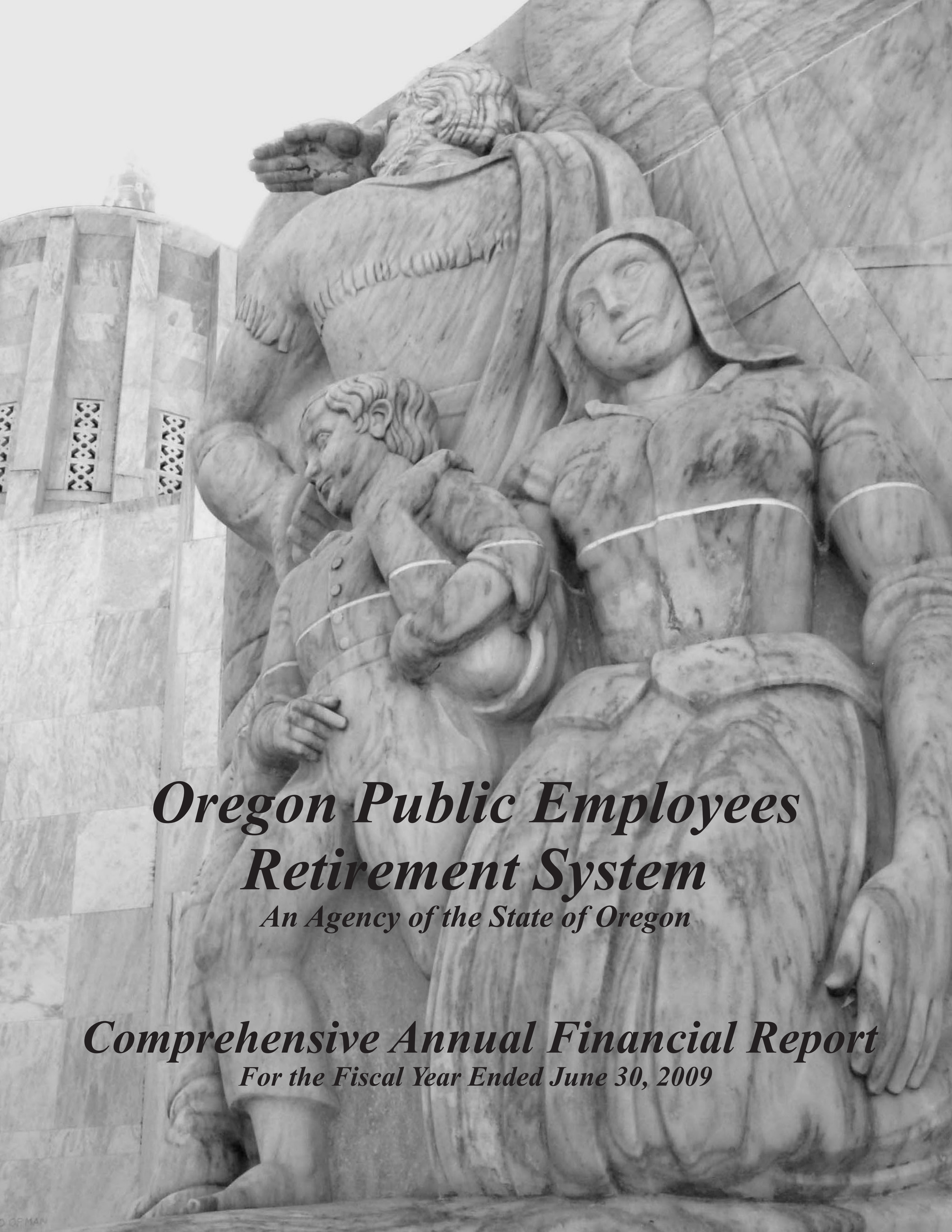

Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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Paul R. Cleary
Executive Director

Jon E. DuFrene
Chief Financial Officer

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PERS Oregon Public Employees Retirement System

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Introductory Section

Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System
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December 18, 2009

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, 2009. 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, 2009, PERS provided services to more than 320,000 members, beneficiaries, and retirees and to 885 employers.

The CAFR is intended to fulfill the legal requirements of Oregon Revised Statute (ORS) 238.630(2)(e). PERS management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The Secretary of State Audits Division has audited the accompanying financial statements in accordance with generally accepted auditing standards, and their opinion is included in this report.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. We would like to direct your attention to MD&A, which begins on page 12.

Economic Condition and Major Initiatives

Along with pension funds everywhere, the economic condition of PERS worsened significantly this year due to global market declines. A comparative analysis of investment rates of return is presented on page 53 of this report.

Major Initiatives

<u>Information Integrity</u>

Member contributions and service time data must be validated, corrected, and completed for accurate benefit calculations and payments. The goal is to resolve any invalid, incorrect, or incomplete data as early as possible in a member's career, and certainly before the member makes an irrevocable retirement decision. Resolving information integrity issues is also crucial for the agency to meet its Key Performance Measures on timely retirement benefit payment inceptions. Although statute allows 92 days to begin the first retirement payment, PERS is working to begin the first payment on 80 percent of new retirements within 45 days of the member's retirement date. This goal will be supported by continuing two initiatives: strengthen the data validation process at the point of data entry and resolve key data exceptions and issues by exposing data to members and employers on a regular basis.

<u>Customer Satisfaction Survey</u>

Our member, retiree, and employer customer satisfaction survey conducted in fiscal year 2009 shows overall improvement from 2008, continuing the positive trend of year-to-year improvement over the four-year survey period.

<u>Strunk/Eugene Project</u>

Based on the 2005 Oregon Supreme Court decision in the <u>*Strunk v. PERS*</u> case and the settlement agreement in the <u>*City of Eugene v. PERS*</u> case, PERS was required to:

- credit Tier One accounts with the assumed earnings rate, currently 8 percent, for 2003 and 2004;
- credit any withheld cost-of-living adjustments to members who retired between April 2000 and April 2004; and
- reallocate 1999 earnings to Tier One member regular accounts at 11.33 percent instead of 20 percent.

The Strunk/Eugene project completed these adjustments in fiscal year 2009 through closing out the Payment Recipient Adjustments phase.

The Payment Recipient Adjustments phase entailed recalculating benefits for payment recipients affected by the *Strunk* decision and *Eugene* settlement agreement. In some cases, PERS owes the recipient additional funds, while in other cases the recipient owes PERS funds. PERS completed these adjustments as scheduled before June 30, 2009.

Oregon Retirement Information On-line Network (ORION)

PERS staff continued its efforts in a five-year project to replace the Retirement Information Management System (RIMS). The new line of business application (ORION) successfully implemented functionality for member account maintenance in June 2009. The conversion of benefit payment functionality from RIMS to ORION is expected to be completed by summer 2010.

Financial Information

The financial information contained in this document is presented in conformance with reporting requirements of the Governmental Accounting Standards Board (GASB) Statements 25 (defined benefit pension plans), 50 (pension disclosures), 43 (postemployment healthcare plans), and 32 (deferred compensation plans).

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 adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. This internal control system provides reasonable, but not absolute, assurance that these objectives are met.

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions have been 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, 2008 actuarial valuation, PERS has a funded ratio of 80.2 percent for the defined benefit plan it administers (see page 39).

Investments

The Oregon Investment Council (OIC) has statutory authority (ORS 293.701) to establish policies for the investment and reinvestment of PERS funds. OIC's primary investment objective is to make PERS investment funds as productive as possible. At the same time, 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, 2009, is 46 percent public equity, 16 percent private equity, 27 percent debt securities, and 11 percent real estate. 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 investment outlook is long-term allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. 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' investment portfolio suffered negative returns in fiscal 2009 with a rate of return of -22.3 percent. This compares with -3.8 percent for fiscal 2008. The fund's trailing five-year return was 2.9 percent, 5.1 percent lower than the System's actuarial assumed rate of 8.0 percent.

Descriptions of specific OIC policies regarding diversification, performance objectives, fees, and asset allocation are found on pages 50 through 56.

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, 2008. 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 18 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 2009 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 seventh year the PPCC has offered the award to public retirement systems and the sixth consecutive year PERS has applied for and received the award.

Plan of the Year Finalist

Every year *PLANSPONSOR* magazine chooses deferred compensation plans in four different categories for a Plan of the Year award. This year the Oregon Savings Growth Plan (OSGP) was one of three finalists in the public sector category.

Editor-in-Chief Nevin E. Adams is quoted in *PLANSPONSOR* as saying, “With demonstrable results, each of the plan sponsors, in unique and quantifiable ways, has distinguished itself by making a consistent and thoughtful commitment to its workers and their retirement security. We are pleased once again to be able to acknowledge a true diversity of contributions and leadership at this critical time.”

PLANSPONSOR magazine is the industry’s leading resource for pension- and benefits-related news, so this is quite an honor for OSGP. Says OSGP Manager Gay Lynn Bath, “The staff at OSGP goes above and beyond expectations to offer great customer service to its participants, and I think that is what makes our plan outstanding in the industry.”

Acknowledgments

PERS intends 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, the advisors and consultants, and the many other people who work so diligently to ensure the successful operation of PERS.

Respectfully submitted,

Paul R. Cleary
Executive Director

Jon E. DuFrene
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 comprised 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.

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, and three members must have experience in business management, pension management, or investing.

The three Board members representing business management, pension management, or investing are James Dalton, Eva Kripalani, and Michael Pittman. Thomas Grimsley was appointed to represent public employees, and Brenda Rocklin was appointed to represent public employers. Dalton is Board chair; Grimsley is vice chair.

The current term for each member began September 1, 2003, with staggered expiration dates.

James Dalton (chair)

James Dalton was a senior vice president of Tektronix, Inc., a leading test and measurement technology company. He retired in 2008 after Tektronix was acquired by Danaher Corporation. He was a past member of the board of directors of RadiSys Corporation and the Multnomah County Library Foundation. Dalton received his bachelor's degree in economics from the University of Massachusetts and his J.D. from Boston College Law School.

Thomas Grimsley (vice chair)

Thomas Grimsley has taught in the Bethel School District #52 in Eugene since 1982 and was a contract negotiator for the Bethel teachers' last five labor contracts. He has served as a member of Bethel's Joint Benefits and Insurance committee for the past 20 years and as vice president of Eugene's Education Association for the past 12 years. He taught in the Rogue River School District from 1979 to 1981 and in two high schools in San Jose, California, from 1977 to 1978. Grimsley received his bachelor's degree in music and his teaching credential in music, speech, English, and drama from California State University Chico in 1977. He completed his math endorsement at Lane Community College and the University of Oregon in 1990.

Eva Kripalani

Eva Kripalani serves on the board of directors of the Portland State University Foundation, the board of advisors for Willamette University College of Law, and the board of directors of Metropolitan Family Service. Until August 2007, she served as the executive vice president and general counsel of Knowledge Learning Corporation and served as senior vice president, general counsel, and corporate secretary for KinderCare Learning Centers, Inc. since 1997. Prior to joining KinderCare, Kripalani was a partner in the law firm of Stoel Rives LLP in Portland, Oregon, where she had practiced since 1987, primarily in corporate and securities law, mergers, and acquisitions. She graduated from Portland State University with a bachelor's degree in finance law in 1983 and received her J.D. from Willamette University College of Law in 1986.

Michael Pittman

Michael Pittman has approximately 20 years experience in the human resource and employee benefits field. He has served in senior corporate human resource roles, which have included responsibilities for pensions in the United States and the United Kingdom. Currently, he is providing consulting services in the general business/human resources field. Pittman received his bachelor's degree in environmental health in 1975 and his master's degree in environmental health in 1982. He earned both degrees at the University of Washington.

Brenda Rocklin

Brenda Rocklin is the president and chief executive officer of the State Accident Insurance Fund (SAIF) Corporation. Before SAIF, she served as director of the Oregon Lottery. Rocklin was an assistant attorney general in the Oregon Department of Justice (DOJ) from 1984 to 2002, where she worked in administration, the Appellate Division, the Criminal Justice Division, and the Civil Enforcement Division. Before joining DOJ, Rocklin was a deputy district attorney in Umatilla County from 1981 to 1983. Rocklin received her bachelor's degree in journalism from Idaho State University in 1978 and her J.D. at the Willamette University College of Law in 1981.

Public Employees Retirement System Organizational Chart

Public Employees Retirement Board

Paul R. Cleary
Executive Director

- Internal Auditor
- Health Insurance
- Human Resources
- Executive Support
- Deferred Compensation

Steven P. Rodeman
Deputy Director

- Social Security

Yvette S. Elledge
Administrator, Customer Service Division
- Customer Service Center
- Publications and Communications
- Membership/Employer Relations
- Information Services

Jeffrey M. Marecic
Administrator, Information Services Division
- Business Information and Technical Services
- Enterprise Application
- Technical Operations
- Project Management Office

Susan M. Riswick
Administrator, Policy, Planning, and Legislative Analysis Division
- Legislative Issues
- Research and Risk Management
- Contested Case Hearings
- Administrative Rules

Brian C. Harrington
Administrator, Benefit Payments Division
- Retirement Services
- Benefit Application and Intake
- Specialty Services

Jon E. DuFrene
Administrator, Fiscal Services Division
- Financial Reporting
- Actuarial Analysis
- Business Operations
- Contributions and Banking
- Facilities Services

Public Employees Retirement System Consultants

Actuary
Mercer Human Resource Consulting, LLC

Legal Counsel
Oregon Department of Justice
Orrick Herrington & Sutcliffe LLP
Ice Miller®

Insurance Consultant
Butler Partners & Associates

Medical Advisor
F. William Miller, MD

Technology
EDS, an HP Company
Provaliant, Inc.

Auditor
Secretary of State Audits Division

Certificate of Achievement

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2009

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

Financial Section

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255
fax (503) 378-6767

The Honorable Theodore R. Kulongoski
Governor of Oregon

Public Employees Retirement Board
Oregon Public Employees Retirement System

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Oregon Public Employees Retirement System (system) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the system's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4, the financial statements of the system are intended to present the financial position, and changes in the financial position of only the system. They do not purport to, and do not, present fairly the financial position of the State of Oregon as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the system as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note Disclosure 2D, the financial statements include investments valued at $12.4 billion (26.9 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. These investments consist of 100 percent of private equity, 36 percent of opportunity, and 82 percent of real estate reported investment balances. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not qualified with respect to this matter.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 18, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the system's basic financial statements. The accompanying supporting schedules, and the introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

OREGON AUDITS DIVISION

Kate Brown
Oregon Secretary of State

December 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Oregon Public Employees Retirement System's (PERS or "the System") financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the transmittal letter on pages 2 through 4 and the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

1. **Basic Financial Statements**
   The System presents financial statements as of June 30, 2009, prepared on a full accrual basis. They are:
   a. Statements of Fiduciary Net Assets for Pension and Other Postemployment Benefits
   b. Statements of Changes in Fiduciary Net Assets for Pension and Other Postemployment Benefits
   c. Notes to the Financial Statements
2. **Required Supplementary Information**
   The required supplementary information consists of:
   a. Schedules of Funding Progress for Pension and Other Postemployment Benefits
   b. Schedules of Employer Contributions for Pension and Other Postemployment Benefits
   c. Notes to the Required Supplementary Information
3. **Other Supplementary Schedules**
   The other supplementary schedules consist of:
   a. Combining schedules showing the detailed components of the Defined Benefit Pension Plan
   b. Schedules that include detailed information on administrative expenses incurred by the System and a summary of investment fees, commissions, and expenses

The basic financial statements contained in this CAFR are described below:

- The Statements of Fiduciary Net Assets show a point-in-time snapshot of account balances at fiscal year-end. They report the assets available for future benefit payments and any current liabilities as of the statement date. The liabilities do not include the actuarial value of future benefits. Net Assets (Assets – Liabilities = Net Assets) represent the value of assets held in trust for payment of benefits.
- The Statements of Changes in Fiduciary Net Assets show the sources and uses of funds during the fiscal year, where Additions – Deductions = Net Increase (or Decrease) in Net Assets. This Net Increase (or Decrease) in Net Assets illustrates the change in net assets as reported in the Statements of Fiduciary Net Assets from the prior year to the current year.

The financial statements are prepared based on an economic resources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The provision of objective, consistent, and comparable information about operating costs requires a measurement focus on economic resource flows. It also requires use of the accrual basis of accounting, which recognizes economic transactions and other events when they occur rather than only when the related inflows and outflows of cash or other financial resources occur. Acquired but unused goods and services are reported as assets until they are used, thus giving important information about resources already acquired that can be used to provide future services.

- The notes to the financial statements, beginning on page 24, are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements. Information in the notes discloses the System's organization, benefits and contributions, how asset values are determined, and contingencies and commitments.

In addition to the financial statements explained above, this CAFR includes two additional Required Supplementary Information schedules with historical trend information.

- The Schedules of Funding Progress, page 39, contain actuarial information about the status of the plan from an ongoing, long-term perspective, showing whether there are sufficient assets to pay pension and postemployment benefits when due. Valuation Assets in excess of Actuarial Liabilities 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 40, contain historical trend information regarding the value of the total annual contributions employers must pay and the actual contributions made to meet this requirement.
- The Notes to the Required Supplementary Information, page 41, provide background information and explanatory detail to help understand the required supplementary schedules.

The Schedule of Plan Net Assets and Schedule of Changes in Plan Net Assets, pages 42 through 43, display the components of the defined benefit plan.

The Schedule of Administrative Expenses and Schedule of Payments to Consultants and Contractors on page 44 show the costs of managing the System. The Summary of Investment Fees, Commissions, and Expenses on page 45 provides the detail of investment-related expenses included in the line item Investment Expense reported in the Statements of Changes in Fiduciary Net Assets.

