0.32%	A	A+	A3
Citibank N.A.	0.30%	A	A	A2
JP Morgan Chase Bank N.A.	0.24%	A+	A+	Aa3
Bank of America N.A.	0.20%	A	A	A2
Standard Chartered Bank	0.20%	AA-	AA-	A1
Morgan Stanley and Co Inc.	0.13%	A-	A	Baa2
Bank of New York	0.11%	A+	AA-	A1
Morgan Stanley and Co. International PLC	0.11%	A-	A	Baa2
HSBC Bank U.S.A.	0.09%	AA-	AA-	A1
Deutsche Bank AG New York	0.08%	A	A+	A2
Barclays de Zoete Wedd Limited	0.07%	A	A	A2
Deutsche Bank Securities Inc.	0.05%	A	A+	A2
Goldman Sachs and Co.	0.04%	A-	A	Baa1
JP Morgan Chase Bank	0.04%	A+	A+	Aa3
Bank of Montreal	0.03%	A+	AA-	Aa3
Morgan Stanley Bank, N.A.	0.03%	A	A	A3
Brown Brothers Harriman and Co.[1]	0.00%	NR	A+	NR
Morgan Stanley Capital Services Inc.[1]	0.00%	A-	A	Baa2
	100.00%			

[1]The percentage of Net Exposure is less than 0.01%.

Interest Rate Risk

As of June 30, 2014, OPERF is exposed to interest rate risk on its various swap arrangements and options. Table 16 below presents a segmented time schedule of those instruments and Table 17 below shows a schedule of derivative instruments that were highly sensitive to interest rate changes.

Foreign Currency Risk

OPERF is exposed to foreign currency risk on its derivative instruments. Table 18 on page 50 presents a summary of derivative instruments subject to foreign currency risk as of June 30, 2014.

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.

TABLE 16

Derivative Instruments Subject to Interest Rate Risk as of June 30, 2014

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More than 10**
Credit Default Swaps Bought	$ (882,846)	$ —	$ (882,849)	$ —	$ 3
Credit Default Swaps Written	1,157,140	24,499	1,012,396	120,245	—
Fixed Income Options Bought	1,799,805	235,266	1,564,539	—	—
Fixed Income Options Written	(1,537,878)	(12,331)	(1,525,241)	(306)	—
Pay Fixed Interest Rate Swaps	(1,143,104)	—	(607,432)	(124,536)	(411,136)
Receive Fixed Interest Rate Swaps	(775,187)	(394,372)	(380,815)	—	—
Total Return Swaps Equity	21,630,229	21,630,229	—	—	—
Total	$ 20,248,159	$ 21,483,291	$ (819,402)	$ (4,597)	$ (411,133)

TABLE 17

Derivative Instruments Highly Sensitive to Interest Rate Changes as of June 30, 2014

Investment Type	**Reference Rate**	**Fair Value**	**Notional Value**
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.0425%	$ —	$ 24,730,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.565%	(559,800)	76,900,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.4825%	(104,316)	30,800,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8885%	—	14,340,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.5825%	(202,362)	3,700,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.58375%	(208,775)	3,800,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.088%	(19,256)	7,790,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.817%	—	10,200,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.738%	(18,370)	7,200,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.575%	94,311	91,600,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.247%	—	6,020,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.7%	(124,536)	16,000,000
Receive Fixed Interest Rate Swaps	Receive Fixed 8.64%, Pay Variable Brazilian CDI	(188,911)	3,720,339
Receive Fixed Interest Rate Swaps	Receive Fixed 8.16%, Pay Variable Brazilian CDI	(394,373)	17,830,407
Receive Fixed Interest Rate Swaps	Receive Fixed 8.94%, Pay Variable Brazilian CDI	(256,625)	5,262,919
Receive Fixed Interest Rate Swaps	Receive Fixed 1.5525%, Pay Variable 3-month LIBOR	64,722	70,000,000
Receive Fixed Interest Rate Swaps	Receive Fixed 3.245%, Pay Variable 3-month LIBOR	—	24,072,903
Receive Fixed Interest Rate Swaps	Receive Fixed 4.274%, Pay Variable 3-month LIBOR	—	33,148,330
Receive Fixed Interest Rate Swaps	Receive Fixed 2.6275%, Pay Variable 3-month LIBOR	—	5,850,000
Total Return Swaps Equity	Pay Variable 3-month LIBOR, Receive Russell 1000 Index	21,630,229	(417,596,081)
Total Interest Rate Swaps		**$ 19,711,938**	**$ 35,368,817**

TABLE 18

Derivative Instruments Subject to Foreign Currency Risk as of June 30, 2014

Currency	Currency Forward Contracts: Net Receivables	Currency Forward Contracts: Net Payables	Options	Swaps	Total Exposure
Australian dollar	$ 1,205,713	$ (1,899,464)	$ —	$ —	$ (693,751)
Brazilian real	212,735	(492,818)	—	(839,910)	(1,119,993)
Canadian dollar	6,635,575	(3,014,357)	37,916	—	3,659,134
Chinese yuan	(126,422)	(65,146)	—	—	(191,568)
Danish krone	466,722	(42,774)	—	—	423,948
Euro	1,753,106	(4,105,392)	711,654	(627,818)	(2,268,450)
Hong Kong dollar	(6,945)	7,930	334,729	—	335,714
Indonesian rupiah	(29,729)	—	—	—	(29,729)
Israeli shekel	51,994	(121,595)	568	—	(69,033)
Japanese yen	705,552	(2,636,298)	—	—	(1,930,746)
Malaysian ringgit	27,617	—	—	—	27,617
Mexican peso	34,098	(1,482,653)	—	—	(1,448,555)
New Zealand dollar	9,625,586	(275,828)	—	—	9,349,758
Norwegian krone	(4,722,649)	459,611	—	—	(4,263,038)
Peruvian nouveau sol	62,994	—	—	—	62,994
Polish zloty	40,261	(102,888)	—	—	(62,627)
Pound sterling	3,882,467	(5,615,374)	—	—	(1,732,907)
Russian ruble	134,717	(182,116)	—	—	(47,399)
Singapore dollar	(61,371)	(1,520)	—	—	(62,891)
South Korean won	99,240	—	176,099	—	275,339
Swedish krona	(1,320,771)	216,190	—	—	(1,104,581)
Swiss franc	797	(313,803)	—	—	(313,006)
Thailand baht	—	—	81,189	—	81,189
Total Subject to Foreign Currency Risk	**18,671,287**	**(19,668,295)**	**1,342,155**	**(1,467,728)**	**(1,122,581)**
U.S. dollar	—	—	7,874,685	21,453,960	29,328,645
Total	**$ 18,671,287**	**$ (19,668,295)**	**$ 9,216,840**	**$ 19,986,232**	**$ 28,206,064**

TABLE 19

Schedule of Capital Assets as of June 30, 2014

	Beginning of Year	Increases	Decreases	End of Year
Capital Assets				
Furniture and Equipment	$ 1,107,642	$ 8,689	$ —	$ 1,116,331
Data Processing Software	40,159,618	—		40,159,618
Data Processing Hardware	1,949,129	487,438	(8,860)	2,427,707
Building and Building Improvements	8,320,324	257,543	—	8,577,867
Land	944,463	—	—	944,463
Total Capital Assets	52,481,176	753,670	(8,860)	53,225,986
Less Accumulated Depreciation				
Furniture and Equipment	(558,684)	(131,560)	—	(690,244)
Data Processing Software	(9,691,441)	(1,903,574)	—	(11,595,015)
Data Processing Hardware	(1,170,678)	(188,406)	8,860	(1,392,946)
Building and Building Improvements	(3,017,065)	(231,128)	—	(3,017,065)
Total Accumulated Depreciation	(14,437,868)	(2,503,221)	8,860	(16,932,229)
Capital Assets, Net	**$ 38,043,308**	**$ (1,749,551)**	**$ —**	**$ 36,293,757**

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	$ 2,480,989
Oregon Public Service Retirement Plan Individual Account Program Depreciation	22,232
Total Depreciation Expense	**$ 2,503,221**

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 19 on the previous page.)

Note 6 - 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, 2014, is $1,765,000 and has a final repayment due May 1, 2017.

Table 20 summarizes all future PERS building bond payments of principal and interest for each fiscal year during the next three-year period ending June 30, 2017. The current portion of the PERS building debt is $565,000.

TABLE 20

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "K" Principal	Interest	Total
2015	$ 565,000	$ 88,250	$ 653,250
2016	585,000	60,000	645,000
2017	615,000	30,750	645,750
Total	**$ 1,765,000**	**$ 179,000**	**$ 1,944,000**

Table 21 below summarizes the changes in long-term debt for the year ended June 30, 2014.

Note 7 - Reserves and Designations

In accordance with the following plan requirements, various funds have been established to account for reserves or designations held for future and current payments:

<u>Chapter 238 Defined Benefit Plan</u>

Table 22 on page 50 details the amounts comprising the total Net Position Restricted for Pension Benefits.

A. Member Reserve

The Member Reserve represents member contributions made through December 31, 2003, and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

B. Employer Contribution Designation

The Employer Contribution Designation represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

C. Benefit Reserve

The Benefit Reserve 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.

D. 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(1) 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.

E. Supplemental Payments Reserve

The Supplemental Payment Reserve was established by the Board to implement the provisions of Senate Bill 861.

PERS benefit recipients who retired on or before July 1, 2014, will receive a supplementary payment that will be 0.25% of a yearly benefit, not to exceed $150. Those whose PERS benefit is $20,000 per year or less will receive an additional supplementary payment of 0.25% of their yearly benefit. The annual supplementary payments will not be compounded into the member's yearly benefit and will be in effect for six years (2014-2019).

F. 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 contin-

TABLE 21

<u>**Long-Term Debt Activity**</u>

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
PERS Building Principal	$ 2,310,000	$ —	$ (545,000)	$ 1,765,000	$ (565,000)
Plus: Premium (Net)	240,972	—	62,779	178,191	62,780
Total Bonds Payable	**$ 2,550,972**	**$ —**	**$ (607,781)**	**$ 1,943,191**	**$ (627,780)**

gency. As part of its December 31, 2013 earnings crediting decision, the Board authorized the credit of $67.5 million to the Contingency Reserve so that it is maintained at approximately 1 percent of the Defined Benefit Plan calendar year-end balance.

G. 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.

H. 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.

I. OPSRP Defined Benefit Program

OPSRP Defined Benefit plan fiduciary net position balance represents the program's accumulation of employer contributions and investment earnings less benefits and administrative expenses.

Other Postemployment Benefits Plans

J. Retirement Health Insurance Account (RHIA)

The RHIA plan fiduciary net position balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2014, the balance of this account was $386.9 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.

K. Retiree Health Insurance Premium Account (RHIPA)

The RHIPA plan fiduciary net position balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2014, the balance of this account was $6.0 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.

Other Plans

L. Deferred Compensation Plan

The Deferred Compensation plan fiduciary net position balance represents the program's accumulation of plan member contributions and investment earnings less benefits paid and administrative expenses. As of June 30, 2014, the balance of this account was $1,476.7 million. The Internal Revenue Code (IRC) limits plan member contributions to an IRC 457 account to a maximum of $17,500 (for calendar year 2014), with optional catch up provisions available to members over age 50.

Enterprise Fund

M. Standard Retiree Health Insurance Account (SRHIA)

The SRHIA net position balance represents the program's accumulation of retiree insurance premiums and interest earnings less insurance claims and administrative expenses. As of June 30, 2014, the balance of this account was $72.5 million.

Note 8 - Litigation

Following is a summary of current PERS-related cases:

Several cases have been files on behalf of PERS retirees and active employees challenging the changes to PERS retirement benefits that were enacted by the Legislative Assembly in 2013. Challenges to both SB 822 and SB 861 have been filed directly with the Oregon Supreme Court. The petitioners allege that SB 822 and 861 constitute a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. A Special Master was appointed to gather evidence and recommend finding of fact to the Supreme Court. The Special Master presented his final report and findings of fact to the Court on April 30, 2014. The parties filed briefs in the Oregon Supreme Court, which heard oral argument on October 14, 2014. Legal counsel cannot predict when the Court will issue its ruling on the matter, or provide an opinion as to the outcome.

TABLE 22

Reserves and Designations		Defined Benefit Pension Plan
Chapter 238 Defined Benefit Plan		
Member Reserve	$	6,846,506,433
Employer Contribution Designation		28,026,346,698
Benefit Reserve		23,042,570,412
Tier One Rate Gurantee Reserve		434,214,127
Supplementary Payments Reserve		65,000,000
Contingency Reserve		577,702,782
Employer Contingency Reserve		25,000,000
Unallocated Earnings Allocation		4,497,032,048
OPSRP Defined Benefit Program		1,887,120,164
Fiduciary Net Position Restricted for Pension Benefits	$	65,401,492,664

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, 2014, 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 $14.5 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, 2014, but have not been reported to the SRHIA. Table 23 below shows the changes in the aggregated estimated claims liabilities as of June 30, 2014 and 2013.

Note 10 - Net Pension Asset

Actuarial Cost Method and Assumptions

The components of the net pension asset of the defined benefit pension plan are shown in Table 24 below.

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, 2012 valuation rolled forward to June 30, 2014.

TABLE 24

Net Pension Asset (in Millions)
For the Year Ended June 30

	2014
Total Pension Liability	$ 63,134.8
Plan Fiduciary Net Position	65,401.5
Employers' Net Pension (Asset)/Liability	**$ (2,266.7)**
Fiduciary net position as a percentage of total pension liability	**103.6%**

TABLE 23

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

	2014	2013
Total Estimated Claims at Beginning of Fiscal Year	$ 14,090,000	$ 13,959,000
Insured Claims and Claim Adjustment Expenses		
Provision for Insured Events of Current Fiscal Year	177,040,393	175,197,532
Decrease in Provision for Insured Events of Prior Years	(1,627,770)	(2,308,161)
Total Incurred Claims and Claim Adjustment Expenses	175,412,623	172,889,371
Payments		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	162,548,393	161,107,532
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	12,462,230	11,650,839
Total Payments	175,010,623	172,758,371
Total Estimated Claims at End of Fiscal Year	**$ 14,492,000**	**$ 14,090,000**

Key actuarial methods and assumptions used to measure the total pension asset are illustrated in Table 25 below.

TABLE 25

Actuarial Methods and Assumptions	**Pension**
Valuation date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.75 percent
Discount rate	7.75 percent
Projected salary increases	3.75 percent
Mortality	*Healthy retirees and beneficiaries*: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. *Active members*: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. *Disabled retirees*: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Table 26 below presents the net pension asset calculated using the discount rate of 7.75 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is one percent lower (6.75 percent) or one percent higher (8.75 percent) than the current rate.

The results of actuarial valuations used for rate setting and the related Schedules of Funding Progress may be found in the Actuarial Section beginning on page 77.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Table 27 on page 55 shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.

- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the

TABLE 26

Sensitivity of Net Pension (Asset)/Liability to Changes in the Discount Rate (in Millions)
For the Year Ended June 30, 2014

Employers' Net Pension Liability/(Asset)	**1% Decrease** (6.75 %)	**Current Discount** Rate (7.75%)	**1% Increase** (8.75 %)
Defined Benefit Pension Plan	$ 4,800.1	$ (2,266.7)	$ (8,243.6)

end of the amortization period if future experience follows assumption.

- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Note 11 – Postemployment Healthcare Plan

The funded status of each postemployment healthcare plans as of the most recent actuarial valuation date is illustrated in Table 28 below. Actuarial methods and assumptions of each postemployment healthcare plan used in the actuarial valuation dated December 31, 2011, to determine contribution rates for the year ended June 30, 2014, are illustrated in Table 29 on the next page.

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point.

TABLE 27

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	7.20%	4.70%	4.50%	6.60%
Short-Term Bonds	8.00	3.76	3.70	3.45
Intermediate-Term Bonds	3.00	4.23	4.10	5.15
High Yield Bonds	1.80	7.21	6.66	11.10
Large Cap US Equities	11.65	8.60	7.20	17.90
Mid Cap US Equities	3.88	9.38	7.30	22.00
Small Cap US Equities	2.27	10.38	7.45	26.40
Developed Foreign Equities	14.21	8.73	6.90	20.55
Emerging Market Equities	5.49	11.51	7.40	31.70
Private Equity	20.00	11.95	8.26	30.00
Hedge Funds/Absolute Return	5.00	6.46	6.01	10.00
Real Estate (Property)	13.75	7.27	6.51	13.00
Real Estate (REITS)	2.50	8.41	6.76	19.45
Commodities	1.25	7.71	6.07	19.70
Assumed Inflation - Mean			2.75%	2.00%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund revised as of December 18, 2012 and the revised allocation adopted at the June 26, 2013 OIC meeting.

TABLE 28 (dollar amounts in millions)

Funded Status-OPEB Plans[1]

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)
RHIA						
12/31/2013	$ 353.3	$ 473.6	$ 120.0	74.7%	$ 8,671.8	1.4%
RHIPA						
12/31/2013	5.2	61.2	55.9	8.6	2,531.5	2.2%

[1]Discrepancies with the actuarial valuation are the result of rounding.

TABLE 29

Actuarial Methods and Assumptions—OPEB Plans

	RHIA	RHIPA
Valuation date	December 31, 2013	December 31, 2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	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	3 years	9 years
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Inflation rate	2.75 percent	2.75 percent
Investment rate of return	7.75 percent	7.75 percent
Projected salary increases	3.75 percent	3.75 percent
Healthcare cost trend rate	None. Statute stipulates $60 monthly payment for healthcare insurance.	Graded from 6.1 percent in 2013 to 4.7 percent in 2083.

Required Supplementary Information
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratios (Unaudited)
Defined Benefit Pension Plan
For the Year Ended June 30[1]
(Amounts in millions)

		2014
Total Pension Liability		
Service Cost	$	1,020.3
Interest on Net Pension Liability		4,819.5
Changes in Benefit Terms		(2,423.7)
Differences Between Expected and Actual Experience		-
Changes in Assumptions		-
Benefit Payments		(3,863.4)
Refunds of Member Accounts		-
Net Change in Total Pension Liability		(447.3)
Total Pension Liability - Beginning		63,582.1
Total Pension Liability - Ending	$	63,134.8
Plan Fiduciary Net Position		
Member Contributions	$	15.3
Employer Contributions		915.2
Net Investment Income		9,886.7
Benefit Payments		(3,863.4)
Adminstrative Expense		(31.2)
Net Change in Plan Fiduciary Net Position		6,922.6
Plan Fiduciary Net Position - Beginning		58,478.9
Plan Fiduciary Net Position - Ending	$	65,401.5
Net Pension (Asset)/Liability	$	(2,266.7)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		103.6 %
Covered Employee Payroll	$	8,701.7
Employer Net Pension Asset as a Percentage of Covered Employee Payroll		(26.0) %

Required Supplementary Information
Schedule of Investment Returns (Unaudited)
Defined Benefit Pension Plan
For the Year Ended June 30[1]

	2014
Annual Money-Weighted Rate of Return Net of Investment Expense	17.2%

[1] 10-year trend information will be presented prospectively.