FINANCIAL HIGHLIGHTS

- PERS' assets exceed its liabilities at the close of fiscal year 2009, with $46,020.2 million held in trust for pension, Oregon Public Service Retirement Plan Individual Account Program (IAP), other postemployment benefits, other benefits, and deferred compensation benefits.
- During the fiscal year financial markets as a whole declined significantly in what has been described as the second worst recession in history. PERS' investment portfolio incurred significant losses as reported in the accompanying financial statements. Fiduciary net assets decreased by $15,389.5 million, or 25.1 percent, during the fiscal year due to declines in financial markets.
- PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2008, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 80.2 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $0.80 of net assets available for payment.
- Revenues (additions to fiduciary net assets) for fiscal year 2009 fell 719.7 percent to ($12,285.0) million, which includes member and employer contributions of $1,367.0 million and net losses from investment activities totaling ($13,706.6) million.
- Expenses (deductions from fiduciary net assets) were flat, increasing only slightly from $3,100.9 million in fiscal year 2008 to $3,104.5 million in fiscal year 2009.

FIDUCIARY NET ASSETS

The condensed comparative summaries of Fiduciary Net Assets on pages 13 and 14 demonstrate that the pension trust funds are primarily focused on investments and net assets (reserves).

- Declining financial markets produced negative returns on PERS investments for the second consecutive year. The net assets of the defined benefit pension plan decreased approximately $15,105.5 million, or 26.0 percent, during the year ended June 30, 2009.
- The net assets of the OPSRP IAP decreased approximately $115.2 million, or 5.2 percent, during the year ended June 30, 2009, as investment losses far exceeded member contributions.
- The net assets of the deferred compensation plan decreased approximately $115.0 million, or 12.5 percent, during the year ended June 30, 2009, primarily due to negative investment returns.
- The net assets of the Retirement Health Insurance Account decreased approximately $52.7 million, or 22.2 percent, during the year ended June 30, 2009, due to decreases in investment income and increases in healthcare premium subsidies.
- The net assets of the Retiree Health Insurance Premium Account decreased approximately $1.6 million, or 22.0 percent, during the year ended June 30, 2009, due to decreases in investment income.
- The net assets of the Standard Retiree Health Insurance Account increased approximately $0.5 million, or 6.3 percent during the year ended June 30, 2009, due to increases in member contributions.

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

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2009	2008	2009	2008	2009	2008
Cash and Receivables	$ 2,054,084	$ 3,856,796	$ 152,248	$ 200,288	$ 7,147	$ 5,393
Investments at Fair Value	42,571,031	57,795,860	2,029,498	2,154,727	801,224	918,448
Securities Lending Collateral	4,366,169	4,463,278	214,644	189,545	121	1,073
Other	22,045	13,557	997	593	—	—
Total Assets	49,013,329	66,129,491	2,397,387	2,545,153	808,492	924,914
Investment Purchases	1,541,843	3,297,470	62,939	116,077	214	298
Securities Lending Payable	4,366,169	4,463,278	214,644	189,545	121	1,073
Other Payables	200,508	358,451	10,695	15,261	551	891
Total Liabilities	6,108,520	8,119,199	288,278	320,883	886	2,262
Total Net Assets	$ 42,904,809	$ 58,010,292	$ 2,109,109	$ 2,224,270	$ 807,606	$ 922,652

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account		Standard Retiree Health Insurance Account	
	2009	2008	2009	2008	2009	2008
Cash and Receivables	$ 11,535	$ 18,708	$ 447	$ 646	$ 7,936	$ 7,466
Investments at Fair Value	179,474	232,706	5,466	7,115	—	—
Securities Lending Collateral	18,883	19,451	583	640	551	3,873
Other	49	7	1	—	—	—
Total Assets	209,941	270,872	6,497	8,401	8,487	11,339
Investment Purchases	5,539	12,514	169	382	—	21
Securities Lending Payable	18,883	19,451	583	640	551	3,873
Other Payables	473	1,174	26	44	50	28
Total Liabilities	24,895	33,139	778	1,066	601	3,922
Total Net Assets	$ 185,046	$ 237,733	$ 5,719	$ 7,335	$ 7,886	$ 7,417

CHANGES IN FIDUCIARY NET ASSETS

Revenues – Additions to Fiduciary Net Assets

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

- Member contributions to the defined benefit pension plan decreased $3.5 million, or 29.2 percent, from fiscal year 2008 to fiscal year 2009, due to decreases in service credit purchases and contributions attributable to prior years.
- Member contributions to the IAP increased $30.4 million, or 6.5 percent, due to employee salary increases and an increase in eligible employees during the year.
- Member contributions to the Standard Retiree Healthcare account increased 11.0 percent from $104.0 million in fiscal year 2008 to $115.4 million in fiscal year 2009, due to increases in healthcare costs.
- Member contributions to the deferred compensation plan declined 5.3 percent, from $70.4 million in fiscal year 2008 to $66.7 million in fiscal 2009. Although active membership increased slightly from 19,479 to 19,579 during the year, participants reduced voluntary contributions in the wake of the economic meltdown.
- Employer contributions to the defined benefit pension plan decreased $113.5 million, or 14.9 percent, in fiscal year 2009 due to decreases in unfunded actuarial liability (UAL) payments. There were $159.0 million in UAL payments in fiscal 2008 and none in fiscal 2009.
- Employer contributions to the Retirement Health Insurance Account increased $1.0 million, or 3.7 percent, compared to fiscal year 2008 due to increases in the salaries on which contributions are based.
- Employer contributions to the Retiree Health Insurance Premium Account increased $0.2 million, or 11.9 percent, compared to fiscal year 2008 due to increases in the salaries on which contributions are based.
- Net investment and other income in the defined benefit pension plan was ($12,903.2) million, a $10,098.5 million decrease, or 360.1 percent, from the fiscal year 2008 loss of ($2,804.7) million, due to a severe decline in financial markets.
- Net investment and other income in the IAP was ($553.1) million in fiscal 2009, a 913.2 percent decrease from fiscal 2008 net investment and other income of ($54.6) million, due to a severe decline in financial markets.
- Net investment and other income in the Retirement Health Insurance Account was ($52.3) million, a $42.0 million decrease, or 410.2 percent, from the fiscal year 2008 loss of ($10.2) million. Weak investment returns were responsible for this significant decrease.
- Net investment and other income in the Retiree Health Insurance Premium Account was ($1.6) million, a $1.3 million decrease, or 404.7 percent, from the fiscal year 2008 loss of ($0.3) million. Investment losses were responsible for the decrease.
- Net investment and other income in the Standard Retiree Health Insurance Account was $0.3 million, a $0.2 million decrease, or 43.8 percent,

over fiscal year 2008 income of $0.5 million, due to falling interest rates.

- Net investment and other income in the deferred compensation plan was ($142.1) million, a $68.1 million, or 91.9 percent, decrease from the fiscal year 2008 loss of ($74.0) million. Losses in investment market valuation caused the decrease.

Expenses – Deductions from Fiduciary Net Assets

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 increased by $8.4 million, or 0.3 percent. An increase in service retirements during the year combined with lower annuity payments from the variable account produced a slight net increase in benefit payments.
- IAP benefit and other payments decreased $5.4 million, or 8.5 percent. Accounts withdrawn were lower due to negative earnings for the year.
- Deferred compensation benefit and other payments decreased from $51.2 million in fiscal 2008 to $39.7 million in fiscal 2009 (22.5 percent). Benefit payments were lower due to investment losses.
- Retirement Health Insurance Account benefit and other payments increased $0.7 million, or 2.4 percent, from prior year expenses due to increases in premium payments.
- Retiree Health Insurance Premium Account benefit payments were flat compared to prior year payments as the number of retirees enrolled in the program remained the same.
- Standard Retiree Health Insurance Account healthcare and other payments increased $11.4 million, or 11.0 percent, over prior year payments due to increases in healthcare costs.

The tables below and on page 16 show condensed comparative summaries of the changes in fiduciary net assets and reflect the activities of the plans administered by the System.

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

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2009	2008	2009	2008	2009	2008
Additions:						
Member Contributions	$ 8,452	$ 11,937	$ 495,934	$ 465,517	$ 66,728	$ 70,449
Employer Contributions	649,707	763,165	—	—	—	—
Net Investment and Other Income (Loss)	(12,903,221)	(2,804,736)	(553,147)	(54,596)	(142,100)	(74,031)
Total Additions	$ (12,245,062)	(2,029,634)	(57,213)	410,921	(75,372)	(3,582)
Deductions:						
Pension Benefits	2,789,306	2,756,873	49,535	55,478	38,858	50,366
Other	71,115	95,144	8,413	7,871	816	801
Total Deductions	2,860,421	2,852,017	57,948	63,349	39,674	51,167
Net Increase (Decrease)	$ (15,105,483)	$ (4,881,651)	$ (115,161)	$ 347,572	$ (115,046)	$ (54,749)

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account		Standard Retiree Health Insurance Account	
	2009	2008	2009	2008	2009	2008
Additions:						
Member Contributions	$ —	$ —	$ —	$ —	$ 115,386	$ 103,966
Employer Contributions	28,813	27,783	2,005	1,791	—	—
Net Investment and Other Income (Loss)	(52,279)	(10,246)	(1,578)	(313)	308	547
Total Additions	(23,466)	17,537	427	1,478	115,694	104,513
Deductions:						
OPEB Benefits	28,263	27,624	1,926	1,906	113,075	101,781
Other	958	900	116	105	2,150	2,021
Total Deductions	29,221	28,524	2,042	2,011	115,225	103,802
Net Increase (Decrease)	$ (52,687)	$ (10,987)	$ (1,615)	$ (533)	$ 469	$ 711

PLAN MEMBERSHIP

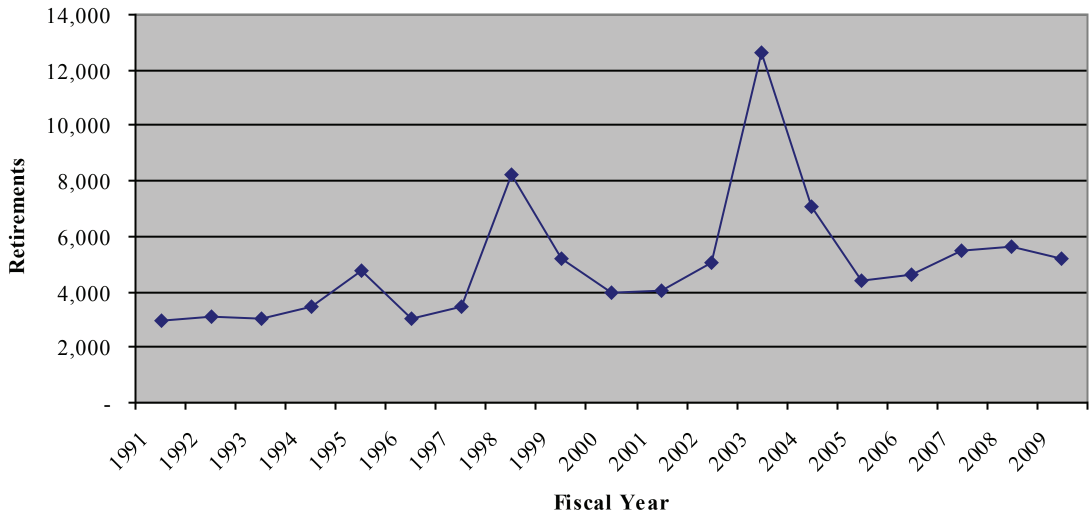
The table below reflects the defined benefit pension plan membership as of the beginning and end of the fiscal year.

TABLE 5
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2009	2008	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	100,060	98,066	2.0%
Police and Fire	7,876	7,655	2.9
Total	107,936	105,721	2.1
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	190,211	151,570	25.5
Police and Fire	14,101	12,633	11.6
Nonvested:			
General	9,834	47,056	(79.1)
Police and Fire	319	2,549	(87.5)
Total	214,465	213,808	0.3

Service retirements declined for the first time in four years. Service retirements in fiscal year 2009 were 5,214 compared to 5,635 in fiscal year 2008, a decrease of 7.5 percent. Although the number of members eligible to retire is increasing many are delaying retirement during the severe economic downturn.

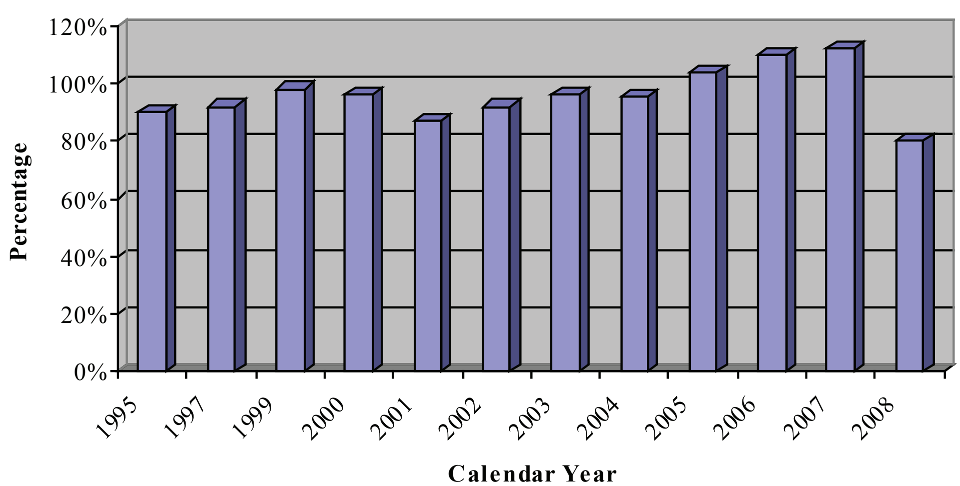
TABLE 6
SERVICE RETIREMENTS
By Fiscal Year



FUNDING STATUS

The System's Unfunded Actuarial Liability (UAL) for pension and other postemployment benefits increased by $17,257.1 million, going from a surplus of $6,192.4 million in 2007 to a UAL of $11,064.7 million as of December 31, 2008. The System's UAL was derived using the projected unit credit method. Investment losses through December 31, 2008, led to the first UAL in four years.

TABLE 7
SCHEDULE OF FUNDING PROGRESS
FUNDED RATIO
As of December 31



INVESTMENT ACTIVITIES

During fiscal year 2009 the total investment portfolio declined 22.3 percent in the worst economic downturn in decades. Investment returns for all major asset classes except fixed income were negative. Domestic and international equities decreased approximately $9,403.2 million. Investments in fixed income securities declined $4,150.0 million as a result of sales made in accordance with the Oregon Investment Council's asset allocation policy. Although both private equity and real estate investment returns exceeded their respective benchmarks, the fair value of both asset classes decreased. Private equity investments were down approximately $1,735.4 million for the year, and the real estate portfolio suffered losses of approximately $572.5 million. One-year returns on asset classes and comparative benchmarks are presented in the table below.

EFFECT OF ECONOMIC FACTORS

The financial position of the System worsened during the fiscal year due to severe financial market declines. Table 8 below shows portfolio returns and indexes, which are reflective of the market environment.

Benefit payments increased slightly in fiscal year 2009 due to an increase in the number of retirees. Retirees who elected to continue participating in the variable account after retirement experienced a decrease in benefits of approximately 48.2 percent, effective February 1, 2009. This decrease in benefits was due to investment losses experienced by the variable account for the period November 1, 2007, through October 31, 2008.

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 Fiscal Services Division Administrator, P.O. Box 23700, Tigard, Oregon 97281-3700.

TABLE 8
INVESTMENT RETURN
Periods Ending June 30:

	2009	2008
Total Portfolio	(22.3)%	(3.8)%
Total Portfolio, Excluding Variable	(22.2)	(3.5)
Policy Benchmark	(18.8)	(3.0)
Domestic Stocks	(28.0)	(12.4)
Benchmark: Russell 3000 Index	(26.6)	(12.7)
International Stocks	(29.1)	(6.2)
Benchmark: Custom Index[1]	(30.5)	(6.3)
Fixed Income Segment	2.1	2.7
Benchmark: Custom Index[2]	5.3	6.1
Real Estate[3]	(27.7)	0.4
Benchmark: NCREIF	(14.7)	13.6
NAREIT Equity REIT Index	(43.3)	(13.6)
Private Equity[4]	(25.8)	7.6
Benchmark: Russell 3000 + 300 bps	(33.7)	(2.8)

1 Morgan Stanley Capital International All Country World Index ex-US Investable Market Index Net Index
2 90% Barclays Capital Universal/10% Solomon Smith Barney Inc. Non-US World Government Bond Hedged
3 Returns are lagged one quarter.
4 Returns are lagged one quarter.