Required Supplementary Information
Schedule of Defined Benefit Pension Plan Contributions[3] (Unaudited)
Last 10 Fiscal Years
(Dollar amounts in thousands)

	2014	2013	2012	2011	2010
Actuarially determined contributions[2]	$ 866,635	$ 781,015	$ 774,461	$ 361,655	$ 377,778
Contributions in relation to the actuarially determined contributions[1]	866,635	781,015	774,461	361,655	377,778
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 8,701,657	$ 8,280,731	$ 8,650,799	$ 8,618,636	$ 8,451,349
Contributions as a percentage of covered-employee payroll	9.96%	9.43%	8.95%	4.20%	4.47%

Notes

[1]Employer contribution on the Statement of Net Changes in Fiduciary Net position includes amounts to finance employer-specific liabilities and employer optional supplemental contributions.

[2]The actuarially determined contributions on this Schedule of Defined Benefit Pension Plan Contributions have been adjusted to remove amounts contributed to finance employer-specific liabilities and employer optional supplemental contributions.

[3]For Actuarial Methods and Assumptions, see table below.

Actuarial Methods and Assumptions	Pension
Valuation date	December 31, 2011
Experience Study Report	2010, published September 21,2011
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Inflation rate	2.75 percent
Discount rate	8.00 percent
Projected salary increases	3.75 percent
Mortality	*Healthy retirees and beneficiaries*: RP-2000 Sex-distinct, generational with collar adjustments and set-backs as described in the valuation. *Active members*: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. *Disabled retirees*: Mortality rates are RP-2000 Generational Combined Active/Healthy Annuitant, sex distinct, no collar, with set-forward as described in the valuation.

2009	2008	2007	2006	2005
$ 592,546	$ 552,242	$ 540,796	$ 547,829	$ 264,009
592,546	552,242	540,796	547,829	264,009
$ —	$ —	$ —	$ —	$ —
$ 8,281,261	$ 7,733,970	$ 7,325,161	$ 7,061,608	$ 6,668,928
7.16%	7.14%	7.38%	7.76%	3.96%

Required Supplementary Information
Schedules of Funding Progress—OPEB Plans (Unaudited)
(dollar amounts in millions)[6]

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)
Postemployment Healthcare Benefits – Retirement Health Insurance Account						
12/31/2004[1]	$ 148.0	$ 556.9	$ 408.9	26.6%	$ 6,772.4[2]	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[3]	291.6	471.8	180.2	61.8	8,590.9	2.1
12/31/2013	353.5	473.6	120.1	74.7	8,671.8	1.4
Postemployment Healthcare Benefits – Retiree Health Insurance Premium Account[5]						
12/31/2004[1]	$ 5.2	$ 28.2	$ 23.0	18.4%	$ 1,851.4[2]	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[3,4]	4.4	60.3	55.9	7.4	2,432.4	2.3
12/31/2013	5.2	61.2	56.0	8.6	2,531.5	2.2

1 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.

2 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.

3 Effective with the 2012 valuation, the cost method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method.

4 Effective with the 2012 valuation, 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.

5 Covered payroll is for state agencies only.

6 Discrepancies contained in this table are the result of rounding differences.

Footnotes 11 and 12 continued on next page.

Required Supplementary Information
Schedules of Employer Contributions—OPEB Plans (Unaudited)
(dollar amounts in millions)

Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
Postemployment Healthcare Plan - Retirement Health Insurance Account[1]		
12/31/2008	$ 33.0	85%
12/31/2009	29.8	87
12/31/2010	26.5	83
12/31/2011	37.0	88
12/31/2012	47.5	101
12/31/2013	47.1	101
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[2]		
12/31/2008	$ 2.9	63%
12/31/2009	2.6	68
12/31/2010	2.3	64
12/31/2011	2.8	83
12/31/2012	3.4	101
12/31/2013	4.5	104

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

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

Required Supplementary Information
Schedule of Claims Development Information (Unaudited)
Standard Retiree Health Insurance Account
Fiscal and Policy Year Ended June 30 (in millions)

	2011	2012	2013	2014
1. Net earned required contributions and investment revenues	$ 174.19	$ 188.99	$ 195.59	$ 198.85
2. Unallocated expenses	20.01	22.15	25.00	29.00
3. Estimated incurred claims and expense, end of policy year	152.55	150.62	172.89	175.41
4. Paid (cumulative) as of:				
End of policy year	150.42	160.15	172.76	175.01
One year later	161.43	171.80	185.22	
Two years later	161.34	171.68		
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	175.41
One year later	163.56	162.27	185.35	
Two years later	163.47	162.20		
Three years later	163.35			
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	12.46	

Other Supplementary Information
Schedule of Plan Net Position
Defined Benefit Pension Plan
As of June 30, 2014

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Total
Assets:				
Cash and Cash Equivalents	$ 2,878,799,572	$ 107,780,763	$ 15,693,248	$ 3,002,273,583
Receivables:				
Employer	24,473,747	4,954,148	—	29,427,895
Interest and Dividends	272,901,394	8,115,896	—	281,017,290
Investment Sales and Other Receivables	1,125,551,365	30,674,048	—	1,156,225,413
Transition Liability	595,168,180	—	—	595,168,180
Total Receivables	2,018,094,686	43,744,092	—	2,061,838,778
Interaccount Receivables and Payables	4,080,843	2,070,640	(6,151,483)	—
Due from Other Funds	844,763	—	—	844,763
Investments:				
Debt Securities	13,454,625,584	400,131,115	—	13,854,756,699
Public Equity	24,596,954,713	731,496,158	805,295,413	26,133,746,284
Real Estate	6,779,941,755	201,630,706	—	6,981,572,461
Private Equity	13,550,186,133	402,973,019	—	13,953,159,152
Alternative Equity	892,724,457	26,548,999	—	919,273,456
Opportunity Portfolio	790,302,369	23,503,037	—	813,805,406
Total Investments	60.064,735,011	1,786,283,034	805,295,413	62,656,313,458
Securities Lending Collateral	1,922,462,822	57,321,421	125,614	1,979,909,857
Prepaid Expenses	968,726	7,684	—	976,410
Capital Assets at Cost, Net	33,262,072	2,698,200	—	35,960,272
Total Assets	**66,923,248,495**	**1,999,905,834**	**814,962,792**	**69,738,117,121**
Liabilities:				
Investment Purchases and Accrued Expenses	2,180,992,239	55,319,108	4,166,831	2,240,478,178
Deposits and Other Liabilities	105,871,089	89,197	18,736	105,979,022
Due to Other Funds	5,988,717	—	—	5,988,717
Bonds Payable	1,943,191	—	—	1,943,191
Unearned Revenue	385,416	—	—	385,416
Securities Lending Collateral Due Borrowers	1,924,346,953	57,377,366	125,614	1,981,849,933
Total Liabilities	**4,219,527,605**	**112,785,671**	**4,311,181**	**4,336,624,457**
Net Position Restricted for Pension Benefits	**$ 66,923,248,495**	**$ 1,887,120,163**	**$ 810,651,611**	**$ 69,738,117,121**

Other Supplementary Information
Schedule of Changes in Plan Net Position
Defined Benefit Pension Plan
For the Year Ended June 30, 2014

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Total
Additions:				
Contributions:				
Employer	$ 663,694,651	$ 251,542,227	$ —	$ 915,236,878
Plan Member	15,167,432	—	151,838	15,319,270
Total Contributions	678,862,083	251,542,227	151,838	930,556,148
Investment Income:				
Net Appreciation in Fair Value of Investments	8,424,911,399	249,843,723	171,108,879	8,845,864,001
Interest, Dividends, and Other Investment Income	1,431,835,893	42,760,827	112,765	1,474,709,485
Total Investment Income	9,856,747,292	292,604,550	171,221,644	10,320,573,486
Less Investment Expense	439,629,854	13,092,742	530,094	453,252,690
Net Investment Income	9,417,117,438	279,511,808	170,691,550	9,867,320,796
Securities Lending Income:				
Securities Lending Income	16,671,575	432,153	87	17,103,815
Less Securities Lending Expense	(2,198,302)	(59,890)	(87)	(2,258,279)
Net Securities Lending Income	14,473,273	372,263	—	14,845,536
Other Income	4,527,392	6,915	—	4,534,307
Total Additions	10,114,980,186	531,433,213	170,843,388	10,817,256,787
Deductions:				
Benefits	3,787,025,649	9,332,760	35,709,205	3,832,067,614
Death Benefits	5,802,797	—	—	5,802,797
Refunds of Contributions	24,102,060	1,563	1,456,471	25,560,094
Administrative Expense	25,762,803	4,635,964	848,583	31,247,350
Interaccount Transfers	(73,565,705)	—	73,565,705	—
Total Deductions	3,769,127,604	13,970,287	111,579,964	3,894,677,855
Net Increase	**6,345,852,582**	**517,462,926**	**59,263,424**	**6,922,578,932**
Net Position Restricted for Pension Benefits				
Beginning of Year	56,357,868,308	1,369,657,238	751,388,186	58,478,913,732
End of Year	**$ 62,703,720,890**	**$ 1,887,120,164**	**$ 810,651,610**	**$ 65,401,492,664**

Other Supplementary Information
Schedule of Administrative Expenses - All Funds
For the Year Ended June 30, 2014

Personal Services:	
Staff Salaries	$ 15,030,471
Social Security	1,416,146
Retirement	3,924,223
Unemployment Compensation	43,521
Worker Compensation	10,757
Insurance	5,198,705
Assessments	119,881
Total Personal Services	25,743,704
Professional Services:	
Actuarial	397,560
Data Processing	63,400
Audit	259,959
Legal Counsel	654,593
Medical Consultants	119,978
Training and Recruitment	159,206
Contract Services	5,575,146
Healthcare Fees	29,453,843
Total Professional Services	36,683,685
Communications:	
Printing	92,101
Telephone	196,863
Postage	556,639
Travel	124,007
Total Communications	969,610
Rentals:	
Office Space	512,158
Equipment	2,611
Total Rentals	514,769
Miscellaneous:	
Central Government Charges	718,443
Supplies	1,096,958
Maintenance	808,885
Non-Capitalized Equipment	282,638
Depreciation	2,503,221
Bond Amortization	74,717
Total Miscellaneous	5,484,862
Total Administrative Expenses	**$ 69,396,630**

Other Supplementary Information
Schedule of Payments to Consultants and Contractors
For the Year Ended June 30, 2014

Individual or Firm	Fees	Nature of Service
Milliman, Inc.	$ 397,560	Actuarial
Macias Gini & O'Connell LLP	250,045	Audit
Oregon Audits Division	9,915	Audit
CEM Benchmarking Inc.	40,000	Benchmarking
BenefitHelp Solutions	3,183,899	Health Insurance
Butler Partners & Associates LLC	79,128	Health Insurance
Moda Health	26,250,184	Health Insurance
ING	2,236,181	IAP Administration
Joanne Sims	223	Interpretive services
Department of Justice	568,062	Legal
Ice Miller LLP	7,372	Legal
Orrick, Herrington & Sutcliffe LLP	775	Legal
Frederick William Miller, MD	53,950	Legal
Ronald N. Turco, MD	4,750	Medical
Mass Ingenuity	166,529	Strategic and Organizational Planning
HP Enterprise Services	403,042	Technology
MMC Systems Inc.	1,197,698	Technology
Oregon Department of Administrative Services	4,795	Technology
Qwest Communications Corporations	1,734	Technology

Other Supplementary Information
Summary of Investment Fees, Commissions, and Expenses
For the Year Ended June 30, 2014

	2014
Investment Managers' Fees:	
Debt Securities Managers	$ 28,570,757
Public Equity Managers	80,855,084
Real Estate Managers	38,395,616
Private Equity Managers	220,226,924
Alternative Equity Managers	19,290,604
Opportunity Portfolio Managers	9,266,360
Total Investment Managers' Fees	396,605,345
Brokerage Commissions	22,350,667
Consultant Fees	2,843,749
State Street Bank:	
Custodial Fees	33,101
Commission Expense - Option Future	105,085
Foreign Income Taxes	17,063,124
Operating Expenses[1]	27,989,159
Other Expenses[2]	12,690,496
State Treasury Fees	9,720,429
OPERF Cash Overlay - Russell Asset Management	589,765
Deferred Compensation Investment Fees and Expenses	3,185,480
Other Investment Fees and Expenses	11,504,311
Total Investment Fees, Commissions, and Expenses	**$ 504,680,711**

[1]Start up fee for new private equity fund, legal fees, and real estate property management.
[2]Expenses related with swaps, taxes on stock dividends, and interest expense on cash held at broker.

Investment Section

JOHN D. SKJERVEM
CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION

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

September 18, 2014

Dear PERS Members:

I am writing to share with you both fiscal year and select, cumulative investment results for periods ended June 30, 2014. These results reflect another year of favorable conditions in capital and real asset markets, and mark the sixth consecutive fiscal year of positive investment returns for the Oregon Public Employees Retirement Fund ("OPERF" or the "Fund"). Specifically, the Fund recorded a 16.6% advance over the twelve-month period ended June 30, 2014, a result which easily beat its recently revised 7.75% net annual return target.

This robust FY14 result also boosted OPERF's long-term return history by pushing its 3-, 5-, 7- and 10-year annualized returns to 10.1%, 13.8%, 5.3% and 8.3%, respectively. As you can see, only the 7-year figure of 5.3% falls short of OPERF's historic 8.0% net annual return target as that particular period captured the full effect of the 2008-09 Global Financial Crisis and accompanying severe bear market for most asset classes.

On behalf of all PERS members and beneficiaries, the investment activities of the Oregon State Treasury ("OST") have helped fortify OPERF's current funded status which at approximately 96%[1], is near the top of its U.S. large public plan peer group. In fact, as of June 30, 2014, OPERF's 10-year annualized investment performance was single best among all domestic public plans with assets in excess of $10 billion[2]!

Like FY13, the Fund's most recent performance has been driven by strong returns from both public and private investments in risk-based asset classes. For example, OPERF's investments in stocks of publically traded companies produced a 24.2% net return in FY14 while its real estate investments generated a 12.7% return during that same time period. Private equity, which includes various types of private company investments, added another 18.8% to the Fund's FY14 advance. Alternative investments in areas such as infrastructure, timber, agriculture and minerals and mining contributed 4.9%, and the Fund's opportunistic investments in highly-focused, short-term strategies added 19.1% to the Fund's FY14 return.

Incorporating a recent strategic change implemented by OST investment staff at the end of calendar year 2013, the Fund's fixed income investments generated a 5.5% return in FY14. This performance in large part reflects the outcome of last year's strategic asset allocation review by the Oregon Investment

[1] At the end of 2013, PERS was 96% funded when including employer side accounts, and 86% funded when excluding employer side accounts.
[2] Wilshire Trust Universe Comparison Service (TUCS).

Council ("OIC" or the "Council") which resulted in a plan to reduce the Fund's overall fixed income allocation and "de-risk" its bond portfolio in anticipation of higher future interest rates and elevated foreign currency and corporate credit risks. This transition was executed in December 2013, and made effective in January 2014.

Our expectations for the current fiscal year are increasingly muted by the remarkably persistent, but ultimately unsustainable, combination of low interest rates and high equity market valuations. While the U.S. economy continues to make steady, and in select areas, substantive progress, uneven growth internationally has put downward pressure on commodity prices and kept global inflation expectations low. The recent spike in geopolitical challenges (e.g., Ukraine, ISIS/ISIL, etc.) has also produced a renewed "safe haven" premium in high quality assets such as U.S. Treasury securities resulting in, perhaps, much lower interest rates than economic fundamentals might otherwise suggest. Accordingly, new Chair Janet Yellen and her Federal Reserve colleagues have been able to pursue a low interest rate approach to monetary policy without any obvious adverse consequences.

As of this writing, fiscal policy considerations in the U.S. are almost completely moot as the political campaigns associated with the upcoming mid-term elections have rendered all other legislative priorities totally subordinate. But many serious and increasingly acute issues will confront the 114th U.S. Congress such that capital markets may react negatively to November's election results and the corresponding potential for new legislative initiatives.

In the coming months, the OIC and OST investment staff will conduct a strategic asset allocation review that will feature the engagement and guidance of Callan Associates, the Council's new general consultant. In the interim, OPERF is well positioned, relative to its particular investment objectives and risk tolerance parameters. Moreover, all PERS constituencies continue to benefit from the regular and dedicated engagement of OIC members and OST investment staff which ensures that OPERF assets are deployed and managed as prudently and productively as possible.

Sincerely,

John D. Skjervem
Chief Investment Officer

Investment Objectives

The function of PERS is to provide present and future retirement or survivor benefits for its members. The investment program comprising OPERF, which includes PERS' Defined Benefit Pension Plan, Oregon Public Service Retirement Plan – Individual Account Program, and Other Post Employment Benefit Plans, is managed to provide long-term financial security for PERS members while maintaining the Fund's stability and future productivity. The OIC has established policies that promote and guide investment strategies with the highest probability of achieving PERB's approved, actuarial discount rate at a corresponding risk level deemed acceptable for both active and retired PERS members.

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 Oregon Public Employees Retirement Fund (OPERF) 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 OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF 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.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Investment-Council-(OIC).aspx.

Investment Results*

	Periods Ending June 30, 2014		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	16.6%	10.1%	13.8%
Policy Benchmark	17.5	10.7	13.5
Variable Account	23.6	10.7	15.1
Variable Account Blended Index[1]	23.4	10.4	14.8
Domestic Stocks	24.8	15.7	19.4
Benchmark: Russell 3000 Index	25.2	16.5	19.3
International Stocks	23.2	7.5	12.8
Benchmark: Custom Index[2]	22.3	5.9	11.5
Fixed Income Segment	5.5	5.5	8.7
Benchmark: Custom Index[3]	4.4	4.7	5.6
Real Estate[4]	12.7	11.9	11.0
Benchmark: NCREIF Property Index	11.2	11.7	7.9
Private Equity[5]	18.8	12.6	17.4
Benchmark: Russell 3000 + 300 bps	26.2	18.0	25.4
Alternative Equity[6]	4.9	2.9	N/A
Benchmark: Consumer Price Index + 400 bps	6.3	6.0	N/A
Opportunity Portfolio	19.1	11.8	17.1
Benchmark: Russell 3000	25.2	16.5	19.3

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 Investable Market Index Net Index.

2 Morgan Stanley Capital International All Country World Index ex U.S. Investable Market Index Net Index.

3 90% Barclays Capital U.S. Universal Index and 10% Solomon Smith Barney Inc. Non-US World Government Bond Hedged through February 28, 2011.