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Statements of Fiduciary Net Assets
Pension and Other Postemployment Plans
As of June 30, 2009

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Defined Benefit OPEB Plans: Retirement Health Insurance Account	Defined Benefit OPEB Plans: Retiree Health Insurance Premium Account
Assets:				
Cash and Cash Equivalents	$ 1,213,726,556	$ 100,458,701	$ 7,260,354	$ 327,660
Receivables:				
Employer	25,089,979	—	1,013,884	19,981
Plan Member	—	14,902,220	—	—
Interest and Dividends	260,604,404	12,662,959	1,119,818	34,105
Member Loans	—	—	—	—
Investment Sales and Other Receivables	553,211,340	24,210,689	2,140,729	65,198
Total Receivables	838,905,723	51,775,868	4,274,431	119,284
Due from Other Funds	1,452,087	12,637	692	51
Investments:				
Debt Securities	13,230,726,302	642,886,165	56,852,071	1,731,494
Public Equity	16,138,492,550	745,126,041	65,893,405	2,006,858
Real Estate	4,552,113,279	221,190,605	19,560,452	595,735
Private Equity	7,738,378,505	376,013,626	33,251,848	1,012,723
Opportunity Portfolio	911,320,006	44,281,724	3,915,946	119,265
Total Investments	42,571,030,642	2,029,498,161	179,473,722	5,466,075
Securities Lending Cash Collateral	4,366,169,444	214,644,156	18,882,989	582,831
Prepaid Expenses and Deferred Charges	11,688,790	552,337	48,845	1,488
Property and Equipment at Cost, Net of Accumulated Depreciation	10,355,902	444,647	—	—
Total Assets	**49,013,329,144**	**2,397,386,507**	**209,941,033**	**6,497,389**
Liabilities:				
Investment Purchases and Accrued Expenses	1,541,843,224	62,938,663	5,539,206	168,703
Deposits and Other Liabilities	91,132,776	4,304,381	6,033	701
Due Other Funds	13,380	1,314,664	18,287	12,140
COPs Payable	4,577,837	—	—	—
Deferred Revenue	321,749	—	—	—
Obligations Under Reverse Repurchase Agreements	104,461,590	5,075,867	448,872	13,671
Securities Lending Collateral Due Borrowers	4,366,169,444	214,644,156	18,882,989	582,831
Total Liabilities	**6,108,520,000**	**288,277,731**	**24,895,387**	**778,046**
Net Assets Held in Trust for Benefits	**$ 42,904,809,144**	**$ 2,109,108,776**	**$ 185,045,646**	**$ 5,719,343**

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

Employee Benefit Plan			
Standard Retiree Health Insurance Account	**Deferred Compensation Plan**	**2009**	**2008**
$ 7,869,579	$ 1,743,536	$ 1,331,386,386	$ 646,573,953
—	—	26,123,844	22,661,574
66,767	—	14,968,987	10,601,290
—	264,847	274,686,133	229,780,010
—	5,079,857	5,079,857	3,102,639
—	58,408	579,686,364	3,175,316,105
66,767	5,403,112	900,545,185	3,441,461,618
—	—	1,465,467	1,259,203
—	309,229,994	14,241,426,026	18,391,467,504
—	491,994,464	17,443,513,318	26,846,674,648
—	—	4,793,460,071	5,365,989,411
—	—	8,148,656,702	9,884,036,476
—	—	959,636,941	620,687,735
—	801,224,458	45,586,693,058	61,108,855,774
550,307	120,970	4,600,950,697	4,677,861,509
—	—	12,291,460	2,183,785
—	—	10,800,549	11,973,720
8,486,653	**808,492,076**	**52,444,132,802**	**69,890,169,562**
—	213,474	1,610,703,270	3,426,762,445
13,511	5,093	95,462,495	75,533,920
36,561	70,435	1,465,467	1,259,203
—	—	4,577,837	7,107,566
—	475,990	797,739	910,786
—	—	110,000,000	291,036,000
550,307	120,970	4,600,950,697	4,677,861,509
600,379	**885,962**	**6,423,957,505**	**8,480,471,429**
$ 7,886,274	**$ 807,606,114**	**$ 46,020,175,297**	**$ 61,409,698,133**

Statements of Changes in Fiduciary Net Assets
Pension and Other Postemployment Plans
For the Year Ended June 30, 2009

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Defined Benefit OPEB Plans: Retirement Health Insurance Account	Defined Benefit OPEB Plans: Retiree Health Insurance Premium Account
Additions:				
Contributions:				
Employer	$ 649,706,891	$ —	$ 28,812,705	$ 2,005,173
Plan Member	8,452,030	495,933,952	—	—
Total Contributions	658,158,921	495,933,952	28,812,705	2,005,173
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	(13,903,057,279)	(599,402,371)	(56,308,415)	(1,702,962)
Interest, Dividends, and Other Investment Income	1,266,202,042	58,345,921	5,163,517	158,975
Total Investment Income	(12,636,855,237)	(541,056,450)	(51,144,898)	(1,543,987)
Less Investment Expense	317,723,376	14,306,349	1,347,609	40,876
Net Investment Income	(12,954,578,613)	(555,362,799)	(52,492,507)	(1,584,863)
Securities Lending Income:				
Securities Lending Income	94,836,906	4,143,180	400,341	12,167
Less Securities Lending Expense	44,174,403	1,934,933	186,702	5,688
Net Securities Lending Income	50,662,503	2,208,247	213,639	6,479
Other Income	695,565	7,580	—	—
Total Additions	(12,245,061,624)	(57,213,020)	(23,466,163)	426,789
Deductions:				
Benefits	2,789,305,616	49,534,423	—	—
Death Benefits	912,848	—	—	—
Refunds of Contributions	36,548,963	—	—	—
Administrative Expense	33,653,536	8,413,392	958,311	115,770
Healthcare Premium Subsidies	—	—	28,262,580	1,926,236
Retiree Healthcare Expense	—	—	—	—
Total Deductions	2,860,420,963	57,947,815	29,220,891	2,042,006
Net Increase (Decrease)	**(15,105,482,587)**	**(115,160,835)**	**(52,687,054)**	**(1,615,217)**
Net Assets Held in Trust for Benefits				
Beginning of Year	58,010,291,731	2,224,269,611	237,732,700	7,334,560
End of Year	**$ 42,904,809,144**	**$ 2,109,108,776**	**$ 185,045,646**	**$ 5,719,343**

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

	Employee Benefit Plan: Standard Retiree Health Insurance Account	Deferred Compensation Plan	2009	2008
	$ —	$ —	$ 680,524,769	$ 792,739,095
	115,386,399	66,727,977	686,500,358	651,870,050
	115,386,399	66,727,977	1,367,025,127	1,444,609,145
	—	(166,659,251)	(14,727,130,278)	(4,244,135,312)
	285,714	25,828,254	1,355,984,423	1,588,859,065
	285,714	(140,830,997)	(13,371,145,855)	(2,655,276,247)
	—	2,051,107	335,469,317	339,978,992
	285,714	(142,882,104)	(13,706,615,172)	(2,995,255,239)
	1,839	404	99,394,837	276,951,193
	1,839	404	46,303,969	226,427,429
	—	—	53,090,868	50,523,764
	21,843	782,145	1,507,133	1,357,339
	115,693,956	(75,371,982)	(12,284,992,044)	(1,498,764,991)
	—	38,858,335	2,877,698,374	2,862,717,498
	—	—	912,848	11,432,179
	—	—	36,548,963	50,660,781
	2,149,795	816,033	46,106,837	44,748,419
	—	—	30,188,816	29,530,792
	113,074,954	—	113,074,954	101,781,280
	115,224,749	39,674,368	3,104,530,792	3,100,870,949
	469,207	**(115,046,350)**	**(15,389,522,836)**	**(4,599,635,940)**
	7,417,067	922,652,464	61,409,698,133	66,009,334,073
	$ 7,886,274	**$ 807,606,114**	**$ 46,020,175,297**	**$ 61,409,698,133**

Notes to the Financial Statements
June 30, 2009

(1) Description of Plan

A. Plan Membership

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

TABLE 1

Employee and Retiree Members	
Retirees and beneficiaries currently receiving benefits:	
	6/30/2009
General	100,060
Police and fire	7,876
Total	107,936
Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	190,211
Police and fire	14,101
Nonvested:	
General	9,834
Police and Fire	319
Total	214,465

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, 2009, there were 57,255 active and 21,833 inactive for a total of 79,088 Tier One members and 55,716 active and 20,588 inactive for a total of 76,304 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 (defined contribution). Membership includes public employees hired on or after August 29, 2003. As of June 30, 2009, there were 58,097 active and 976 inactive members for a total of 59,073 OPSRP Pension Program members.

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

B. Plan Benefits

a. PERS Pension (Chapter 238)

1. Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 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 as of December 31, 2003.

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

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 prior to 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 that one or more of the following conditions are met:

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

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

3. Disability Benefits

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

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

4. Benefit Changes After Retirement

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

Monthly benefits are adjusted annually through cost-of-living changes. Two percent per year is the maximum cost-of-living adjustment.

b. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits

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

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

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

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

2. Death Benefits

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

3. Disability Benefits

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

c. OPSRP Individual Account Program (OPSRP IAP)

1. Pension Benefits

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

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

2. Death Benefits

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

3. Recordkeeping

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

d. Other Postemployment Healthcare Benefits

ORS 238.410 established the Standard Retiree Health Insurance Account (SRHIA), an employee benefit plan. 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.

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 885 participating employers. The plan was closed to new entrants January 1, 2004.

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, 2009, all PERS employers contributed 0.37 percent of PERS-covered salaries to fund RHIA benefits based on the December 31, 2005 actuarial valuation. This is included in the employer contribution rates listed in Table 3. The employer contribution rate covers the normal cost payment and an amount to amortize the unfunded actuarial accrued liability over a period commencing on the actuarial valuation date and ending on December 31, 2027.

Employer contributions are advance-funded on an actuarially determined basis. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The number of active plan RHIA participants was 38,923 for the fiscal year ended June 30, 2009. As of December 31, 2008, there were 89,840 active and 13,249 inactive members who meet the requirements to receive RHIA benefits when they retire.

ORS 238.415 established the Retiree Health Insurance Premium Account (RHIPA) and requires the Board on or before January 1 of each year to calculate the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the Board and health insurance premiums paid by state employees who are not retired. ORS 238.415 authorizes payment of this average difference to qualified retired state employees. Retired state employees are qualified to receive this benefit if they had eight or more years of qualifying service in the System at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. RHIPA is a single-employer (the state as one employer) defined benefit OPEB plan and was closed to new entrants on January 1, 2004.

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, 2009, state agencies contributed 0.10 percent of PERS-covered salaries to fund RHIPA benefits, based on the December 31, 2005 actuarial valuation. The number of active plan RHIPA participants was 709 for the fiscal year ended June 30, 2009. As of December 31, 2008, there were 24,314 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, the RHIPA, and contributions from retired members are deposited in the SRHIA. Payments for medical and hospital insurance contracted for on behalf of retired members are made from SRHIA.

(2) Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements 25, 32, 43, and 50 as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds. Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity (trust funds).

PERS' activities are accounted for in two trust funds:

- Public Employees Retirement Fund
  - Defined Benefit Pension Plans
  - Individual Account Program
  - Postemployment Healthcare Plan
    - Retirement Healthcare Insurance Account
    - Retiree Healthcare Insurance Premium Account
  - Employee Benefit Plan
    - Standard Retiree Health Insurance Account
- Deferred Compensation Fund
  - Oregon Savings Growth Plan

B. Basis of Accounting

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

C. 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.

TABLE 2

	Legislatively Approved Budget	Actual	Unobligated Balance at June 30, 2009
2007-2009 Biennium:			
Personal Services	$ 53,615,718	$ 49,615,715	$ 4,000,003
Services and Supplies	35,688,183	35,306,550	381,633
Capital Outlay	947,701	303,638	644,063
Special Payments	6,277,416,600	5,891,059,263	386,357,337
Debt Service	5,709,200	5,709,200	—
Total	$ 6,373,377,402	$ 5,981,994,366	$ 391,383,036

Total Deductions July 1, 2007 - June 30, 2009	
Budgetary Basis (non-GAAP)	$ 5,981,994,366
Add:	
Depreciation Expense	1,259,294
Adjustment for Net OPEB Obligation	134,000
Decrease in Prepaids	49,461
Increase in Compensated Absences	81,414
Increase in Accrued Expenses	954,897
COP Amortization	13,756
Deduct:	
Fiscal Year 2008 Budgetary Expenditures	2,847,093,881
Retirement Benefits Attributable to Allocated Annuity Contracts	22,746,873
Increase in Travel Advances	2,393
Capital Outlay	86,122
Principal Payment Portion of Debt Service	2,520,000
Decrease in Accrued Benefits and Special Payments	7,507,127
Statements of Changes in Fiduciary Net Assets	$ **3,104,530,792**

Table 2 reconciles deductions on the budgetary basis to deductions presented in the Statements of Changes in Fiduciary Net Assets. The legislatively approved budget includes increases approved by the Legislative Emergency Board through June 30, 2009.

D. Valuation of Investments

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

The fair value of publicly traded debt and equity securities in active markets is determined by the custodial agent using nationally recognized pricing services. The custodial 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 custodial agent or the investment manager. For example, a similar benchmark security may be used to estimate 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 and 64 percent of the Opportunity Portfolio investments, which are traded in active markets, is determined by either the custodial agency or the investment manager using recognized pricing services.

Investments in private equities and 36 percent of the Opportunity Portfolio investments are valued at estimated fair value based on good faith determinations by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. 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's estimate of fair value is based on the best information available and is determined 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 estimate 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).

Investments in real estate, with the exception of REITS, for which observable market prices in active markets do not exist, are reported at fair value as determined in good faith by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. 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 number of factors is considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity and real estate portfolio investment valuations, the estimated 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 estimated fair values may materially differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

E. Earnings Crediting

By law earnings are credited to member accounts on a calendar-year basis. Members in Tier One were 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.

(3) Contributions and Reserves

A. Contributions

a. Member Contributions

Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP), an IRC 401(a) defined contribution plan. 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 (3)C.1., represents accumulated member contributions and earnings allocations made prior to January 1, 2004, and subsequent earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

b. Employer Contributions

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

Employer contribution rates during the period were based on the December 31, 2005 actuarial valuation, which became effective July 1, 2007. The state of Oregon and certain schools, community colleges, and political subdivisions have made UAL payments, and their rates have been reduced. (See Table 3.)

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%	6.00%	0.00%	6.00%	6.00%	0.00%	0.00%
Employee Normal Cost	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.00
Employer Normal Cost	4.15	4.42	3.44	4.60	23.86	5.82	9.09	0.11	0.07
Unfunded Actuarial Liability	1.92	9.42	13.83	3.91	(5.63)	0.00	0.00	0.26	0.03
Total Employer Contributions	6.07	13.84	17.27	8.51	18.23	5.82	9.09	0.37	0.10

(1) Group average rates shown were effective as of July 1, 2007.
(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.

1. PERS Defined Benefit Plan and Postemployment Healthcare Plan Contributions (ORS 238)

Pension rates for the State and Local Government Rate Pool were 13.84 percent, schools 17.27 percent, and judiciary 18.23 percent of PERS-covered salaries, effective July 1, 2007. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension rate of 8.51 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, 2005, judiciary, state agencies, and certain political subdivisions had a decrease in employer contribution rates. Schools and some political subdivisions experienced an increase in their employer contribution rates. These rate changes are measured against the actual average rates paid since July 1, 2005, that contained a phase-in of one half the rate increase calculated in the December 31, 2003 valuation. The other half of the rate increase was delayed until July 1, 2007, to moderate the impact of the calculated rate increase on employer budgets. System earnings in excess of the actuarially assumed rate of return in 2006 and 2007 negated, in total or in part, the need for the second phase of the rate increase. 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 normal-cost employer rates beginning July 1, 2007, were 5.82 percent of covered salaries for general service employees and 9.09 percent of covered salaries for police and fire employees. These rates decreased from 8.04 percent of covered salaries for general service and 11.65 percent of covered salaries for police and fire employees, which were in effect since January 1, 2004. Each of these rates includes a component related to disability benefits for general service and police and fire members.

B. Actuarial Cost Method and Assumptions

The employer contribution rates effective July 1, 2007, through June 30, 2009, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which have the following amortization periods: a three-year rolling amortization period for the increase in liabilities due to the change of actuarial valuation methods in 2004 from entry age to projected unit cost (PUC) with the remainder being amortized over a closed period commencing on the valuation date and ending on December 31, 2027, and (3) an actuarially determined amount for funding postemployment healthcare subsidies. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year) and (b) an actuarially determined amount for funding a disability benefit component. As of December 31, 2005, the OPSRP Pension Program did not have a sufficient unfunded actuarial liability to require a contribution rate component, although a rate component may be added as a result of future valuations.

The funded status of the pension plan and each postemployment healthcare plan as of the most recent actuarial valuation date is illustrated in Table 4.

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.

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, 2007 valuation.

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

Additional information as of the latest actuarial valuation is illustrated in Table 5.

C. Reserves and Designations

Chapter 238 Defined Benefit Plan, Other Postemployment Benefit Plans, and Employee Benefit Plan

1. Member Reserve

The Member Reserve of $8,145.1 million as of June 30, 2009, represents member contributions made through December 31, 2003, and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

2. Employer Contribution Designation

The Employer Contribution Designation of $17,909.8 million as of June 30, 2009, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

3. Benefit Reserve

The Benefit Reserve of $16,519.7 million as of June 30, 2009, 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.

TABLE 4 (dollar amounts in millions)

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)
Pension						
12/31/2008	$43,520.6	$54,259.5	$ 10,738.9	80.2%	$ 8,130.1	132.1%
RHIA						
12/31/2008	183.8	494.0	310.2	37.2	8,130.1	3.8
RHIPA						
12/31/2008	5.7	21.3	15.6	26.7	2,217.9	0.7

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

TABLE 5

	Pension	RHIA	RHIPA
Valuation date	December 31, 2008	December 31, 2008	December 31, 2008
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed	Amortized as a level percentage of payroll; UAL (10 year) amortization period is closed	Amortized as a level percentage of payroll; UAL (10 year) amortization period is closed
Equivalent single amortization period	3 years	30 years	30 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Actuarial assumptions:			
Inflation rate	2.75 percent	2.75 percent	2.75 percent
Investment rate of return	8.00 percent	8.00 percent	8.00 percent
Projected salary increases	3.75 percent	3.75 percent	3.75 percent
Healthcare cost trend rate	N/A	None. Statute stipulates $60 monthly payment for healthcare insurance.	Graded from 7.0 percent in 2009 to 4.5 percent in 2029.