From March 1, 2011, to December 31, 2013, 60% Barclays Capital U.S. Universal Index, 20% S&P/LSTA Leveraged Loan Index, 10% JMP Emerging Market Bond Index Global (EMBI Global) Index, and 10% Bank of America Merrill Lynch High Yield Master II Index.

From January 1, 2014, to current, 40% Barclays Capital U.S. Aggregate Bond, 40% Barclays Capital U.S. 1-3 Government Credit Bond Index, 15% S&P LSTA Leveraged Loan Index, and 5% Bank of America Merrill Lynch High Yield Master II Index.

4 Returns are lagged one quarter.

5 Beginning in September 2010, the return combines the estimated return from the most recent quarter with a revision component that trues up the past two quarters' reported returns with the past two quarters' actual returns.

6 The inception date is July 1, 2011.

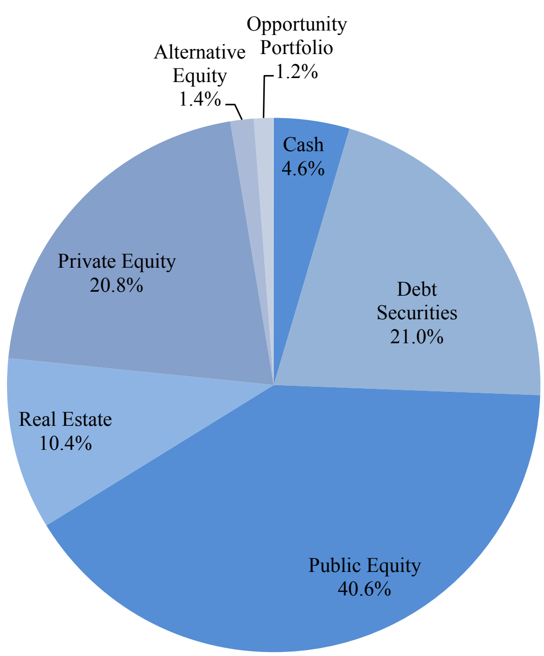
*Investment Results are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings.

OIC Target and Actual Investment Allocations as of June 30, 2014*

Asset Class/Strategy	OIC Policy Range	Current Year Target	Prior Year Target	Asset Class/ Strategy	Actual Allocation
Cash	0.0 - 3.0%	0.0%	0.0%	Cash	4.6%
Debt Securities	15.0 - 25.0	20.0	25.0	Debt Securities	21.0
Public Equity	32.5 - 42.5	37.5	43.0	Public Equity	40.6
Real Estate	9.5 - 15.5	12.5	11.0	Real Estate	10.4
Private Equity	16.0 - 24.0	20.0	16.0	Private Equity	20.8
Alternative Equity	0.0 - 10.0	10.0	5.0	Alternative Equity	1.4
Opportunity Portfolio[1]	0.0 - 3.0	0.0	0.0	Opportunity Portfolio	1.2
Total		100.0%	100.0%	Total	100.0%

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

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, 2014

Description	Shares	Fair Value
Exxon Mobil Corporation	1,796,492	$ 180,870,815
Apple Inc.	1,435,740	133,423,318
Roche Holding AG-Genusschein	424,283	126,548,098
Johnson & Johnson	1,027,824	107,530,947
Microsoft Corp.	2,545,125	106,131,713
Wells Fargo & Co.	2,017,755	106,053,203
Samsung Electronics Co. Ltd.	76,007	99,309,403
Chevron Corp.	756,787	98,798,543
Novartis International AG	1,077,440	97,562,508
Twitter Inc.	2,355,238	96,494,101

Largest Bond Holdings (by Fair Value)
June 30, 2014

Description	Par Value	Fair Value
US Treasury Note 0.25% Due December 31, 2015	$ 505,007,000	$ 505,032,235
US Treasury Note 0.625% Due December 15, 2016	212,910,000	212,788,643
US Treasury Note 1.375% Due November 30, 2015	157,025,000	159,554,660
US Treasury Note 0.875% Due June 15, 2017	156,915,000	156,963,630
US Treasury Note Inflation Indexed 0.125% Due April 15, 2019	138,740,053	142,902,254
FNMA TBA 30 Year Single Family Conventional 4% Issue July 2014	107,855,000	114,461,119
US Treasury Note 1% Due August 31, 2016	110,823,400	111,970,418
FNMA TBA 30 Year Single Family Conventional 3.5% Issue July 2014	8,120,000	88,650,206
FNMA TBA 30 Year Single Family Conventional 4% Issue August 2014	82,700,000	87,504,043
US Treasury Note 0.375% Due November 15, 2015	80,000,000	80,184,002

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, 2014

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$ 15,540,685,412	$ 28,570,757	0.183845
Public Equity Managers	30,015,605,968	80,855,084	0.269377
Real Estate Managers	7,721,839,843	38,395,616	0.497234
Private Equity Managers	15,432,635,107	220,226,924	1.427021
Alternative Equity Managers	1,016,745,502	19,290,604	1.897289
Opportunity Portfolio Managers	900,094,505	9,266,360	1.029487
Total Assets Under Management	**$ 70,627,606,337**		
Other Investment Service Fees:			
Investment Consultants		2,843,749	
Commissions and Other Fees		105,231,616	
Total Investment Service and Managers' Fees		**$ 504,680,711**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2014

Broker's Name	Commission	Shares / Par	Commission Per Share
Goldman, Sachs & Co.	$ 1,733,757	118,602,094	$ 0.0146
Merrill Lynch & Co., Incorporated	1,489,324	327,262,559	0.0046
J.P. Morgan Securities Inc.	1,459,117	793,225,277	0.0018
UBS Securities Inc.	1,281,933	151,187,053	0.0085
INSTINET	1,188,937	375,872,832	0.0032
Citigroup	1,112,179	205,632,891	0.0054
Credit Suisse Securities	1,013,347	151,935,942	0.0067
Morgan Stanley	957,521	128,525,906	0.0075
Barclays Capital, Inc.	908,221	44,890,876	0.0202
Deutsche Bank	896,016	137,040,856	0.0065
Investment Technology Group Inc.	600,932	192,145,912	0.0031
Société Générale	486,627	185,543,985	0.0026
Macquarie Capital	445,918	78,887,870	0.0057
Jeffries & Company, Inc.	415,847	107,676,106	0.0039
HSBC Securities	413,731	125,296,765	0.0033
Royal Bank of Canada	353,937	15,230,681	0.0232
Liquidnet, Inc.	337,505	59,138,666	0.0057
Sanford C. Bernsterin LTD	314,990	81,900,550	0.0038
Russell Investments	269,061	11,318,334	0.0238
BTIG, LLC	200,694	8,122,563	0.0247

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, 2014	Percent of Total Fair Value*
Debt Securities			
U.S. Government Securities	$	2,451,167,751	3.47%
U.S. Agency Securities		1,787,395,076	2.53
Corporate Bonds		5,698,344,695	8.07
Asset-Backed Securities		2,161,488,930	3.06
International Debt Securities		2,181,350,669	3.09
Non-US Government Debt Securities		335,784,970	0.48
Municipal Bonds		46,478,236	0.07
Mutual Funds - Domestic Fixed Income		806,206,873	1.14
Mutual Funds - International Fixed Income		72,468,212	0.10
Total Debt Securities		**15,540,685,412**	**22.01**
Public Equity			
Domestic Equity Securities		10,073,387,613	14.26
International Equity Securities		12,305,081,535	17.42
Mutual Funds - Domestic Equity		2,987,680,111	4.23
Mutual Funds - Global Equity		810,111,163	1.15
Mutual Funds - International Equity		3,429,199,644	4.86
Mutual Funds - Target Date		410,145,902	0.58
Total Public Equity		**30,015,605,968**	**42.50**
Real Estate		**7,721,839,842**	**10.93**
Private Equity		**15,432,635,107**	**21.85**
Alternative Equity		**1,016,745,502**	**1.44**
Opportunity Portfolio		**900,094,506**	**1.27**
Total Fair Value	**$**	**70,627,606,337**	**100.00%**

*These percentages do not include cash and cash equivalents.

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Actuarial Section

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milliman.com

December 29, 2014

Retirement Board
Oregon Public Employees Retirement System

Re: Actuarial Valuation as of December 31, 2013

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, 2013. Our findings are set forth in the system-wide December 31, 2013 Actuarial Valuation, issued September 29, 2014. Previously, we performed a valuation as of December 31, 2012, which was issued December 13, 2013. Both reports reflect the current benefit provisions of the System, including changes made by the Oregon Legislature in 2013.

Both the December 31, 2013 Actuarial Valuation and the December 31, 2012 Actuarial Valuation are used to develop information provided in the Comprehensive Annual Financial Report (CAFR) for Oregon PERS. The December 31, 2013 Actuarial Valuation forms the basis for the *Actuarial Section* of the CAFR, and also provides information for the Other Postemployment Benefit Programs (OPEB) required by Governmental Accounting Standards Board Statements No. 43 that appears in the *Notes to the Financial Statements* and *Required Supplementary Information*. The December 31, 2012 Actuarial Valuation is used to develop the financial reporting results required by Governmental Accounting Standards Board Statements No. 67 for the Tier 1/Tier 2 and OPSRP programs.