4. Tier One Rate Guarantee Reserve

The Tier One Rate Guarantee Reserve may be credited with investment earnings in excess of the required Tier One assumed earnings rate guarantee. ORS 238.255(1) requires individual 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 account when all Tier One members and alternate payees of those members, have retired; and

(b) the reserve account has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years. As of June 30, 2009, the balance of this reserve was ($978.5) million, and the Board has not adopted a funding policy.

5. Board Actions Affecting Reserves

As part of its December 31, 2008 earnings crediting decision, the Board decided not to make any changes to the Contingency Reserve.

6. Contingency Reserve

The Contingency Reserve is to be maintained and used by the Board to prevent any deficit of moneys available for the payment of retirement allowances due to interest fluctuations, changes in mortality rates, or other unforeseen contingency. As of June 30, 2009, the balance of this reserve was $628.2 million.

7. Employer Contingency Reserve

The Employer Contingency Reserve was established by the Board to prevent any deficit in the fund caused by the insolvency of an employer. Only earnings on employer contributions fund this reserve. As of June 30, 2009, the reserve had a balance of $25.0 million.

8. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2009, had a balance of zero. In accordance with ORS 238.670, funds in this reserve may be used only to offset gains and losses of invested capital.

9. Unallocated Earnings Designation

The Unallocated Earnings Designation represents January through June investment earnings or losses less administrative expenses, which will be credited on a calendar year basis. Crediting takes place in March of the following year after employer annual reports have been reconciled and contributions have been posted to individual member and employer accounts. As of June 30, 2009, the gains in this designation were $342.1 million.

10. OPSRP Defined Benefit Program

OPSRP Defined Benefit plan net assets balance represents the program's accumulation of employer contributions and investment earnings less benefits and administrative expenses. As of June 30, 2009, the balance of this account was $313.4 million.

<u>Other Postemployment Benefits Plans</u>

11. Retirement Health Insurance Account (RHIA)

The RHIA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2009, the balance of this account was $185.0 million.

12. Retiree Health Insurance Premium Account (RHIPA)

The RHIPA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2009, the balance of this account was $5.7 million.

<u>Employee Benefit Plan</u>

13. Standard Retiree Health Insurance Account (SRHIA)

The SRHIA plan net assets balance represents the program's accumulation of retiree contributions and interest earnings less premiums and administrative expenses. As of June 30, 2009, the balance of this account was $7.9 million.

D. Administrative Costs

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

(4) Reporting Entity

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

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

(5) Receivables and Payables

A. Receivables

Table 6 disaggregates receivable balances reported in the Statements of Fiduciary Net Assets as Investment Sales and Other Receivables.

Accounts receivable for Strunk and Eugene Payment Adjustments resulted from recalculating benefits for recipients who received lump-sum payments. Collection of these receivables has been put on hold pending a final court decision (see note 11B) and is not expected to occur within one year.

TABLE 6

Accounts Receivable	June 30, 2009
Broker Receivable	$ 524,604,453
Strunk Eugene Payment Adjustments	51,260,798
Overpaid Benefits	3,606,417
Other	214,696
Total	**$ 579,686,364**

B. Payables

Table 7 disaggregates payable balances reported in the Statements of Fiduciary Net Assets as Investment Purchases and Accrued Expenses.

TABLE 7

Accounts Payable	June 30, 2009
Broker Payable	$ 1,331,826,438
Pension Roll	222,464,148
Death Benefits	26,720,905
Investment Fees	25,624,406
Services and Supplies	1,724,495
Compensated Absences	1,322,277
Other	1,020,601
Total	**$ 1,610,703,270**

(6) Assets Used in Plan Operations

A. Building and Improvements

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.

B. Equipment and Fixtures

Equipment and fixtures 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. (See Table 8.)

(7) Deposits and Investments

The state treasurer 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 PERS' investment funds. 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), and moneys held by external investment managers. 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 9.)

TABLE 8

Schedule of Fixed Assets	Beginning of Year	Increases	Decreases	End of Year
Property and Equipment				
Furniture and Equipment	$ 863,362	$ 18,690	$ —	$ 882,052
Data Processing Software	7,349,539	—	—	7,349,539
Data Processing Hardware	3,706,639	67,433	—	3,774,072
Building and Building Improvements	7,436,081	—	—	7,436,081
Land	944,463	—	—	944,463
Total Property and Equipment	$ 20,300,084	$ 86,123	$ —	$ 20,386,207
Less Accumulated Depreciation				
Furniture and Equipment	(672,707)	(106,708)	—	(779,415)
Data Processing Software	(2,572,339)	(734,954)	—	(3,307,293)
Data Processing Hardware	(3,053,030)	(230,619)	—	(3,283,649)
Building and Building Improvements	(2,028,288)	(187,013)	—	(2,215,301)
Total Accumulated Depreciation	(8,326,364)	(1,259,294)	$ —	(9,585,658)
Net Property and Equipment	**$ 11,973,720**	**$ (1,173,171)**	**$ —**	**$ 10,800,549**

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	$ 1,178,449
Oregon Public Service Retirement Plan	
Individual Account Program Depreciation	80,845
Total Depreciation Expense	**$ 1,259,294**

TABLE 9

Depository Account	Bank Balance
Insured	$ 117,222,699
Collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon	1,297
Oregon Short Term Fund	1,147,362,042
Uninsured and uncollateralized	71,863,585
Total deposits	**$ 1,336,449,623**

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. OSTF is separately audited by the Oregon Audits Division. The audited financial statements can be viewed at http://www.ost.state.or.us/About/OSTF/Statements/OSTF-6-30-2009.pdf. Custodial credit risk of OSTF is addressed in the notes to those financial statements.

Cash and cash equivalents in OSTF are held in demand deposit accounts and time certificates of deposit. These deposits are insured by FDIC coverage and are also collateralized to a minimum of 25 percent in accordance with ORS 295.015. Balances in excess of the FDIC insurance plus 25 percent are considered exposed to custodial credit risk. Since OSTF is a pool, PERS' share of the risk is difficult to estimate. As of June 30, 2009, the carrying amount of PERS' deposits in OSTF totaled $1,142.3 million, and the corresponding bank balance was $1,147.4 million.

Deposits of cash and cash equivalents from the proceeds of certificates of participation, totaling $1,297 at June 30, 2009 are collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon.

Investment managers' deposits with custodian banks consist of U.S. and foreign cash deposits that represent buying reserves. As of June 30, 2009, there was $189.1 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers, of which $71.9 million was exposed to custodial credit risk.

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, 2009, $71.9 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 13.

B. Investments

Table 10 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2009.

1. 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. Policies also require that the minimum aggregate credit quality be A+ as measured by the weighted average of the portfolio. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2009, the fair value of below grade investments is $3,694.7 million, or 25.9 percent, of total debt investments, and the weighted quality rating average is A+.

Table 11 shows the quality ratings for debt investments as of June 30, 2009.

TABLE 10

Investments at June 30, 2009	Fair Value
Repurchase Agreements	$ 94,731,000
U.S. Treasury Obligations	650,331,270
U.S. Federal Agency Mortgage Securities	1,229,759,650
U.S. Federal Agency Debt	359,033,563
U.S. Federal Agency Strips	15,225,631
U.S. Treasury Obligations – Strips	2,760,193
U.S. Treasury Obligations – TIPS	100,016,427
International Debt Securities	1,592,164,016
Corporate Bonds	4,747,174,762
Government Guaranteed Corporate Bonds	62,065,437
Municipal Bonds	39,278,035
Collateralized Mortgage Obligations	1,372,809,028
Asset-Backed Securities	350,766,887
Mutual Funds – Short-Term Investments	1,807,411,430
Mutual Funds – Domestic Fixed Income	1,446,229,133
Mutual Funds – International Fixed Income	371,669,564
Total Debt Investments	14,241,426,026
Futures and Options	354,305,812
Domestic Equity Securities	4,579,132,575
International Equity Securities	8,252,471,013
Mutual Funds – Domestic Equity	1,672,451,146
Mutual Funds – Global Equity	828,988,953
Mutual Funds – International Equity	1,599,564,102
Mutual Funds – Target Date	156,599,717
Limited Partnerships and Leveraged Buyouts	8,148,656,702
Real Estate and Real Estate Investment Trusts	4,793,460,071
Opportunity Portfolio	959,636,941
Total PERS Investments	**$ 45,586,693,058**

TABLE 11

Debt Investments at June 30, 2009	Fair Value
Quality Rating	
AAA	$ 4,213,993,837
AA	2,835,428,387
A	1,119,587,512
BBB	1,463,730,568
BB	677,558,065
B	718,213,438
CCC	240,689,266
CC	26,581,382
C	7,206,309
D	10,856,413
Unrated	2,013,561,723
Total Credit Risk – Debt Securities	13,327,406,900
U.S. Government and Agency Securities	914,019,126
Total Debt Investments	**$ 14,241,426,026**

2. Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, PERS will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. OIC has no formal policy regarding the holding of securities by a custodian or counterparty. As of June 30, 2009, no investments were exposed to custodial credit risk.

3. Concentrations of Credit Risk

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

OIC provides the following limitations for fixed income manager positions:

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

As of June 30, 2009, there were no single issuer debt investments that exceeded the above guidelines nor were there investments in any one issuer that represent 5 percent or more of total investments.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Policies state that the fixed income manager positions will maintain an average bond duration level of plus or minus 20 percent of the benchmark duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2009, the average duration of PERS' debt investment portfolio was 4.25 years. Since the debt investment portfolio may contain holdings with prepayments and variable cash flows, an analysis of interest rate risk using the segmented time distribution method is presented in the schedule below. In this schedule fixed income mutual funds of $3,625.3 million are reported using duration instead of average maturity, and amounts are a portion of the amount shown in the financial statements. (See Table 12.)

5. Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. 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, 2009, approximately 3.9 percent of the debt investment portfolio was invested in non-dollar denominated securities. (See Table 13.)

TABLE 12

Schedule of Interest Rate Risk — Segmented Time Distribution Investment Maturities at June 30, 2009

	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total Fair Value
Repurchase Agreements	$ 94,731,000	$ —	$ —	$ —	$ 94,731,000
U.S. Treasury Obligations	—	271,393,129	301,081,580	77,856,561	650,331,270
U.S. Federal Agency Mortgage Securities	107,263,860	2,272,773	66,987,452	1,053,235,565	1,229,759,650
U.S. Federal Agency Debt	9,354,967	210,143,999	39,205,074	100,329,523	359,033,563
U.S. Federal Agency Strips	—	—	15,126,031	99,600	15,225,631
U.S. Treasury Obligations – Strips	—	—	2,760,193	—	2,760,193
U.S. Treasury Obligations – TIPS	75,749	—	37,890,767	62,049,911	100,016,427
International Debt Securities	150,763,991	593,873,999	611,043,217	236,482,809	1,592,164,016
Corporate Bonds	355,736,477	1,847,349,156	2,022,932,235	521,156,894	4,747,174,762
Government Guaranteed Corporate Bonds	—	62,065,437	—	—	62,065,437
Municipal Bonds	—	—	1,267,591	38,010,444	39,278,035
Collateralized Mortgage Obligations	708,427,136	21,257,562	3,188,833	639,935,497	1,372,809,028
Asset-Backed Securities	188,307,395	53,081,757	39,415,905	69,961,830	350,766,887
Mutual Funds – Short-Term Investments	1,807,411,430	—	—	—	1,807,411,430
Mutual Funds – Domestic Fixed Income	37,120,820	1,234,582,694	174,525,619	—	1,446,229,133
Mutual Funds – International Fixed Income	—	46,270,080	325,399,484	—	371,669,564
Total Debt Investments	**$ 3,459,192,825**	**$ 4,342,290,586**	**$ 3,640,823,981**	**$ 2,799,118,634**	**$ 14,241,426,026**

TABLE 13

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2009

Currency	Cash and Cash Equivalents	Equity	Debt	Total
Argentine peso	$ 87,860	$ —	$ —	$ 87,860
Australian dollar	2,389,921	290,687,773	47,398,220	340,475,914
Brazilian real	1,667,957	122,729,849	44,776,694	169,174,500
Canadian dollar	2,004,198	310,697,333	21,721,505	334,423,036
Chilean peso	279,962	3,652,013	—	3,931,975
Chinese yuan	58,301	—	—	58,301
Colombian peso	—	2,346,235	1,036,798	3,383,033
Czech koruna	410,961	10,695,988	—	11,106,949
Danish krone	735,146	39,267,236	16,745,746	56,748,128
Egyptian pound	1,569	13,673,818	—	13,675,387
Euro	20,469,279	2,211,173,429	177,608,219	2,409,250,927
Hong Kong dollar	2,248,331	496,064,655	—	498,312,986
Hungarian forint	74,838	9,852,257	—	9,927,095
Indonesian rupiah	25,277	33,608,942	—	33,634,219
Israeli shekel	250,136	7,725,137	—	7,975,273
Japanese yen	13,690,663	1,657,753,276	131,200,108	1,802,644,047
Jordanian dinar	1	—	—	1
Malaysian ringgit	274,088	18,299,155	—	18,573,243
Mexican peso	28,826	16,210,240	135,713	16,374,779
New Taiwan dollar	5,421,978	152,292,179	—	157,714,157
New Zealand dollar	259,964	9,332,052	29,020,973	38,612,989
Norwegian krone	2,466,020	49,345,458	266,608	52,078,086
Pakistan rupee	192,399	4,583,981	—	4,776,380
Peruvian nuevo sol	32	607,342	—	607,374
Philippine peso	28,618	2,221,965	—	2,250,583
Polish zloty	4,604	12,748,674	1,011,050	13,764,328
Pound sterling	8,645,962	1,325,413,985	46,244,129	1,380,304,076
Russian ruble	26,947	—	399,077	426,024
Singapore dollar	2,402,907	127,323,763	1,605,812	131,332,482
South African rand	2,832,452	143,381,824	—	146,214,276
South Korean won	225,458	177,869,540	—	178,094,998
Sri Lankan rupee	—	1,766,980	—	1,766,980
Sudanese pound	51,502	—	—	51,502
Swedish krona	1,448,515	200,312,374	30,422,505	232,183,394
Swiss franc	1,482,053	357,676,267	—	359,158,320
Thai baht	224,607	29,458,165	—	29,682,772
Turkish lira	1,440,341	85,352,240	401,026	87,193,607
Venezuelan bolivar	12,455	8	—	12,463
Total Subject to Foreign Currency Risk	**$ 71,864,128**	**$ 7,924,124,133**	**$ 549,994,183**	**$ 8,545,982,444**

6. Derivatives

Derivatives are contracts for which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. In accordance with state investment policy, the Office of the State Treasurer invests either directly or through its outside investment managers on behalf of PERS in contracts that have derivative characteristics. Derivatives are used to manage the overall risk of investment portfolios.

PERS reports investments in accordance with GASB Technical Bulletin 2003-01. The standard provides disclosure requirements for governmental units holding derivatives not reported at fair value in the statements of net assets. Since all investments, including those with derivative characteristics, are reported at fair value in accordance with GASB Statements 25 and 31, no additional disclosures are required.

7. Reverse Repurchase Agreements

Oregon Investment Council policy permits the PERF to enter into reverse repurchase agreements. As of June 30, 2009, PERS had outstanding reverse repurchase agreements of $110.0 million, including accrued interest (rates from 0.33 percent to 0.35 percent), the balance to be repaid on or before July 13, 2009, the maturity date of the agreements. The securities underlying the reverse repurchase agreements were federal agency mortgage pool securities with coupon rates from 5.0 percent to 5.5 percent. As of June 30, 2009, the underlying securities had a fair value of $115.8 million, and therefore the credit exposure on that date was $5.8 million should the dealers fail to resell the securities to the PERF or provide collateral of equal value. In reinvesting the proceeds of these agreements, the investment manager follows the contractual investment guidelines under which it operates.

8. Unfunded Commitments

OIC has entered into agreements that commit PERF, upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2009, the PERF had $8,455.0 million in commitments to purchase private equity investments and $2,108.8 million in commitments to purchase real estate investments. These amounts are unfunded and are not recorded in the Statements of Fiduciary Net Assets.

C. Securities Lending

In accordance with state investment policies, PERF participates in securities lending transactions. Through securities lending authorization agreements, the state treasury has authorized its custodian to lend its securities pursuant to a form of loan agreement. Both PERF and the borrowers maintained the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the period of these financial statements.

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

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, 2009, is effectively one day. On June 30, 2009, PERF had no credit risk exposure to borrowers because the amounts PERF owes borrowers exceed the amounts borrowers owe PERF. The fair value of invested cash collateral as of June 30, 2009, including accrued income, was $4,380.0 million. For the fiscal year ended June 30, 2009, total income from securities lending activity was $99.4 million, and total expenses for the period were $46.3 million for net income of $53.1 million.

The custodian, as lending agent, has created a fund to reinvest cash collateral received on behalf of PERS and other participants in the custodial bank's securities lending program. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1.00 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the Statement of Fiduciary Net Assets. The Declaration also provides that if a significant difference exists between the constant value and the market-based net asset value of investments made with the collateral, the agent may determine that a condition exists that would create inequitable results if redemptions were made at the constant value. In that case, the agent may direct that units be redeemed at fair value, engage in in-kind redemptions, or take other actions to avoid inequitable results for the fund participants, until the difference between the constant value and the fair value is deemed immaterial. (See Table 14.)

TABLE 14

Securities Lending as of June 30, 2009

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury Securities	$ 161,790,389	$ 165,178,507	$ 153,730,577
U.S. Agency Securities	462,839,207	474,179,884	451,078,586
Domestic Equity Securities	2,121,049,987	2,186,012,733	2,013,621,177
Domestic Debt Securities	340,022,368	347,132,940	320,984,149
International Equity Securities	1,637,143,817	1,742,405,847	1,336,174,310
International Debt Securities	47,832,425	49,070,730	26,285,113
Allocation from Oregon Short Term Fund	77,150,744	78,762,910	78,092,611
Total	**$ 4,847,828,937**	**$ 5,042,743,551**	**$ 4,379,966,523**

(8) Leases

Operating leases are rental agreements where the payments are chargeable as rent and recorded in the services and supplies expense account. Should the legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses that provide for cancellation of the lease as of the end of a fiscal year. Lease obligations decrease each year because of various lease expirations. It is expected that ongoing leases will be replaced with leases that have higher rental rates due to inflation. Fiscal year 2009 operating lease expenses were $458,886. Table 15 summarizes future lease payments for each fiscal year during the next five-year period and thereafter.

TABLE 15

Future Lease Payments

	Operating Leases
2010	$ 472,582
2011	477,309
2012	307,775
2013	156,014
2014	8,049
Thereafter	0
Total Future Minimum Lease Payments	**$ 1,421,729**

(9) 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, 2009, the fair value of investments was $801.2 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.

PERS contracts with ING to maintain OSGP participant records. The Office of the State Treasurer, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are 18 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, 2009, was 19,579.

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, 2009, averaged 0.26 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.

(10) 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. The certificates of participation (COPs) were sold March 16, 1996, for $8.6 million at a 5.45 percent interest rate. On March 1, 2002, a new COP, Series B, was issued at a 4.41 percent interest rate and was used to partially refund the original Series A COP. The remaining Series A COP was repaid May 1, 2006. The Series B COP amount outstanding is $4,550,000 and has a final repayment due May 1, 2017.

Table 16 summarizes all future PERS building COP payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2014, and the remaining period ending June 30, 2017. The current portion of the PERS building debt is $470,000.

In 2004 Series A COPs were issued to finance the purchase of computer software and system upgrades to maintain accuracy and statutory compliance with current Oregon law. The COPs were sold June 16, 2004, for $9.9 million at a 3.20 percent interest rate. The final Series A COP payment was made May 1, 2009.

TABLE 16

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "B" Principal	Series "B" Interest	Total Expenses
2010	$ 470,000	$ 238,875	$ 708,875
2011	500,000	214,200	714,200
2012	520,000	187,950	707,950
2013	550,000	160,650	710,650
2014	580,000	131,775	711,775
2015-2017	1,930,000	205,800	2,135,800
Total	**$ 4,550,000**	**$ 1,139,250**	**$ 5,689,250**

Table 17 summarizes the changes in long-term debt for the year ended June 30, 2009.

TABLE 17

Long-Term Debt Activity

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amounts Due Within One Year
PERS Building Principal	$ 4,995,000	$ —	$ 445,000	$ 4,550,000	$ 470,000
OPSRP Computer System	2,075,000	—	2,075,000	—	—
Plus: Premium (Net)	237,690	—	38,730	198,960	25,236
Less: Deferred Gain (Net)	(200,124)	—	(29,001)	(171,123)	(29,001)
Total COPs Payable	**$ 7,107,566**	**$ —**	**$ 2,529,729**	**$ 4,577,837**	**$ 466,235**

11) Litigation

Following is a summary of current PERS-related lawsuits:

A. White, et al. v. PERB

These consolidated cases challenge the settlement of the City of Eugene case, the reallocation of 1999 earnings, the adoption of new rate orders for employers, and the allocation of 2003 earnings. Various local PERS employers intervened and also began a separate action in Marion Count Circuit Court (*Canby*, see below).

On June 11, 2009, Circuit Court Judge Kantor issued a decision granting summary judgment to PERB and the local PERS employer intervenors. The Court entered judgment for PERB July 9, 2009, and petitioners filed a notice of appeal July 13, 2009.

Petitioners' opening brief on appeal was due October 30, 2009. On October 15, 2009, they filed a motion for extension of time to December 4, 2009, which was later extended to December 28, 2009. PERB's response brief will be due 49 days after petitioners' opening brief (February 16, 2010). Legal counsel is unable to express an opinion as to the outcome of this case on appeal.

B. Arken v. PERB and Robinson v. PERB

These cases are before Judge Kantor in Multnomah County Circuit Court. In *Arken*, filed January 30, 2006, petitioners challenge PERB's withholding of certain retirees' COLAs for 2003 through 2006 and PERB's recoupment of overpayments based on the reallocation of 1999 earnings. In *Robinson*, filed May 1, 2006, petitioners challenged PERB's recoupment of overpayments on different grounds.

The parties filed cross-motions for summary judgment. On June 20, 2007, Judge Kantor ruled in favor of the petitioners in both *Arken* and *Robinson*, on the grounds argued by the *Robinson* petitioners.

On August 16, 2007, Judge Kantor heard oral arguments on several motions in *Robinson* and *Arken*, including petitioners' motion for reconsideration in *Arken*. On May 24, 2008, Judge Kantor issued another opinion in the two cases, ruling in favor of PERB in *Arken*, but ruling in favor of petitioners in *Robinson*.

Judge Kantor entered the judgment dismissing *Arken* September 15, 2008. Petitioners have appealed to the Oregon Court of Appeals. The parties completed briefing June 30, 2009, and the case is awaiting an order from the Court of Appeals setting oral argument.

On February 3, 2009, Judge Kantor signed a stipulated order certifying *Robinson* as a class action and entered final judgment in favor of petitioners on March 3, 2009. On March 23, 2009, PERB filed a notice of appeal, and petitioners subsequently filed a notice of cross-appeal. On March 25, 2009, PERB moved for an order staying the judgment pending appeal. On June 3, 2009, Judge Kantor entered an order staying judgment.

PERB filed its opening brief in the Court of Appeals July 27, 2009. After obtaining two extensions of time, petitioners' response brief and brief on their cross-appeal is now due January 4, 2010. PERB's reply brief will be due 21 days after petitioners' brief is filed (January 25, 2010).

Legal counsel is unable to provide an opinion as to the outcome of these two cases on appeal.

C. Stanton v. PERB

On May 5, 2006, in Klamath County Circuit Court, petitioners filed a lawsuit with the same claims as *Arken* (see above). Petitioners' counsel indicated they will await the court's decision on the summary judgment motions in *Arken*, and then the parties will decide how to proceed. Legal counsel is unable to provide an opinion as to the outcome.

D. Canby Utility Board, et al. v. State of Oregon, PERB

Public employers filed a lawsuit against PERB June 14, 2004, claiming that when PERB reallocated the 1999 earnings in response to Judge Lipscomb's finding on the retroactive participation in the variable account by employers, public employers did not get an appropriate allocation. This case is stayed until the *White* case (see above) is resolved. Legal counsel is unable to provide an opinion as to the outcome.

E. Consolidated 2003 Rate Order Cases (Baker County Library District v. State of Oregon, Adrian School District No. 61 v. State of Oregon, City of Albany v. State of Oregon, Baker County v. State of Oregon, League of Oregon Cities v. State of Oregon, and Canby Utility Board v. State of Oregon)

Public employers challenged PERB's employer rate orders issued in 2003. The petitions for review were consolidated December 9, 2003. This case, along with *Canby* (see above) is stayed until the *White* case is resolved. Legal counsel is unable to provide an opinion as to the outcome.

Required Supplementary Information
Schedules of Funding Progress
(dollar amounts in millions)[9]

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pensions –Tier One/Tier Two and OPSRP[1]						
12/31/2000	$ 41,739.6	$ 42,783.9	$ 1,044.3	97.6%	$ 6,195.9	16.9%
12/31/2001	39,772.7	45,386.1	5,613.4	87.6	6,254.0[2]	89.8
12/31/2001[3]	39,772.7	37,258.3	(2,514.4)	106.7	6,254.0	(40.2)
12/31/2002[3]	35,446.9	38,947.0	3,500.1	91.0	6,383.5	54.8
12/31/2003[3]	42,753.3	44,078.1	1,324.8	97.0	6,248.5	21.2
12/31/2004[4,5]	45,581.1	47,398.6	1,817.5	96.2	6,772.4[6]	26.8
12/31/2005[6,7]	51,382.6	49,294.0	(2,088.6)	104.2	6,791.9	(30.8)
12/31/2006	56,616.5	51,252.9	(5,363.5)	110.5	7,326.8	(73.2)
12/31/2007[8]	59,327.8	52,871.2	(6,456.7)	112.2	7,721.8	(83.6)
12/31/2008	43,520.6	54,259.5	10,738.9	80.2	8,130.1	132.1
Postemployment Healthcare Benefits – Retirement Health Insurance Account						
12/31/2000	$ 62.1	$ 543.5	$ 481.4	11.4%	$ 6,195.9	7.8%
12/31/2001	76.6	532.1	455.5	14.4	6,254.0[2]	7.3
12/31/2001[3]	76.6	533.2	456.6	14.4	6,254.0	7.3
12/31/2002[3]	87.4	542.3	454.9	16.1	6,383.5	7.1
12/31/2003[3]	117.1	522.5	405.4	22.4	6,248.5	6.5
12/31/2004[5]	148.0	556.9	408.9	26.6	6,772.4[6]	6.0
12/31/2005	181.0	495.9	314.9	36.5	6,791.9	4.6
12/31/2006	221.3	511.8	290.5	43.2	7,326.8	4.0
12/31/2007	250.8	499.6	248.8	50.2	7,721.8	3.2
12/31/2008	183.8	494.0	310.2	37.2	8,130.1	3.8
Postemployment Healthcare Benefits – Retiree Health Insurance Premium Account						
12/31/2000	$ 2.9	$ 23.1	$ 20.2	12.6%	$ 1,984.0	1.0%
12/31/2001	3.0	29.5	26.5	10.2	1,954.1[2]	1.4
12/31/2001[3]	2.9	29.6	26.7	9.8	1,954.1	1.4
12/31/2002[3]	2.9	30.1	27.2	9.6	1,741.9	1.6
12/31/2003[3]	4.0	25.0	21.0	16.0	1,711.9	1.2
12/31/2004[5]	5.2	28.2	23.0	18.4	1,851.4[6]	1.2
12/31/2005	6.1	27.0	20.9	22.7	1,827.0	1.1
12/31/2006	7.0	23.4	16.4	30.0	1,946.8	0.8
12/31/2007	7.8	23.3	15.5	33.6	2,080.2	0.7
12/31/2008	5.7	21.3	15.6	26.7	2,217.9	0.7

Notes:

1 Includes UAAL for Multnomah Fire District ($149 million as of December 31, 2008).

2 Effective with the 2001 valuation, Annual Active Member Payroll excludes the member pick-up, if any.

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

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 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. OPSRP payroll, however, was included in the amortization of the UAAL beginning with the 2004 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 Discrepancies contained in this table are the result of rounding differences.

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

	Actuarial Valuation Date	Annual Required Contribution [1,2]	Percentage Contributed [2,8]
Defined Benefit Pension Plan			
	12/31/2008	$ 707.4	100% [3]
	12/31/2007	805.7	74
	12/31/2006	938.6	63
	12/31/2005	488.5	101 [4]
	12/31/2004	364.8	100 [4]
	12/31/2003	537.4	100
	12/31/2002	665.9	97 [5]
	12/31/2001	681.5	95 [5]
	12/31/2000	635.6	95 [5]
	12/31/1999	545.9	97 [5]
Postemployment Healthcare Plan - Retirement Health Insurance Account [6]			
	12/31/2008	$ 33.0	85%
	12/31/2007	38.8	91
	12/31/2006	44.3	89
	12/31/2005	39.0	100
	12/31/2004	35.7	100
	12/31/2003	40.8	100
	12/31/2002	41.0	100
	12/31/2001	41.7	100
	12/31/2000	41.1	100
	12/31/1999	37.4	100
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account [7]			
	12/31/2008	$ 2.9	63%
	12/31/2007	2.7	79
	12/31/2006	2.5	90
	12/31/2005	2.4	100
	12/31/2004	2.6	100
	12/31/2003	2.2	100
	12/31/2002	1.6	100
	12/31/2001	1.3	100
	12/31/2000	1.1	100
	12/31/1999	1.7	100

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

2 The Annual Required Contribution shown is an estimated amount based on system-wide contribution rates in effect for the year in question and system payroll as reported by PERS. For example, the 2008 pension benefits ARC is based on rates developed in the 12/31/2005 actuarial valuation and 2008 payroll as reported by PERS.

3 Commencing 7/1/2007, system employers generally contribute 100% of the Annual Required Contribution, as a percent of pay. The actual dollar amount contributed in a given calendar year can vary from the estimated Annual Required Contribution based on factors such as month-to-month variations in payroll and timing of contributions.

4 OPSRP Pension Program contributions combined with Defined Benefit Pension Plan contributions.

5 Due to a significant increase in employer contribution rates based on the December 31, 1997 and December 31, 1999 actuarial valuations, the Board allowed employers to elect to defer increases to future periods.

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

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

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

Notes to Required Supplementary Information

Valuation Date	December 31, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	The UAL is amortized as a level percentage of payroll. The Tier One/Tier Two regular UAL and Retiree Healthcare regular UAL as of December 31, 2007, are amortized over a closed period. For the Tier One/Tier Two UAL, this period is 20 years; for Retiree Healthcare it is 10 years. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 years for Retiree Healthcare) from the odd-year valuation in which they are first recognized. Contribution rates effective July 1, 2007, through June 30, 2011, reflect an accelerated amortization of the change in UAL due to the change from Entry Age Normal to Projected Unit Credit on December 31, 2004. Gains and losses for OPSRP benefits are amortized over a closed 16 years from the odd-year valuation in which they are first recognized.

Equivalent Single Amortization Period

Pension	3 years
RHIA	30 years
RHIPA	30 years

The Equivalent Single Amortization Period calculation is performed with the ARC-selling valuation. This was calculated most recently in the December 31, 2007 actuarial valuation.

Actuarial Assumptions:

Investment Rate of Return	8.00 percent
Payroll Growth	3.75 percent
Consumer Price Inflation	2.75 percent
Health Cost Inflation	Graded from 7.0 percent in 2009 to 4.5 percent in 2029.
Cost-of-living Adjustments	2.00 percent
Method Used to Value Assets	The actuarial value of assets is equal to the fair market value of assets, reduced by the Contingency, Capital Preservation, and Rate Guarantee Reserves.

Schedule of Plan Net Assets
Defined Benefit Pension Plan
As of June 30, 2009

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2009	Totals 2008
Assets:					
Cash and Cash Equivalents	$ 1,181,992,337	$ 20,460,966	$ 11,273,253	$ 1,213,726,556	$ 564,767,009
Receivables:					
Employer	21,241,071	3,848,908	—	25,089,979	22,001,519
Plan Member	—	—	—	—	—
Interest and Dividends	258,786,742	1,817,568	94	260,604,404	220,291,090
Investment Sales and Other Receivables	549,736,565	3,474,775	—	553,211,340	3,048,510,918
Total Receivables	829,764,378	9,141,251	94	838,905,723	3,290,803,527
Interaccount Receivables and Payables	7,820,853	(1,404,838)	(6,416,015)	—	—
Due from Other Funds	1,452,087	—	—	1,452,087	1,225,008
Investments:					
Debt Securities	13,138,352,049	92,276,146	98,107	13,230,726,302	17,389,390,161
Public Equity	15,227,778,680	106,951,064	803,762,806	16,138,492,550	25,181,581,983
Real Estate	4,520,364,864	31,748,415	—	4,552,113,279	5,147,631,707
Private Equity	7,684,407,693	53,970,812	—	7,738,378,505	9,481,826,307
Opportunity Portfolio	904,964,065	6,355,941	—	911,320,006	595,430,147
Total Investments	41,475,867,351	291,302,378	803,860,913	42,571,030,642	57,795,860,305
Securities Lending Cash Collateral	4,334,992,827	31,171,768	4,849	4,366,169,444	4,463,278,379
Prepaid Expenses and Deferred Charges	11,609,511	79,279	—	11,688,790	2,108,551
Property and Equipment at Cost, Net of Accumulated Depreciation	6,758,303	3,597,599	—	10,355,902	11,448,228
Total Assets	**47,850,257,647**	**354,348,403**	**808,723,094**	**49,013,329,144**	**66,129,491,007**
Liabilities:					
Investment Purchases and Accrued Expenses	1,531,760,262	8,990,524	1,092,438	1,541,843,224	3,297,470,175
Deposits and Other Liabilities	91,082,809	38,762	11,205	91,132,776	72,265,402
Due Other Funds	13,380	—	—	13,380	34,195
COPs Payable	4,577,837	—	—	4,577,837	6,875,511
Deferred Revenue	321,749	—	—	321,749	82,715
Obligations Under Reverse Repurchase Agreements	103,733,030	728,560	—	104,461,590	279,192,899
Securities Lending Cash Collateral Due Borrowers	4,334,992,827	31,171,768	4,849	4,366,169,444	4,463,278,379
Total Liabilities	**6,066,481,894**	**40,929,614**	**1,108,492**	**6,108,520,000**	**8,119,199,276**
Net Assets Held in Trust for Pension Benefits	**$ 41,783,775,753**	**$ 313,418,789**	**$ 807,614,602**	**$ 42,904,809,144**	**$ 58,010,291,731**