Actuarial Section of the CAFR

The material included in the *Actuarial Section* of CAFR for Oregon PERS is a subset of the results contained in the December 31, 2013 system-wide report. The descriptions 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 both the December 31, 2013 Actuarial Valuation and the December 31, 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 were selected in a manner consistent with current Actuarial Standards of Practice. The assumptions and methods used for funding the OPEB plans do not always meet the parameters set for disclosures by Governmental Accounting

Retirement Board
Oregon Public Employees Retirement System
December 29, 2014
Page 2

Standards Board Statements No. 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 2014 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2013 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

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, 2013 Actuarial Valuation.

Financial Reporting Under GASB 67

Under GASB 67, the required financial schedules present information using a measurement date of the plan's fiscal year end. The Total Pension Liability for the June 30, 2014 fiscal year end was determined based on the results of the December 31, 2012 Actuarial Valuation, adjusted to the Measurement Date using standard actuarial procedures. The Total Pension Liability is compared to the Fiduciary Net Position at the Measurement Date, as provided by PERS, to determine the Net Pension Liability (Asset) under GASB 67.

Milliman prepared the following exhibits to assist PERS in completing the required *Notes to the Financial Statements* and *Required Supplementary Information*:

- Net Pension Liability (Asset)
- Changes in Net Pension Liability (Asset)
- Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
- Long Term Expected Rate of Return

These exhibits, along with a discussion of the actuarial basis underlying the results, are presented in our letter dated December 18, 2014.

Funding Policy

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 amortizing any unfunded actuarial liability, determined using the market value of assets, over closed, layered amortization periods that vary 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 and are collectively referred to as Tier 1/Tier 2 members. Their benefit costs are calculated using two experience sharing pool valuations and some independent employer valuations. All school districts pool experience through the school district pool. State government and some local governments pool Tier 1/Tier 2 experience in the State and Local Government Rate Pool (SLGRP). As of December 31, 2013, there are also 131 independent employers who do not pool experience with the other employers except through the Benefits in Force Reserve, which pools the experience of Tier 1/Tier 2 members in pay status across all employers and all other pooling arrangements.

All members hired after August 28, 2003, are covered under Chapter 238A and are referred to as OPSRP members, except for those members who previously established membership under Chapter 238 and meet the requirements to reinstate those benefits. Experience for Chapter 238A members is pooled 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 legally restricted pension trust and used to offset future contribution requirements of that employer. For financial reporting purposes, lump sum deposits are not considered as contributions in relation to the actuarially determined contribution. However, side accounts are included as assets in the Fiduciary Net Position. 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 reports, 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 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.

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The valuation reports are only an estimate of the System's financial condition as of a single date. They 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 valuations are 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 these reports 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 reports are for purposes of determining contribution rates for System employers. Other actuarial computations presented in the reports under GASB Statements No. 67, 68, 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 reports have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations have been made on a basis consistent with our understanding of the System benefit provisions as summarized in the reports, and of GASB Statements No. 67, 68, 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 has been prepared exclusively for the Oregon Public Employees Retirement System for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data, which Milliman has not audited. No third party recipient of Milliman's work product should rely upon Milliman's work product. 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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

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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

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 **actuarial 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 **actuarial 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	8.00 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

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	RP 2000, Static, Combined, Disabled, No Collar, Sex Distinct
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:	3.5% for 2014, declining by 0.5% per year until reaching 0.0%
No Lump Sum:	91.5% in 2014, 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
70				100.0	100.0	100.0	100.0	100.0
70				100.0	100.0	100.0	100.0	100.0

Rates of Retirement from Dormant Status

Dormant members are assumed to retire at their Normal Retirement Age.

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

A summary of key changes implemented since the December 31, 2012 valuation are described briefly below.

Changes in Actuarial Methods and Allocation Procedures

There were no changes to actuarial methods and procedures since the December 31, 2012 valuation.

Changes in Economic Assumptions

There were no changes to economic assumptions since the December 31, 2012 valuation.

Changes in Demographic Assumptions

There were no changes to demographic assumptions since the December 31, 2012 valuation.

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]
12/31/2004	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
12/31/2013	162,185	8,671,835	53,469	4.0	799

[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
12/31/2004[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
12/31/2013	9,724	307,551	3,644	66,607	128,252	3,636,023	7.1	28,351

[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						
12/31/2008	$ 22,301.2	$ 27,551.8	$ 5,250.6	80.9%	$ 3,452.7	152.1%
12/31/2009[4]	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[5]	25,679.2	31,109.1	5,429.9	82.5	3,179.3	170.8
12/31/2012[6]	28,022.3	30,601.9	2,579.5	91.6	3,043.7	84.7
12/31/2013[7]	30,590.2	31,738.8	1,148.6	96.4	2,915.9	39.4
Tier One/Tier Two School District Rate Pool						
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[6]	21,202.1	22,908.0	1,705.8	92.6	1,769.0	96.4
12/31/2013[7]	23,063.3	23,392.6	329.4	98.6	1,663.0	19.8
Tier One/Tier Two Independent Employers and Judiciary						
12/31/2008	3,576.7	4,566.0	989.3	78.3	619.4	159.7
12/31/2009[4]	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[5]	4,083.2	5,069.8	986.6	80.5	547.9	180.1
12/31/2012[6]	4,479.4	5,043.4	564.0	88.8	529.0	106.6
12/31/2013[7]	4,851.0	5,164.3	313.3	93.9	494.8	63.3
OPSRP Rate Pool						
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[6]	1,190.0	1,795.6	605.5	66.3	3,249.2	18.6
12/31/2013	1,630.2	2,243.3	613.2	72.7	3,598.1	17.0
Postemployment Healthcare Benefits - Retirement Health Insurance Account						
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
12/31/2013	353.5	473.6	120.0	74.7	5,073.7	2.4
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account						
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
12/31/2013	5.2	61.2	55.9	8.6	1,434.5	3.9

Notes:

[1] Side account assets are included with Tier One/Tier Two assets.
[2] Excludes effect of Multnomah Fire District (UAAL of $175 million as of December 31, 2013).
[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, 2010.
[5] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.
[6] 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.
[7] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2014.
[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]

Pension and Retiree Healthcare Plans	$ Gain/(Loss) for Year 2013	2012
Type of Activity		
Retirements from Active Status	$ (91.7)	$ 48.2
Active Mortality and Withdrawal	(39.7)	(14.1)
Pay Increases	19.7	157.1
Contributions	62.3	47.0
Interest Crediting Experience	(125.0)	(81.3)
Investment Income	3,524.3	2,882.7
Retirement, Mortality, and Lump Sums from Dormant Status	35.8	29.2
Retiree and Beneficiary Mortality	(121.7)	101.5
New Entrants	(53.6)	(31.5)
Other	(32.6)	(96.2)
Gain/(Loss) During Year From Financial Experience	**$ 3,177.8**	**$ 3,042.5**
Non-Recurring Items		
Assumption Changes	—	(2,496.6)
Plan Changes	—	5,243.5
Composite Gain/(Loss) During Year	**$ 3,177.8**	**$ 5,789.4**

[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)[12,13]

	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)
12/31/2004[3,4]	$ 9,073.0	$ 25,363.0	$ 13,547.6	$ 45,735.3	100%	100%	83%
12/31/2005[6,7]	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[8]	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[9]	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[10]	7,779.7	37,362.4	16,551.8	50,412.4	100	100	32
12/31/2012[11]	7,704.9	36,759.3	16,473.1	55,080.1	100	100	64
12/31/2013[12]	7,120.0	39,531.5	16,476.8	60,372.9	100	100	83

1 Includes effect of Multnomah Fire District (net UAAL of $175 million as of 12/31/2013).
2 An extensive revision of the actuarial assumptions occurs prior to each odd-year valuation; therefore, the figures are not directly comparable.
3 Effective with the December 31, 2006 valuation, revisions to actuarial assumptions occur prior to each even-year valuation.
4 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.
5 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.
6 Assets and liabilities for OPSRP are first valued in the 2005 valuation.
7 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2006.
8 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2008.
9 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2010.
10 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.
11 The December 31, 2012 valuation reflects the benefit changes enacted by the 2013 Oregon legislature in Senate Bills 822 and 861.
12 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2014.
13 See the Schedule of Defined Benefit Pension Plan Contributions located in the Required Supplementary Information on page 58.

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.

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

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

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	There were no changes in plan provisions reflected in this valuation compared to the December 31, 2012 valuation. Senate Bill 822, Senate Bill 861, and Senate Bill 862—all signed into law during 2013—were reflected in both the prior and current 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.

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	There were no changes in OPSRP plan provisions reflected in this valuation compared to the December 31, 2012 valuation. Senate Bill 822, Senate Bill 861, and Senate Bill 862—all signed into law during 2013—were reflected in both the prior and current 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 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, 2014, to show public employers of the state of Oregon participating in PERS.

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

Defined Benefit Pension Plan[1]

Fiscal Year	Member Contributions	Employer Contributions Dollars[2]	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total[2]
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	1,455,729,689	9.69	380,749,755	1,853,014,094
2013	16,985,722	834,161,587	10.26	6,949,742,064	7,800,889,373
2014	15,319,270	915,236,878	10.54	9,886,700,639	10,817,256,787

Oregon Public Service Retirement Plan[3]
Individual Account Program

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2014	527,303,202	N/A	N/A	977,439,367	1,504,742,569

Deferred Compensation Plan

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2014	92,174,335	N/A	N/A	203,181,598	295,355,933

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 restated for fiscal years 2012 due to prior period adjustments.