Schedule of Changes in Plan Net Assets
Defined Benefit Pension Plan
For the Year Ended June 30, 2009

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2009	Totals 2008
Additions:					
Contributions:					
Employer	$ 559,133,180	$ 90,573,711	$ —	$ 649,706,891	$ 763,164,823
Plan Member	6,986,526	—	1,465,504	8,452,030	11,937,362
Total Contributions	566,119,706	90,573,711	1,465,504	658,158,921	775,102,185
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	(13,425,472,328)	(91,178,187)	(386,406,764)	(13,903,057,279)	(3,963,465,171)
Interest, Dividends, and Other Investment Income	1,256,957,070	8,717,136	527,836	1,266,202,042	1,434,011,357
Total Investment Income	(12,168,515,258)	(82,461,051)	(385,878,928)	(12,636,855,237)	(2,529,453,814)
Less Investment Expense	315,273,182	2,071,753	378,441	317,723,376	324,360,832
Net Investment Income	(12,483,788,440)	(84,532,804)	(386,257,369)	(12,954,578,613)	(2,853,814,646)
Securities Lending Income:					
Securities Lending Income	94,235,340	600,287	1,279	94,836,906	265,759,945
Less Securities Lending Expense	43,892,497	280,979	927	44,174,403	217,120,829
Net Securities Lending Income	50,342,843	319,308	352	50,662,503	48,639,116
Other Income	694,627	938	—	695,565	439,501
Total Additions	(11,866,631,264)	6,361,153	(384,791,513)	(12,245,061,624)	(2,029,633,844)
Deductions:					
Benefits	2,746,519,076	551,908	42,234,632	2,789,305,616	2,756,873,121
Death Benefits	912,848	—	—	912,848	11,432,179
Refunds of Contributions	36,373,938	—	175,025	36,548,963	50,660,781
Administrative Expense	25,146,745	7,043,078	1,463,713	33,653,536	33,050,622
Interaccount Transfers	(78,524,862)	—	78,524,862	—	—
Total Deductions	2,730,427,745	7,594,986	122,398,232	2,860,420,963	2,852,016,703
Net Increase (Decrease)	**(14,597,059,009)**	**(1,233,833)**	**(507,189,745)**	**(15,105,482,587)**	**(4,881,650,547)**
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	56,380,834,762	314,652,622	1,314,804,347	58,010,291,731	62,891,942,278
End of Year	**$ 41,783,775,753**	**$ 313,418,789**	**$ 807,614,602**	**$ 42,904,809,144**	**$ 58,010,291,731**

Schedule of Administrative Expenses
For the Years Ended June 30, 2009 and 2008

	2009	2008
Personal Services:		
Staff Salaries	$ 16,325,265	$ 16,457,809
Social Security	1,259,100	1,243,445
Retirement	3,067,845	2,955,490
Insurance	4,331,247	4,241,229
Assessments	114,412	113,733
Total Personal Services	25,097,869	25,011,706
Professional Services:		
Actuarial	460,445	549,323
Data Processing	628,284	522,548
Audit	261,990	192,398
Legal Counsel	745,561	813,313
Medical Consultants	83,455	84,327
Training and Recruitment	192,499	288,349
Contract Services	9,617,865	8,841,777
Healthcare Fees	2,728,712	2,580,803
Total Professional Services	14,718,811	13,872,838
Communications:		
Printing	1,800	239,220
Telephone	209,355	236,372
Postage	722,436	442,006
Travel	96,355	114,835
Total Communications	1,029,946	1,032,433
Rentals:		
Office Space	498,698	422,702
Equipment	165,864	143,870
Total Rentals	664,562	566,572
Miscellaneous:		
Central Government Charges	694,993	746,730
Supplies	971,600	666,452
Maintenance	968,734	892,940
Non-Capitalized Equipment	363,012	137,167
Depreciation	1,259,294	1,401,814
COP Amortization	338,016	419,767
Total Miscellaneous	4,595,649	4,264,870
Total Administrative Expenses	**$ 46,106,837**	**$ 44,748,419**

Schedule of Payments to Consultants and Contractors
For the Years Ended June 30, 2009 and 2008

Individual or Firm	Commission / Fees 2009	Commission / Fees 2008	Nature of Service
Orrick, Herrington & Sutcliffe LLP	$349,633	$238,718	Legal
Ice Miller®	14,101	10,228	Legal
Bullivant Houser Bailey PC	18,951	163,458	Legal
Oregon Department of Justice	323,834	314,341	Legal
EDS, an HP Company	5,157,860	3,740,552	Technology
Provaliant, Inc.	837,000	1,145,760	Technology
nextSource Inc	1,792,644	796,711	Technology
QA Partners LLC	186,575	319,800	Technology
CEM Benchmarking Inc.	35,000	35,000	Benchmarking
Mercer Human Resources Consulting LLC	460,445	469,990	Actuarial
Oregon Audits Division	261,990	207,527	Audit
Benefit Partners & Associates LLP	76,236	75,820	Health Insurance
Lawrence Duckler, MD	7,219	8,475	Medical
Ronald N. Turco MD	8,985	-	Medical
Oregon Medical Evaluations	9,800	6,300	Medical
ING	2,062,019	2,300,654	IAP Administration
MVM Consulting	12,485	-	Training

Summary of Investment Fees, Commissions, and Expenses
For the Years Ended June 30, 2009 and 2008

	2009	2008
International Equity Fund Managers		
Acadian Asset Management, Inc.	$ 2,397,413	$ 3,754,305
AllianceBernstein International	4,928,489	9,828,560
AQR Capital Management	2,573,076	4,029,814
Arrowstreet Capital, LP	3,471,853	5,257,381
Barclays Global Investors	2,105,301	4,610,293
Brandes Investment Partners LLC	2,926,295	4,244,227
Genesis Investment Management, Ltd.	2,439,994	3,328,165
Goldman Sachs	3,426,570	7,357,643
Lazard Asset Management	1,067,146	1,462,801
Pictet Asset Management Limited	1,923,926	3,355,822
Pyramis Global Investors	1,714,261	2,822,063
TT International Co., Ltd.	2,053,972	3,286,943
Walter Scott & Partners Limited	2,548,550	3,926,374
Other International Equity Fund Managers	3,132,498	863,339
Domestic Equity Fund Managers		
Alethia Asset Management	1,056,910	1,213,145
AQR Capital Management	894,851	1,815,923
Barclays Global Investors	548,269	2,013,740
The Boston Company Asset Management, LLC	1,031,077	2,072,208
Delaware Capital Management	1,197,114	533,303
Franklin Asset Management	698,973	1,928,639
Mazama Capital Management	596,958	1,676,026
MFS Institutional Advisors, Inc.	1,991,990	3,000,690
Northern Trust Company	1,035,887	1,235,244
PIMCO	808,322	4,554,205
Wanger Asset Management, LP	1,758,934	3,901,563
Wellington Management Company, LLP	1,497,852	2,446,532
Wells Capital Management	1,595,598	2,562,219
Other Domestic Equity Fund Managers	4,586,955	4,766,188
Debt Securities Managers		
Alliance Capital Management	2,528,553	3,122,614
BlackRock Asset Management	2,521,905	2,984,182
Fidelity Management Trust Co.	3,114,681	3,942,643
KKR Financial Credit Portfolio	7,511,046	—
Wellington Management Company, LLP	1,858,643	2,240,631
Western Asset Management Company	1,763,973	2,154,115
Other Debt Securities Managers	6,173	69,687
Opportunity Portfolio Managers	4,903,073	1,002,646
Custodian		
State Street Bank	294,926	174,100
Private Equity Managers		
Affinity Equity Partners	2,000,000	2,000,000
Apollo Management	3,945,362	2,750,097
Aquiline Capital Partners	4,837,034	1,434,066
Black Diamond Capital Management	2,132,347	1,995,094
CCMP Asia Opportunity	3,292,012	2,691,964
CVC Capital Partners	7,087,888	1,603,985
Centerbridge Partners	1,055,965	1,732,650
Coller Capital	1,001,366	1,781,559
Endeavor Capital Partners	2,047,280	2,334,375
First Reserve	4,178,602	—
Fisher Lynch Capital	2,325,000	1,787,294
Grove Street Advisors, LLC	5,892,768	5,042,067
Kohlberg Kravis Roberts & Co.	23,738,366	6,578,187
Lion Capital	3,033,292	4,272,253
New Mountain Capital	1,922,427	2,596,875
Oak Hill Capital Partners	4,317,270	3,741,567
Palamon European Equity	1,992,499	3,330,799
Parthenon Capital	3,069,104	3,427,858
Pathway Private Equity	3,761,123	1,687,500
Providence Equity Partners	6,180,340	3,815,788
Tailwind Capital Partners	5,272,978	—
TPG Partners	9,598,755	4,294,330
Terra Firma Investments	2,338,254	1,333,116
Other Private Equity Fund Managers	34,880,988	21,108,184
Real Estate Fees and Expenses	41,872,771	34,209,501
State Treasury Fees	5,197,663	4,233,032
Brokerage Commissions	28,277,402	36,456,968
Other Investment Fees and Expenses	37,657,347	73,767,636
Deferred Compensation Investment Fees and Expenses	2,051,107	2,434,274
Total Investment Fees, Commissions, and Expenses	**$ 335,469,317**	**$ 339,978,992**

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

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The Honorable Theodore R. Kulongoski
Governor of Oregon

Public Employees Retirement Board
Oregon Public Employees Retirement System

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the basic financial statements of the Oregon Public Employees Retirement System (system) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the system's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the system's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the system's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the system's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Public Employees' Retirement Board, the system's management, the governor of the State of Oregon, others within the entity, and the Oregon Legislative Assembly and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Kate Brown
Oregon Secretary of State

December 18, 2009

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Investment Section

Investment Officer's Report
RONALD D. SCHMITZ
DIRECTOR
INVESTMENT DIVISION

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

October 6, 2009

Dear PERS Members:

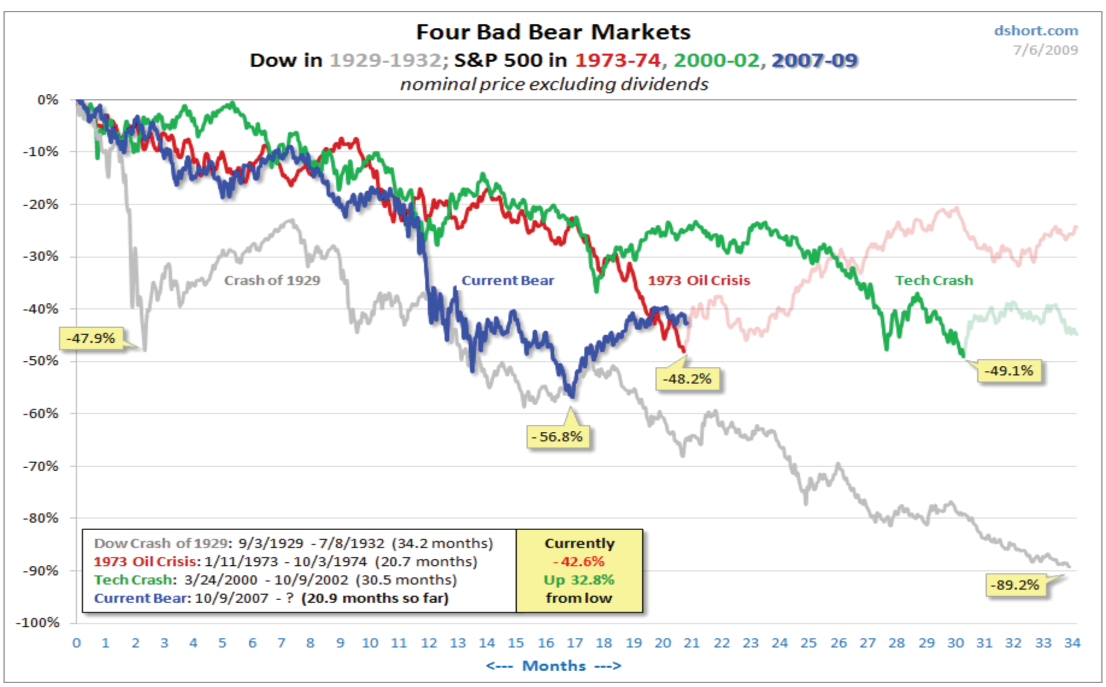
I hope readers will forgive me starting this year's letter out with an analogy—in this case, linked to a popular movie from a few years ago: Like a ship that is sailing for a distant port, Oregon's investments are mapped out and the course is set far into the future. We know where we are trying to go—but we don't necessarily know which way the wind will be blowing at any given time, or when/where we'll run into heavy seas. But we expect there will be smooth, fast sailing in some parts of our journey— and also some foul weather to cope with. The late 2007 through early 2009 period has been the perfect storm.

Investing is a long-term proposition, and in Oregon we look at the long-term goals that have been established for the OIC by statute. Sometimes, it can be hard to think beyond the horizon when there are storm clouds building, but history has shown that the best investment returns come with discipline and commitment to long-term strategies. Going forward, we remain on the course of prudent, long-term growth. We are headed in the right direction to meet the long term, actuarially assumed 8 percent earnings rate.

Still, in the short term, it's hard not to take note of the financial travails of the past year.

As was well documented during 2008 and into early 2009, we were in an environment that will go down as one of the most far reaching global economic downturns in history. No matter the asset class, it has been exceedingly painful. Domestic equity stocks declined over 50 percent before the rally in the second quarter of 2009 (as measured by the S&P 500 Index) and international markets performed even worse (as measured by the MSCI All Country World Index Ex US).

While market declines are certainly nothing new, the consistency of the decline across all asset classes and the global nature of the deterioration, made this bear market undeniably historic. As the chart below demonstrates, we have indeed experienced something remarkable. Only the market associated with the Great Depression has fallen as fast or as far.



The credit markets were no safe haven either, with the failure of Lehman Brothers "leading" the way. While most domestic fixed income indices were able to eke out small gains, most active managers underweighted US Treasury securities and suffered accordingly. While a diversified portfolio includes other asset classes beyond stocks and bonds, real estate values (which arguably were the key catalyst for the global financial crisis) tumbled in stunning fashion as well.

As the year 2009 began, the economy and the markets continued the dirge-like march downward until—at last—a rally began in March. After a 30+ percent increase in stock prices, we are still on track as the second worse market in the past one hundred or so years. But with the credit markets improving and the economic data halting its free fall, we can hope that the next fiscal year will not only be better but will usher in a continuing rally in the markets.

Given the above-described environment, OPERF had a tough year—losing 22.2 percent of its value during the fiscal year ended June 30, 2009. All asset classes except for fixed income suffered a similar fate—losses of between 25 percent and 30 percent. Fixed income did generate small gains but it was like spitting in the wind. Contrast this bear market with that from the 2000-2002 period. Back then, while the stock market plunged downward—more slowly than it did this past fiscal year—other asset classes such as fixed income, real estate and private equity generated positive returns. The expected diversification benefits of multiple asset classes were not to be found in 2008.

We are often asked why OPERF invests so much in riskier assets such as stocks, real estate and private equity. (Of course this question rarely comes during the bull market—only in the depths of a bear market.) The answer is simple. These assets outperform bonds over long periods of time and provide better inflation hedging.

Consider that the difference between the average age of plan participants and retirement is twenty years and that the typical 65 year old lives another fifteen years. This provides a 20–30 year investment horizon. With stocks being the best returning long-term asset class, you can see why equity exposure is so high in the typical pension fund.

We are also frequently asked why OPERF did not see the train wreck coming in 2008, and why we did not "get out" of the markets. The reality is that the ability to get in and out of the market at the "right time" does not exist with any consistency. In fact, very few pension funds engage in active market timing.

There is an old joke that goes something like this: Economists have predicted eleven out of the last seven bear markets. Therein lies the problem. For market timing to work, one must be right a high percentage of the time as the transaction costs from moving tens of billions of dollars is quite high. Conversely, the cost of being wrong and missing the market on the way up is quite high as bull markets tend to come in short, unpredictable spurts.

Of course, there are those who claim that they saw this coming. Notably, few of these after-the-fact prognosticators expressed these views before the market decline. (Hindsight is always 20-20. And there always seems to be a rash of people saying "I told you so" after the fact.) But there are indeed a few that made the call a couple of years ago. The problem is that the group of folks that also made the call correctly in 1999 or 2000 was nowhere to be found this time around. Academic literature simply does not support market timing as a viable strategy. However, individual investors, with a high degree of desire to avoid regret, often do attempt to time the markets. This makes sense for them but not for long term institutional investors investing for a large number of people on a commingled basis.

So, what does the future hold? Obviously we do not know. But the federal bank rescue packages and fiscal stimulus, despite the likely inefficient implementation, seems to have forestalled a Depression scenario. Will the result be increased inflation, or is deflation still a risk? Both possibilities have strong arguments in their favor. Will the economy bounce back as vibrant as before? Again, we do not have the answer. There is still a lot of debt in the system that needs to work itself out into sustainable levels. This may well dampen economic activity. But we do expect gains in GDP to begin to show up in the numbers—perhaps at modest rather than robust levels. That is good news. The storm seems to have passed.

The prudent thing to do is to maintain a well-diversified portfolio. That, we can assure you, is the case. Oregon is still considered a thought leader in the investment world. And OPERS remains the best funded state-wide pension plan in the country. Let's all hope that the news next year is much more upbeat, and that calmer seas have returned.

Ronald D. Schmitz

Ron Schmitz
Chief Investment Officer

Description of Investment Policies

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

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

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

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

OIC has approved the following asset classes for the PERF: Short-Term Investing, Fixed Income, Real Estate, and Public and Private Equities. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

OIC maintains an open-door policy wherein investment officers employed by the Office of the State Treasurer 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 Office of the State Treasurer purchase the proposed investment.

OIC also 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.

OIC meets monthly and in compliance with ORS 192.630-660 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 also 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 State Treasurer's website at http://www.ost.state.or.us/About/OIC/Governance.Documents.asp

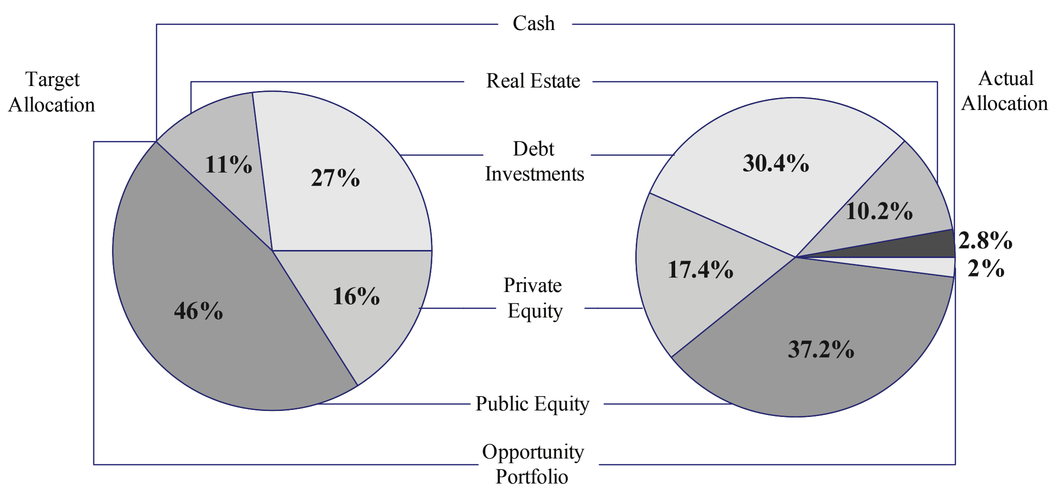
Investment Results

	Periods Ending June 30, 2009		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio	(22.3)%	(3.9)%	2.9%
Total Portfolio, Excluding Variable	(22.2)	(3.8)	3.0
Policy Benchmark	(18.8)	(2.6)	2.8
Domestic Stocks	(28.0)	(9.0)	(2.0)
Benchmark: Russell 3000 Index	(26.6)	(8.4)	(1.8)
International Stocks	(29.1)	(4.7)	5.7
Benchmark: Custom Index[1]	(30.5)	(5.4)	5.0
Fixed Income Segment	2.1	3.9	4.2
Benchmark: Custom Index[2]	5.3	5.9	5.0
Real Estate[3]	(27.7)	(4.5)	8.6
Benchmarks: NCREIF Index	(14.7)	4.2	9.4
NCREIF Equity REIT Index	(43.3)	(18.0)	(2.7)
Private Equity[4]	(25.8)	0.2	11.8
Benchmark: Russell 3000 +300 bps	(33.7)	(9.7)	(0.6)

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-US Investable Market Index Net Index
2 90% Barclays Capital Universal/10% Solomon Smith Barney Inc. Non-US World Government Bond Hedged
3 Returns are lagged one quarter.
4 Returns are lagged one quarter.

OIC Target and Actual Investment Allocations as of June 30, 2009



	Low Range	High Range	OIC Target Allocation
Cash	0.0%	3.0%	0.0%
Debt Investments	22.0	32.0	27.0
Real Estate	8.0	14.0	11.0
Public Equity	41.0	51.0	46.0
Private Equity	12.0	20.0	16.0
Opportunity Portfolio	0.0	0.0	0.0
	83.0%	120.0%	100.0%

	Actual Allocation
Cash	2.8%
Debt Investments	30.4
Real Estate	10.2
Public Equity	37.2
Private Equity	17.4
Opportunity Portfolio	2.0
	100.0%

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2009

Shares	Description	Fair Value
1,929,224	sanofi-aventis	$ 113,301,347
2,002,152	AstraZeneca	88,052,879
1,236,758	Exxon Mobil Corp.	86,461,752
2,077,331	Nestlé SA	78,161,358
7,691,271	Ericsson L M Tel	75,147,198
3,280,115	Telefonica SA	74,165,779
4,189,136	GlaxoSmithKline	73,714,499
465,734	Apple Inc.	66,334,494
3,854,059	BG Group	64,613,024
2,683,556	Microsoft Corporation	63,788,126
	Total	**$ 783,740,456**

Largest Bond Holdings (by Fair Value)
June 30, 2009

Par Value	Description	Fair Value
149,500,000	U.S. Treasury Notes 4.5% Due 2-15-2016	$ 162,178,303
120,400,000	U.S. Treasury Notes 4.375% Due 8-15-2012	130,314,194
141,570,000	First Data Corp Sr Notes 144A 9.875% Due 9-24-2015	100,514,700
88,712,664	Nielson Finance VNU Term Loan B 0.375% Due 8-9-2013	80,897,966
52,855,000	Netherlands Government 4% Due 7-15-2018	75,857,070
75,915,000	Federal National Mortgage Association 2.75% Due 3-13-2014	75,817,880
79,661,411	Calpine Corporation First Priority Term Loans 5.685% Due 3-29-2014	70,905,825
66,880,000	U.S. Treasury Notes 3.75% Due 11-15-2018	68,029,663
68,510,000	U.S. Treasury Notes 2.25% Due 5-31-2014	67,592,653
64,800,000	J.P. Morgan Repurchase Agreement 0.09% Due 7-1-2009	64,800,000
	Total	**$ 896,908,254**

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

Schedule of Fees and Commissions
For the Fiscal Year Ended June 30, 2009

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$14,241,426,026	$ 19,304,974	0.135555
Public Equity Managers	17,443,513,318	56,363,453	0.323120
Real Estate Managers	4,793,460,071	41,872,771	0.873540
Private Equity Managers (Limited Partnerships)	8,148,656,702	139,901,020	1.716860
Opportunity Portfolio Managers	959,636,941	4,903,073	0.510930
Total Assets Under Management	**$45,586,693,058**		
Other Investment Service Fees:			
Investment Consultants		2,226,772	
Commissions and Other Fees		70,897,254	
Total Investment Service and Managers' Fees		**$ 335,469,317**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2009

Broker's Name	Commission	Shares / Par	Commission per Share
Goldman, Sachs & Co.	$ 4,548,263	$ 216,300,354	0.02103
Credit Suisse First Boston Corporation	1,952,343	445,236,283	0.00438
Merrill Lynch, Pierce, Fenner & Smith, Inc.	1,890,639	192,793,897	0.00981
J.P. Morgan	1,774,678	217,696,314	0.00815
Morgan Stanley & Co., Incorporated	1,361,498	278,957,415	0.00488
Citigroup Global Markets Inc.	1,341,984	244,611,755	0.00549
UBS Securities Inc.	1,265,222	226,878,821	0.00558
Deutsche Bank	992,123	181,232,459	0.00547
Instinet Corporation	807,214	181,065,240	0.00446
State Street Bank and Trust Company	710,949	173,081,849	0.00411
Investment Technology Group Inc.	486,659	96,364,698	0.00505
Liquidnet, Inc.	463,730	29,830,448	0.01555
Citation Group	447,037	16,307,053	0.02741
Frank Russell Company	436,790	15,210,762	0.02872
Nomura Securities International, Inc.	364,390	39,475,201	0.00923
Jefferies & Company	354,045	14,064,003	0.02517
MacQuarie Securities	327,716	69,621,226	0.00471
Barclays Capital	282,009	14,568,171	0.01936
ABN AMRO Bank N.V.	270,201	67,056,978	0.00403
Société Générale	267,570	58,470,981	0.00458

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, 2009	Percent of Total Fair Value
Debt Securities		
U.S. Government Securities	$ 753,107,890	1.65%
U.S. Agency Securities	1,604,018,844	3.52
Corporate Bonds	4,943,249,234	10.84
Asset-Backed Securities	1,723,575,915	3.78
International Debt Securities	1,592,164,016	3.49
Mutual Funds - Short-Term Investments	1,807,411,430	3.96
Mutual Funds - Domestic Fixed Income	1,446,229,133	3.17
Mutual Funds - International Fixed Income	371,669,564	0.82
Total Debt Securities	**14,241,426,026**	**31.23**
Public Equity		
Domestic Equity Securities	4,933,438,387	10.82
International Equity Securities	8,252,471,013	18.10
Mutual Funds - Domestic Equity	1,672,451,146	3.67
Mutual Funds - Global Equity	828,988,953	1.82
Mutual Funds - International Equity	1,599,564,102	3.51
Mutual Funds - Target Date	156,599,717	0.34
Total Public Equity	**17,443,513,318**	**38.26**
Real Estate	**4,793,460,071**	**10.52**
Private Equity	**8,148,656,702**	**17.88**
Opportunity Portfolio	**959,636,941**	**2.11**
Total Fair Value	**$ 45,586,693,058**	**100.00%**

Actuarial Section

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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Portland, OR 97201-5839
503 273 5900 Fax 503 273 5999
www.mercer.com

October 17, 2009

Retirement Board
Oregon Public Employees Retirement System

Dear Members of the Board:

We have prepared an actuarial valuation of the Oregon Public Employees Retirement System as of December 31, 2008, including both the Chapter 238 and Chapter 238A programs. 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 valuation is based on financial and membership data furnished by the System. The System's actuary would not customarily verify this data. We have reviewed the information for internal consistency and reasonableness and have no reason to doubt its substantial accuracy.

All costs, liabilities and other factors were determined in accordance with generally accepted actuarial principles and procedures, and in accordance with our understanding of the provisions of current State statutes and regulations issued thereunder.

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation. The actuarial assumptions and methods used in the 2008 actuarial valuation were adopted by the Board based upon our recommendations and the results of our experience study as of December 31, 2008. We believe the actuarial methods and assumptions to be reasonable. The assumptions and methods used for funding do not always meet the parameters set for disclosures by Governmental Accounting Standards Board Statement Nos. 25 and 43. Where the funding amount does not meet GASB parameters, the Annual Required Contribution has been adjusted to satisfy the GASB parameters.

Mercer prepared the following information that is presented in the Actuarial Section of the 2009 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2008 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 Acturial Section of the CAFR will also include summaries of the actuarial methods, actuarial assumptions, and plan provisions valued. These summaries are contained in our forthcoming December 31, 2008 actuarial valuation report.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Amounts shown for the December 31, 2003 actuarial valuation and earlier are the amounts reported by the prior actuary for those valuations. Amounts shown for the December 31, 2005 and later actuarial valuations include both Chapter 238 and Chapter 238A assets and liabilities.

All members hired prior to August 29, 2003 are covered under Chapter 238. These benefits are administered using some cost-sharing pools and some independent employer valuations. All school districts share costs through the school district pool. Some local governments have joined the State and Local Government Rate Pool to share costs. There are also 138 independent employers who do not share costs with the other employers except through the Benefits in Force Reserve that pools the experience of those in pay status across all employers and all other pooling arrangements.

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

Finally, some employers have made lump sum deposits in addition to their regularly scheduled contributions. These deposits are placed in a side account within the pension trust and used to offset future contribution requirements of that employer. For financial reporting purposes, lump sum deposits are not considered as contributions toward meeting the Annual Required Contribution (ARC) or the contractually required contribution for employers in a cost-sharing pool. However, side accounts are included as assets in the development of the ARC or contractually required contributions. The Schedule of Funding Progress and Solvency Test also include side accounts as part of the Plan's assets.

The exhibits reflect our current understanding of the Strunk and Eugene rulings. That understanding includes Tier 1 member earnings crediting of 11.33% for 1999 (and 8.00% for later years) and retroactive granting of cost of living adjustments (COLAs) to retirees who had previously had their COLA frozen. This understanding is consistent with our prior year valuation. Finally, please note that we have made no adjustment to reflect any interpretation of Judge Kantor's June 20, 2007 ruling in the Arken and Robinson cases.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Sincerely,

Matt Larrabee, FSA, EA, MAAA
Principal

Scott D. Preppernau, FSA, EA, MAAA
Senior Associate

MRL/SDP/mrl:gjw

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

Actuarial Assumptions and Methods

Tier One/Tier Two

Actuarial Methods and Valuation Procedures

The Board adopted the following actuarial methods and valuation procedures for the December 31, 2008 and 2009 actuarial valuations of PERS Tier One/Tier Two benefits. The actuarial methods and procedures were first adopted effective December 31, 2004.

<table>
<tr><td>Actuarial cost method</td><td>Projected Unit Credit. Under the Projected Unit Credit cost method, the objective is to fund each member's benefit under the plan as it accrues, 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 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 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 accrued benefit for valuation purposes related to a particular separation date is the accrued benefit described under the plan, determined using the projected compensation and service that would be used in the calculation of the benefit on the expected separation date, multiplied by the ratio of credited service as of the valuation date over credited service as of the expected separation date. In no event can this be less than the accrued benefit described under the plan, determined using the compensation and service as of the valuation date.

▪ The benefit deemed to accrue for an individual member during a plan year is the excess of the accrued benefit for valuation purposes at the end of the plan year over the accrued benefit for valuation purposes at the beginning of the plan year. Both accrued benefits are calculated from the same projections to the various anticipated separation dates as described above.

▪ An individual member's accrued liability is the present value of the accrued benefit for valuation purposes at the beginning of the plan year, and an individual member's normal cost is the present value of the benefit deemed to accrue in the plan year. The accrued liability and the normal cost for an individual member are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the member separating on those dates.

- The plan's normal cost is the sum of the individual member normal costs, and the plan's accrued liability is the sum of the accrued liabilities for all members under the plan.</td></tr>
<tr><td>Amortization of change in UAL due to change in actuarial cost method (PUC change UAL)</td><td>Contribution rates effective July 1, 2007, through June 30, 2011, reflect an accelerated amortization of the change in UAL that occurred when the PUC cost method was first adopted for the December 31, 2004 valuation. By the time the current contribution rates are changed on July 1, 2011, four years of contributions will have been collected toward the three-year amortization base. Consequently, the PUC change amortization was eliminated from the valuation so it will not be included in contribution rates that become effective July 1, 2011.</td></tr>
<tr><td>Tier One/Tier Two UAL and Retiree Healthcare UAL amortization</td><td>The Tier One/Tier Two regular UAL and Retiree Healthcare regular UAL as of December 31, 2007, are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier One/Tier Two UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 (10 for Retiree Healthcare) years from the odd-year valuations in which they are first recognized.</td></tr>
</table>

Asset valuation method	The actuarial value of assets equals the market value of assets, excluding the Contingency, Capital Preservation, and Rate Guarantee Reserves. The value of assets used to determine employer contribution rates has historically excluded any assets in the Tier One Rate Guarantee Reserve (RGR). Due to investment results in 2008 the RGR is a deficit situation as of December 31, 2008. As part of the Board's July 16, 2009 motion approving actuarial assumptions and methods, the Board approved continued exclusion of the RGR from calculation of valuation assets. As a result, valuation assets exceed the fair value of assets as of December 31, 2008. It is our understanding that if an RGR deficit persists for five years, employers may be required to restore the RGR. Market values are reported to Mercer by PERS. It is our understanding that select real estate and private equity investments are reported on a three-month lag basis. For those investments, the change in value between September 30, 2008, and December 31, 2008, due to the market downturn could be significant. This valuation report does not attempt to quantify any such effect.
Contribution rate stabilization method	Contribution rates are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, OPSRP UAL 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 drops below 80 percent or increases above 120 percent, the size of the collar doubles.
Allocation of Liability for Service Segments	For active Tier One/Tier Two members who have worked for multiple PERS employers over their careers, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which utilizes account balance, and the Full Formula methodology, which utilizes service. The allocation is 50 percent (15 percent for police and fire) based on account balance with each employer and 50 percent (85 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 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, 2008 and 2009 actuarial valuations. The investment return assumption was first adopted in 1989, and the interest crediting assumptions were adopted in 2003. The healthcare cost inflation assumption was adopted December 31, 2008. All other economic assumptions were first adopted in 2005.

Investment return	8.0 percent compounded annually
Interest crediting	8.0 percent compounded annually on members' regular account balances 8.5 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
2009	7.0%	2020	6.2
2010	7.0	2021	6.0
2011	7.0	2022	5.8
2012	6.9	2023	5.6
2013	6.9	2024	5.4
2014	6.9	2025	5.2
2015	6.9	2026	5.0
2016	6.8	2027	4.9
2017	6.8	2028	4.7
2018	6.6	2029+	4.5
2019	6.4		

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

Demographic Assumptions

The Board adopted the following demographic assumptions for the December 31, 2008 and 2009 actuarial valuations.

Mortality

The following mortality tables were first adopted in the December 31, 2008 valuation.

Healthy Retired Members

Basic Table	RP 2000, Generational Combined Active/Healthy Annuitant, Sex Distinct
School District male	White collar, set back 12 months
Other General Service male (including male beneficiary)	White collar, no set back
Police and Fire male	Blended 33 percent blue collar, no set back
School District female	White collar, set back 18 months
Other female (including female beneficiary)	Blended 33 percent blue collar, no set back

The following disabled retiree mortality rates were first adopted for the December 31, 2008 actuarial valuation.

Disabled Retired Members

Basic Table	RP 2000, Static, Combined Active/Healthy Annuitant, No Collar, Sex Distinct
Male	Set Forward 60 months, min of 2.25 percent
Female	Set Forward 48 months, min of 2.25 percent

The following mortality rates were first adopted for non-annuitant members for the December 31, 2008 actuarial valuation.