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

Deductions 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
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
2014	3,837,870,411	31,247,350	25,560,094	3,894,677,855

Oregon Public Service Retirement Plan[2]
Individual Account Program

Fiscal Year	Benefits	Administrative Expenses	Total
2005	$ 1,234,891	$ 5,243,347	$ 6,478,238
2006	14,791,999	6,237,195	21,029,194
2007	36,379,230	7,291,683	43,670,913
2008	55,478,104	7,871,419	63,349,523
2009	49,534,423	8,413,392	57,947,815
2010	72,802,216	7,673,682	80,475,898
2011	133,970,603	6,810,487	140,781,090
2012	224,729,644	7,698,098	232,427,742
2013	241,326,511	7,093,871	248,420,382
2014	330,535,801	6,934,980	337,470,781

Deferred Compensation Plan

Fiscal Year	Benefits	Administrative Expenses	Total
2005	$ 39,406,579	$ 703,809	$ 40,110,388
2006	40,544,067	884,438	41,428,505
2007	49,835,260	606,410	50,441,670
2008	50,366,273	800,668	51,166,941
2009	38,858,335	816,033	39,674,368
2010	45,901,913	889,647	46,791,560
2011	55,929,452	1,326,224	57,255,676
2012	61,465,377	417,776	61,883,153
2013	70,550,942	874,584	71,425,526
2014	89,652,030	997,202	90,649,232

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 2005 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
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
2014	10,817,256,787	3,894,677,855	6,922,578,932	58,478,913,732	65,401,492,664

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
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
2014	1,504,742,569	337,470,781	1,167,271,788	5,289,845,478	6,457,117,266

Deferred Compensation Plan

Fiscal Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
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
2014	295,355,933	90,649,232	204,706,701	1,271,963,112	1,476,669,813

[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 2005 through 2012 are restated due to prior period adjustments.

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

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

Retirement Health Insurance Account

Fiscal Year	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2005	$ 37,308,769	0.64%	$ 17,106,276	$ 54,415,045
2006	38,162,075	0.59	23,296,256	61,458,331
2007	41,171,759	0.59	39,609,224	80,780,983
2008	27,783,093	0.37	(10,246,057)	17,537,036
2009	28,812,705	0.37	(52,278,868)	(23,466,163)
2010	22,351,240	0.29	31,145,418	53,496,658
2011	22,176,966	0.29	47,359,659	69,536,625
2012	46,464,958	0.54	3,023,553	49,488,511
2013	47,294,060	0.57	35,636,711	82,930,771
2014	48,253,398	0.56	56,194,217	104,447,615

Retiree Health Insurance Premium Account

Fiscal Year	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2005	$ 2,344,259	0.16%	$ 594,376	$ 2,938,635
2006	2,190,254	0.13	777,757	2,968,011
2007	2,399,843	0.13	1,301,049	3,700,892
2008	1,791,179	0.10	(312,725)	1,478,454
2009	2,005,173	0.10	(1,578,384)	426,789
2010	1,496,640	0.08	939,274	2,435,914
2011	1,428,453	0.08	1,135,114	2,563,567
2012	3,378,230	0.13	16,723	3,394,953
2013	3,443,805	0.14	499,279	3,943,084
2014	6,149,608	0.24	739,056	6,888,664

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

Retirement Health Insurance Account

Fiscal Year	Healthcare Premium Subsidies	Administrative Expenses	Total
2005	$ 25,282,377	$ 777,979	$ 26,060,356
2006	26,059,316	887,743	26,947,059
2007	26,887,060	876,363	27,763,423
2008	27,624,361	899,601	28,523,962
2009	28,262,580	958,311	29,220,891
2010	28,821,538	974,988	29,796,526
2011	29,251,771	1,039,603	30,291,374
2012	29,935,920	963,843	30,899,763
2013	30,777,470	1,149,475	31,926,945
2014	34,112,567	1,044,937	35,157,504

Retirement Health Insurance Premium Account

Fiscal Year	Healthcare Premium Subsidies	Administrative Expenses	Total
2005	$ 1,922,701	$ 81,816	$ 2,004,517
2006	2,120,368	143,252	2,263,620
2007	2,047,322	119,875	2,167,197
2008	1,906,431	104,880	2,011,311
2009	1,926,236	115,770	2,042,006
2010	2,307,059	103,645	2,410,704
2011	3,024,382	161,559	3,185,941
2012	3,885,769	71,981	3,957,750
2013	4,093,736	169,137	4,262,873
2014	4,925,743	170,901	5,096,644

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

Retirement Health Insurance Account

Fiscal Year	Additions	Deductions	Net Change	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
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
2014	104,447,615	35,157,504	69,290,111	317,583,603	386,873,714

Retiree Health Insurance Premium Account

Fiscal Year	Additions	Deductions	Net Change	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
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
2014	6,888,664	5,096,644	1,792,020	4,239,593	6,031,613

Additions 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
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
2013		18,664,061		1,496,033,607	17.68		8,595,803,270		10,110,500,938

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
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
2013		542,566,655		N/A	N/A		814,928,040		1,357,494,695

Deferred Compensation Plan

Calendar Year		Member Contributions		Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll		Net Investment and Other Income		Total
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
2013		88,901,454		N/A	N/A		207,310,080		296,211,534

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.

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

Defined Benefit Pension Plan[2]

Calendar Year		Benefits		Administrative Expenses[3]		Refunds		Total
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
2013		3,708,827,767		34,271,919		25,529,913		3,768,629,599

Oregon Public Service Retirement Plan[4]
Individual Account Program

Calendar Year		Benefits		Administrative Expenses		Total
2004	$	6,272,929	$	4,472,158	$	10,745,087
2005		3,682,712		4,177,338		7,860,050
2006		30,051,229		8,061,455		38,112,684
2007		47,529,077		7,583,898		55,112,975
2008		58,765,223		8,183,279		66,948,502
2009		53,171,640		7,905,631		61,077,271
2010		95,293,228		7,822,430		103,115,658
2011		196,350,366		8,363,154		204,713,520
2012		218,180,975		5,528,973		223,709,948
2013		301,297,929		7,164,598		308,462,527

Deferred Compensation Plan

Calendar Year		Benefits		Administrative Expenses		Total
2004	$	41,080,360	$	748,208	$	41,828,568
2005		38,351,898		878,538		39,230,436
2006		40,706,739		684,991		41,391,730
2007		50,697,210		763,382		51,460,592
2008		47,955,641		795,233		48,750,874
2009		37,366,503		863,699		38,230,202
2010		46,759,679		804,345		47,564,024
2011		60,816,774		963,874		61,780,648
2012		65,498,582		783,755		66,282,337
2013		79,075,903		982,625		80,058,528

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
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
2013	10,110,500,938	3,768,629,599	6,341,871,339	53,371,988,034	59,713,859,373

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
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
2013	1,357,494,695	308,462,527	1,049,032,168	4,864,681,367	5,913,713,535

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
2013	296,211,534	80,058,528	216,153,006	1,186,091,967	1,402,244,973

[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.

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

Retirement Health Insurance Account

Calendar Year	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ 37,923,918	0.56%	$ 16,550,236	$ 54,474,154
2005	39,202,772	0.58	20,112,501	59,315,273
2006	39,481,902	0.54	28,532,583	68,014,485
2007	35,457,965	0.45	22,089,579	57,547,544
2008	28,043,517	0.34	(66,077,417)	(38,033,900)
2009	25,863,178	0.31	33,958,964	59,822,142
2010	22,156,216	0.25	26,075,309	48,231,525
2011	32,610,644	0.38	5,474,204	38,084,848
2012	48,118,569	0.59	35,088,054	83,206,623
2013	47,729,940	0.56	46,420,994	94,150,934

Retiree Health Insurance Premium Account

Calendar Year	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2004	$ 2,678,731	0.14%	$ 550,508	$ 3,229,239
2005	2,454,389	0.13	679,346	3,133,735
2006	2,284,194	0.14	920,910	3,205,104
2007	2,148,731	0.03	688,777	2,837,508
2008	1,867,402	0.08	(2,004,488)	(137,086)
2009	1,796,343	0.08	1,016,811	2,813,154
2010	1,458,105	0.06	659,794	2,117,899
2011	2,347,710	0.10	158,742	2,506,452
2012	3,450,509	0.15	557,438	4,007,947
2013	4,708,305	0.19	588,465	5,296,770

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

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

Retirement Health Insurance Account

Calendar Year	Benefits	Administrative Expenses	Total
2004	$ 24,991,280	$ 712,195	$ 25,703,475
2005	25,601,296	698,986	26,300,282
2006	26,552,598	978,785	27,531,383
2007	27,244,840	888,308	28,133,148
2008	27,976,500	918,244	28,894,744
2009	28,537,920	974,580	29,512,500
2010	29,066,220	973,329	30,039,549
2011	29,524,122	1,283,144	30,807,266
2012	30,375,640	837,282	31,212,922
2013	31,132,920	1,095,853	32,228,773

Retiree Health Insurance Premium Account

Calendar Year	Benefits	Administrative Expenses	Total
2004	$ 1,735,776	$ 63,256	$ 1,799,032
2005	2,070,218	117,939	2,188,157
2006	2,158,432	140,794	2,299,226
2007	1,923,159	111,240	2,034,399
2008	1,902,292	101,664	2,003,956
2009	2,020,198	113,096	2,133,294
2010	2,664,123	106,791	2,770,914
2011	3,547,400	124,769	3,672,169
2012	3,968,267	134,246	4,102,513
2013	4,323,159	172,485	4,495,644

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
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
2013	94,150,934	32,228,773	61,922,161	291,604,215	353,526,376

Retiree Health Insurance Premium Account

Calendar Year	Additions	Deductions	Net Change	Net Position Beginning of Year	Net Position End of Year
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
2013	5,296,770	4,495,644	801,126	4,444,834	5,245,960

[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
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
2014	3,701,010,685	17,739,646	113,317,283	3,832,067,614	5,802,797	13,614,833	11,945,261	3,863,430,505

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
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
2013	15.76	8.00	15.62	25.74	15.59

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, 2014:

Years Credited Service	8+
Average Monthly Benefit	$ 60
Final Average Salary	N/A
Number of Active Retirees	44,087

Schedule of Average OPEB Benefits for Retiree Health Insurance Premium Account[1] For the Year Ended June 30, 2014:

Years Credited Service	8 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Average Monthly Benefit	$163	$196	$229	$261	$294	$327	$298
Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Active Retirees	8	46	90	165	276	679	1,264

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, 2004 to June 30, 2014	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
2005 Average Monthly Benefit	$ 683	$931	$ 1,422	$ 1,954	$ 2,960	$ 4,247	$ 4,327	$ 2,482
Final Average Salary	$ 2,957	$ 3,065	$ 3,538	$ 4,014	$ 4,419	$ 4,905	$ 5,148	$ 4,064
Number of Active Retirees	190	479	547	556	528	824	138	3,262
2006 Average Monthly Benefit	$ 734	$ 894	$ 1,283	$ 1,908	$ 2,904	$ 4,132	$ 4,194	$ 2,442
Final Average Salary	$ 3,419	$ 3,130	$ 3,640	$ 3,968	$ 4,489	$ 5,031	$ 5,083	$ 4,175
Number of Active Retirees	184	494	622	634	605	868	223	3,630
2007 Average Monthly Benefit	$767	$ $892	$ 1,280	$ 1,918	$ 2,713	$ 4,144	$ 4,586	$ 2,500
Final Average Salary	$ 3,185	$ 3,397	$ 3,715	$ 4,270	$ 4,635	$ 5,104	$ 5,409	$ 4,356
Number of Active Retirees	227	580	624	737	596	1,011	348	4,123
2008 Average Monthly Benefit	$ 729	$ 899	$ 1,332	$ 1,751	$ 2,558	$ 4,072	$ 4,818	$ 2,527
Final Average Salary	$ 2,914	$ 3,262	$ 3,830	$ 4,256	$ 4,496	$ 5,151	$ 5,608	$ 4,394
Number of Active Retirees	216	560	655	829	689	1,117	427	4,493
2009 Average Monthly Benefit	$ 737	$ 925	$ 1,278	$ 1,806	$ 2,553	$ 3,943	$ 4,985	$ 2,539
Final Average Salary	$ 3,409	$ 3,463	$ 3,813	$ 4,374	$ 4,743	$ 5,252	$ 5,732	$ 4,539
Number of Active Retirees	220	585	630	770	700	1,022	513	4,440
2010 Average Monthly Benefit	$ 650	$ 982	$ 1,223	$ 1,806	$ 2,502	$ 3,907	$ 5,786	$ 2,502
Final Average Salary	$ 3,359	$ 3,694	$ 3,883	$ 4,490	$ 4,997	$ 5,419	$ 4,916	$ 4,688
Number of Active Retirees	238	642	708	918	889	1,148	559	5,102
2011 Average Monthly Benefit	$ 622	$ 934	$ 1,300	$ 1,749	$ 2,449	$ 3,778	$ 5,150	$ 2,473
Final Average Salary	$ 3,393	$ 3,684	$ 4,102	$ 4,594	$ 5,158	$ 5,726	$6,135	$ 4,860
Number of Active Retirees	293	785	962	1,088	1,140	1,239	775	6,282
2012 Average Monthly Benefit	$ 612	$ 946	$ 1,323	$ 1,721	$ 2,396	$ 3,595	$ 4,947	$ 2,383
Final Average Salary	$ 3,406	$ 3,790	$ 4,172	$ 4,518	$ 5,148	$ 5,675	$ 6,166	$ 4,845
Number of Active Retirees	331	904	1,048	1,070	1,242	1,210	867	6,672
2013 Average Monthly Benefit	$ 670	$ 984	$ 1,359	$ 1,799	$ 2,390	$ 3,609	$ 5,115	$ 2,403
Final Average Salary	$ 3,463	$ 3,762	$ 4,238	$ 4,711	$ 5,434	$ 5,973	$ 6,160	$ 4,969
Number of Active Retirees	380	967	1,128	1,122	1,349	1,150	929	7,025
2014 Average Monthly Benefit	$ 713	$ 1,002	$ 1,311	$ 1,661	$ 2,337	$ 3,384	$ 4,889	$ 2,298
Final Average Salary	$ 3,544	$ 3,616	$ 4,205	$ 4,744	$ 5,414	$ 5,821	$ 6,184	$ 4,933
Number of Active Retirees	382	998	1,103	1,209	1,428	1,206	923	7,249

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2014

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	18,923	15,055	121	169	3,141	437	2,193	5,079	4,276	1,175	775	2,962	1,974	489
501 - 1000	19,565	16,005	118	687	2,173	582	2,540	6,257	5,476	1,928	890	1,189	1,000	285
1001 - 1500	16,186	13,457	88	699	1,489	453	1,844	4,951	5,072	1,835	693	809	767	215
1501 - 2000	13,292	11,152	78	645	1,064	353	1,498	3,812	4,413	1,551	517	636	674	191
2001 - 2500	11,442	9,882	81	476	757	246	1,230	3,153	3,758	1,420	431	556	748	146
2501 - 3000	9,450	8,345	57	355	532	161	1,001	2,612	3,236	1,261	322	407	486	125
3001 - 3500	8,174	7,410	46	214	415	89	847	2,239	2,988	1,177	298	218	327	80
3501 - 4000	7,189	6,655	35	167	289	43	699	1,877	2,955	1,081	254	125	143	55
4001 - 4500	6,319	5,975	31	83	202	28	500	1,652	2,679	1,017	252	75	107	37
4501 - 5000	5,357	5,100	13	54	175	15	425	1,314	2,450	896	157	26	68	21
5001 - 5500	4,033	3,835	11	31	145	11	313	1,061	1,787	667	137	20	39	9
5501 - 6000	2,909	2,792	8	26	78	5	209	706	1,340	537	83	13	17	4
6000 +	6,299	6,031	11	31	220	6	335	1,244	3,075	1,376	174	23	58	14
Totals	**129,138**	**111,694**	**698**	**3,637**	**10,680**	**2,429**	**13,634**	**35,957**	**43,505**	**15,921**	**4,983**	**7,059**	**6,408**	**1,671**

***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 - Survivor payment.

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]	$ 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	2014
State Agencies	41,872	44,377	46,105	46,739	45,953	45,019	45,774
School Districts	69,840	70,946	72,656	75,915	67,172	63,297	64,824
Political Subdivisions	55,740	55,745	57,989	60,695	56,656	54,943	54,376
Inactive Members	46,356	43,397	37,624	41,832	42,286	44,819	43,646
Total Non-Retired	213,808	214,465	214,374	225,181	212,067	208,078	208,620
Retired Members and Beneficiaries	105,721	107,936	110,642	114,252	119,346	123,827	129,138
Total Membership	319,529	322,401	325,016	339,433	331,413	331,905	337,758
Administrative Expense[1,2]	$38,758,835	$38,648,977	$40,351,845	$ 38,594,620	$42,254,365	$42,792,995	$40,395,370
Pension Roll (one month)	$230,863,092	$227,379,725	$236,323,468	$ 270,111,478	$284,236,712	$299,997,147	$303,834,899

[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 Eight Years Ago

	2014			2006		
	Number of Current Employees	Rank	Percent of Total System	Number of Current Employees	Rank	Percent of Total System
State of Oregon	45,774	1	27.74%	37,973	1	24.23%
Portland Public Schools	5,225	2	3.17	4,984	3	3.18
Salem-Keizer Public Schools	4,669	3	2.83	3,948	5	2.52
Oregon Health & Science University	4,582	4	2.78	4,988	2	3.18
Multnomah County	4,515	5	2.74	4,047	4	2.58
City of Portland	4,398	6	2.66	3,509	6	2.24
Beaverton School District	3,924	7	2.38	3,488	7	2.23
Portland Community College	2,386	8	1.45	2,849	8	1.82
Hillsboro School District IJ	2,287	9	1.39	1,974	9	1.26
Clackamas County	1,896	10	1.15	-		
Eugene School District 4J	-		-	1,864	10	1.19
All Others*	85,318		51.71	87,074		55.57
Total	164,974		100.00%	156,698		100.00%
* "All Others" consisted of:						
Counties	10,371		6.29%	12,381		7.90%
Municipalities	12,247		7.42	11,410		7.28
School Districts	48,719		29.53	49,710		31.73
Community Colleges	5,962		3.61	6,635		4.23
Other Political Subdivisions	8,019		4.86	6,938		4.43
Total All Others	85,318		51.71%	87,074		55.57%

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

Schedule of Participating Employers (912)

State (114)

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 Education Coordinating Commission
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 Corrections Enterprises
Oregon Criminal Justice Commission
Oregon Dairy Products Commission
Oregon Department of Fish and Wildlife
Oregon Dungeness Crab Commission
Oregon Education Investment Board
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 (488)

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
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 Grande Fire and Rescue District
La Pine RFPD
Lafayette, City of
Lake Chinook Fire and Rescue District
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 Authority
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 Central Public Health District
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
Siletz Rural Fire Protection District
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
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 (293)

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
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

PERS

Oregon
Public
Employees
Retirement
System