Non-Annuitant Members

Basic Table	Percent of Healthy Retired Mortality Tables
School District male	75%
Other General Service male	75
Police & Fire male	70
School District female	50
Other female	50

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.

Rates of Retirement from Active Status

The following retirement rate assumptions were first adopted in the December 31, 2008 valuation.

Judge members are assumed to retire at age 63.

	Police and Fire			General Service/School Districts				
				General Service		School Districts		
Age	< 13 yrs	13-24	25+ Years	< 15yrs	15-29 Years	< 15yr	15-29 Years	30+ yrs
50	1.0%	3.0%	35.0%					27.0%
51	1.0	3.0	20.0					27.0
52	1.0	3.0	20.0					40.0
53	1.0	3.0	20.0					40.0
54	1.0	3.0	20.0					35.0
55	3.0	12.0	20.0	1.0%	5.0%	1.0%	8.0%	30.0
56	3.0	8.5	20.0	1.0	4.0	1.0	6.0	25.0
57	3.0	8.5	20.0	1.5	3.0	1.0	5.0	25.0
58	3.0	8.5	20.0	1.5	9.0	2.0	13.0	25.0
59	5.0	8.5	20.0	2.5	9.0	2.0	13.0	25.0
60	5.0	8.5	20.0	4.0	9.0	3.0	13.0	20.0
61	5.0	8.5	20.0	4.0	9.0	5.0	13.0	20.0
62	10.0	30.0	40.0	10.0	16.0	10.0	20.0	30.0
63	10.0	20.0	40.0	7.5	14.0	9.0	16.0	20.0
64	10.0	10.0	40.0	7.5	14.0	9.0	16.0	20.0
65	100.0	100.0	100.0	11.0	24.0	14.0	27.0	28.0
66				18.0	33.0	16.0	32.0	20.0
67				15.0	22.0	10.0	29.0	20.0
68				12.0	17.0	7.5	20.0	20.0
69				12.0	17.0	7.5	20.0	20.0
70				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, 2008.

Partial Lump Sum:	6% for all years
Total Lump Sum:	6% for 2009, declining by 0. 5% per year until reaching 0.0%
No Lump Sum:	88% in 2009, increasing by 0.5% until reaching 94.0%

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, 2008.

Money Match Retirements:	0%
Non-Money Match Retirements:	55%

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 ordinary disability were first adopted effective December 31, 2008. The rates for duty disability were first adopted effective December 31, 2008.

Type	Percentage of the 1985 Disability Class 1 Rates
Duty Disability Police and Fire	15%
Duty Disability General Service	1.5%
Ordinary Disability	50% with 0.2% cap

Termination Assumptions

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

- Termination from active status prior to retirement eligibility
- Probability that a member will not take a lump-sum distribution prior to retirement.

All of the termination assumptions were first adopted effective December 31, 2008.

Termination Rates

Sample termination rates are shown for each group below:

		SLGRP		Independent Employers		
Age	School District	General Service Male	General Service Female	General Service Male	General Service Female	Police and Fire
30	4.32%	8.08%	9.58%	6.11%	9.10%	3.45%
40	2.63	4.63	5.36	3.84	5.70	2.17
50	1.90	2.74	3.19	2.47	3.58	1.24

Probability of Refund Before Retirement

The following table shows the probability that vested terminated members will elect to withdraw accumulated member contributions instead of receiving a deferred benefit for sample ages.

Age	General Service	Police & Fire
30	17.50%	30.00%
40	17.50	27.00
50	7.78	0.00

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. The rates were first adopted effective December 31, 2008. For plan years 2009 and 2010, the merit increase is assumed to be 0 percent.

Duration	School District	Other General Service	Police & Fire
5	2.07%	2.17%	2.55%
10	1.18	1.13	1.20
15	0.53	0.63	0.67
20	0.13	0.45	0.59

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. The rates for State general service female, School District and local general service male, and police and fire members were first adopted December 31, 2008. The rates for local general service females were adopted effective December 31, 2001, and all other rates were adopted effective December 31, 2005.

Actives	Rates
State GS Male	5.75%
State GS Female	4.25
School District Male	7.50
School District Female	6.75
Local GS Male	4.25
Local GS Female	3.00
State Police and Fire	7.25
Local Police and Fire	8.25
Dormants	
All members	3.50%

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.

	Rates
Tier One Non-School District/Judges	2.8%
Tier One School District	1.4
Tier Two	0.0

Retiree Healthcare Participation

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

RHIPA	9%
RHIA	
▪ Healthy Retired	42.5%
▪ Disabled Retired	20

These rates were first adopted effective December 31, 2008.

Actuarial Methods and Assumptions — OPSRP

Most of the methods and assumptions adopted for the OPSRP valuation are the same as those used for Tier One/Tier Two. A summary of the methods and assumptions that differ for OPSRP are summarized below. These assumptions are used for the December 31, 2008 and December 31, 2009 actuarial valuations.

Actuarial Methods and Valuation Procedures

OPSRP UAL amortization

Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll (Tier One/Tier Two plus OPSRP payroll) over 16 years from the valuation in which they are first recognized.

Economic Assumptions

Administrative expenses: $6.6 million per year is added to the normal cost.

Demographic Assumptions

Retirement Assumptions

Retirement from Active Status

Police and Fire				General Service		
Age	<13 years	13-24 years	25+ years	<15 years	15-29 years	30+ years
50	1.0%	2.0%	7.5%			
51	1.0	2.0	7.5			
52	1.0	2.0	7.5			
53	1.0	2.0	35.0			
54	1.0	2.0	20.0			
55	3.0	5.0	20.0	1.0%	5.0%	5.0%
56	3.0	5.0	20.0	1.0	4.0	5.0
57	3.0	5.0	20.0	1.5	3.0	7.5
58	3.0	5.0	20.0	1.5	3.0	35.0
59	5.0	5.0	20.0	2.5	3.0	25.0
60	5.0	15.0	20.0	4.0	3.75	20.0
61	5.0	8.5	20.0	4.0	5.0	20.0
62	10.0	30.0	40.0	7.0	12.0	30.0
63	10.0	20.0	40.0	6.0	10.0	20.0
64	10.0	10.0	40.0	6.0	10.0	20.0
65	100.0	100.0	100.0	12.0	40.0	20.0
66				18.0	33.0	20.0
67				12.0	22.0	30.0
68				10.0	17.0	20.0
69				10.0	17.0	20.0
70				100.0	100.0	100.0

Retirement from Dormant Status

Dormant members are assumed to retire at Normal Retirement Age.

Termination Assumptions

The termination rates are based on three-year select and ultimate rates, with the ultimate rates being the same as the Tier One/Tier Two termination rates.

Age	School District				Police and Fire			
	1st Select Period	2nd Select Period	3rd Select Period	Ultimate	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
25	8.70%	6.97%	6.58%	5.84%	14.05%	7.56%	5.44%	5.09%
35	5.85	4.27	3.95	3.29	12.10	6.17	4.33	2.61
45	4.83	3.22	2.89	2.21	13.04	6.35	4.12	1.78

Age	Independent Employers General Service Male				Independent Employers General Service Female			
	1st Select Period	2nd Select Period	3rd Select Period	Ultimate	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
25	20.00%	12.53%	10.55%	7.96%	19.71%	14.26%	12.99%	10.71%
35	15.89	8.89	7.14	4.79	13.09	9.27	8.81	7.35
45	15.72	8.23	5.98	3.12	12.86	7.93	6.65	4.37

Age	SLGRP General Service Male				SLGRP General Service Female			
	1st Select Period	2nd Select Period	3rd Select Period	Ultimate	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
25	18.28%	14.94%	12.97%	10.20%	18.23%	14.88%	14.21%	12.13%
35	13.44	10.52	8.76	6.20	14.90	10.79	9.74	7.28
45	10.01	7.43	5.84	3.45	12.26	7.81	6.59	3.96

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

A summary of key changes implemented since the December 31, 2007 valuation is provided below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2008 experience study report.

Changes in Actuarial Methods and Allocation Procedures

Amortization of Changes in UAL due to actuarial cost method change

Contribution rates effective July 1, 2007 through June 30, 2011, reflect an accelerated amortization of the change in UAL that occurred when the PUC cost method was first adopted for the December 31, 2004 valuation. By the time the current contribution rates are changed on July 1, 2011, four years of contributions will have been collected toward the three-year amortization base. Consequently, the PUC change amortization was eliminated from the valuation so it will not be included in contribution rates that become effective July 1, 2011.

RHIA / RHIPA Amortization Period

The RHIA and RHIPA amortization period has been reduced to 10 years.

Money Match Weighting

For purposes of allocating a Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2006 and December 31, 2007 valuations, the Money Match method was weighted 65 percent for General Service members and 25 percent for Police & Fire members. This weighting has been adjusted to 50 percent for General Service members and 15 percent for Police & Fire members.

Changes in Economic Assumptions

RHIA / RHIPA Assumptions

Healthcare cost trend rates were updated to reflect a longer grade down period and a lower ultimate trend rate. The participation rate assumption for RHIA and RHIPA was lowered.

OPSRP Administrative Expenses

The administrative expenses assumption has been lowered to reflect the completion of the initial IT setup.

Changes in Demographic Assumptions

Mortality

The healthy mortality assumption has been changed from RP2000 static mortality tables to RP2000 generational mortality tables with group-specific class and set back adjustments. In addition, the disabled mortality assumption has been adjusted.

Retirement Assumptions

A third service band was added to the retirement rate structure. The probability that a member will elect a partial or total lump sum at retirement has been lowered, and the percentage of members who purchase credited service was increased to 55 percent for non-Money Match retirements.

Disability Assumptions

The probability of becoming disabled has been lowered and is now reflected as a percentage of the standard 1985 Disability Class 1 table.

Termination Assumptions

The rates for School Districts and SLGRP employers have been updated. In addition, the probability a member will withdraw his or her account balance before retirement has been lowered.

Salary Assumptions

Merit increase assumptions have been consolidated for SLGRP and independent employers. The merit increase is assumed to be 0 percent for all groups during 2009 and 2010. In addition, minor adjustments have been made to the Unused Sick Leave assumption.

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]	
12/31/1993	137,513	$ 4,466,797	$ 32,483	4.9%	N/A	
12/31/1995	141,471	4,848,058	34,269	2.7	N/A	
12/31/1997	143,194	5,161,562	36,045	2.6	N/A	
12/31/1999	151,262	5,676,606	37,528	2.0	N/A	
12/31/2000	156,869	6,195,862	39,497	5.2	N/A	
12/31/2001	160,477	6,520,225	40,630	2.9	N/A	Old Basis
12/31/2001	160,477	6,253,965	38,971	—	N/A	New Basis[2]
12/31/2002	159,287	6,383,475	40,075	2.8	N/A	
12/31/2003	153,723	6,248,550	40,648	1.4	N/A	
12/31/2004	142,635	6,306,447	44,214	8.8	806	
12/31/2005 [3]	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	

[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 in 2001, the annual payroll excludes the member pick-up, if any.

[3] Effective with the 12/31/2005 valuation, OPSRP members and payroll are included.

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

(dollar amounts in thousands)[4]

	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
12/31/1993					60,841	$ 564,341	27.6%	$ 9,276
12/31/1995					64,796	700,171	24.1	10,806
12/31/1997					69,624	919,038	31.3	13,200
12/31/1999					82,819	1,299,380	41.4	15,689
12/31/2000					82,458	1,385,556	6.6	16,803
12/31/2001					85,216	1,514,491	9.3	17,772
12/31/2002					89,482	1,722,865	13.8	19,254
12/31/2003					97,777	2,040,533	18.4	20,869
12/31/2004 [2]	6,754	$ 149,474	2,863	$ 35,151	101,668	2,154,856	5.6	21,195
12/31/2005 [2]	4,472	149,127	3,217	36,784	102,923	2,267,198	5.2	22,028
12/31/2006 [2,3]	5,060	151,240	3,263	39,735	104,720	2,378,704	4.9	22,715
12/31/2007 [2,3]	5,385	183,232	3,304	40,590	106,801	2,521,345	6.0	23,608
12/31/2008 [2,3]	5,963	171,484	3,626	47,062	109,138	2,645,767	4.9	24,242

[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] Annual allowances do not reflect adjustments due to any interpretation of Judge Kantor's June 20, 2007 ruling in the Arken and Robinson cases.

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

Schedules of Funding Progress by Rate Pool

(dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets[1,2] (a)	Actuarial Accrued Liability (AAL) [2] (b)	Unfunded AAL (UAAL) (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						
12/31/2004	$ 22,768.1	$ 23,407.2	$ 639.1	97.3%	$ 3,171.0	20.2%
12/31/2005[4]	25,556.3	24,450.3	(1,106.0)	104.5	3,089.8	(35.8)
12/31/2006	28,177.2	25,390.0	(2,787.3)	111.0	3,174.6	(87.8)
12/31/2007[5]	30,314.8	26,883.1	(3,431.7)	112.8	3,448.1	(99.5)
12/31/2008	22,301.2	27,551.8	5,250.6	80.9	3,452.7	152.1
Tier One/Tier Two School District Rate Pool						
12/31/2004	18,679.3	19,483.0	803.7	95.9	2,173.6	37.0
12/31/2005	21,095.0	20,151.8	(943.2)	104.7	2,126.5	(44.4)
12/31/2006	23,033.4	20,825.0	(2,208.4)	110.6	2,233.7	(98.9)
12/31/2007	24,053.6	21,299.3	(2,754.3)	112.9	2,185.0	(126.1)
12/31/2008	17,458.5	21,742.7	4,284.2	80.3	2,153.7	198.9
Tier One/Tier Two Independent Employers and Judiciary						
12/31/2004	4,195.1	4,444.4	249.3	94.4	961.9	25.9
12/31/2005[4]	4,742.9	4,575.0	(167.9)	103.7	894.9	(18.8)
12/31/2006	5,330.5	4,860.1	(470.4)	109.7	928.1	(50.7)
12/31/2007[5]	4,765.5	4,423.2	(342.3)	107.7	628.8	(54.4)
12/31/2008	3,576.7	4,566.0	989.3	78.3	619.4	159.7
OPSRP Rate Pool						
12/31/2005	55.0	53.8	(1.2)	102.2	680.7	(0.2)
12/31/2006	151.4	115.0	(36.4)	131.6	990.4	(3.7)
12/31/2007	275.1	203.0	(72.1)	135.5	1,459.9	(4.9)
12/31/2008	270.5	336.8	66.3	80.3	1,904.3	3.5
Postemployment Healthcare Benefits - Retirement Health Insurance Account						
12/31/2004	148.0	556.9	408.9	26.6	6,306.4	6.5
12/31/2005	181.0	495.9	314.9	36.5	6,111.2	5.2
12/31/2006	221.3	511.8	290.5	43.2	6,336.4	4.6
12/31/2007	250.8	499.6	248.8	50.2	6,261.9	4.0
12/31/2008	183.8	494.0	310.2	37.2	6,225.8	5.0
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account						
12/31/2004	5.2	28.2	23.0	18.4	1,701.0	1.4
12/31/2005	6.1	27.0	20.9	22.7	1,621.2	1.3
12/31/2006	7.0	23.4	16.4	30.0	1,665.7	1.0
12/31/2007	7.8	23.3	15.5	33.6	1,692.1	0.9
12/31/2008	5.7	21.3	15.6	26.7	1,708.5	0.9

Notes:

[1] Side account assets are included with Tier One/Tier Two assets.

[2] Excludes UAAL for Multnomah Fire District ($149 million as of December 31, 2008).

[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, UAL is amortized using combined Tier One/Tier Two and OPSRP payroll.

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

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

Actuarial Schedules

Analysis of Financial Experience

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

(dollar amounts in millions) [1]

Type of Activity	$ Gain (or Loss) for Year	
	2008	2007
Retirements from Active Status	$ (109.7)	$ (96.2)
Active Mortality and Withdrawal	19.6	64.3
Pay Increases	(93.3)	(68.6)
Contributions	119.3	65.4
Interest Crediting Experience	701.2	72.5
Investment Income	(15,861.8)	327.2
Retirement, Mortality, and Lump Sums from Dormant Status	137.7	124.5
Retiree and Beneficiary Mortality	(69.7)	(82.9)
Data Corrections	—	54.7
Other	119.2	84.3
Gain (or Loss) During Year From Financial Experience	**$ (15,037.5)**	**$ 545.3**
Non-Recurring Items		
Assumption Changes	(263.7)	—
Composite Gain (or Loss) During Year	$ **(15,301.2)**	$ **545.3**

[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)[10]

	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)
12/31/1995	$ 5,753.0	$ 7,492.8	$ 10,002.8	$ 20,957.6	100%	100%	77%
12/31/1997	8,135.4	9,994.9	13,534.6	29,108.2	100	100	81
12/31/1999	8,238.1	14,333.7	18,336.1	39,964.8	100	100	95
12/31/2000	10,142.5	15,664.1	17,543.9	41,804.6	100	100	91
12/31/2001	10,252.8	17,465.9	18,229.0	39,852.2	100	100	67
12/31/2001 [4]	10,252.8	17,340.0	10,228.8	39,852.2	100	100	120
12/31/2002 [4]	9,940.7	19,339.0	10,240.8	36,316.8	100	100	69
12/31/2003 [4]	9,005.8	23,625.9	11,993.9	42,874.4	100	100	85
12/31/2004 [5,6]	9,073.0	25,363.0	13,547.6	45,735.3	100	100	83
12/31/2005 [7,8]	9,169.7	26,602.4	14,044.7	51,569.6	100	100	112
12/31/2006	9,410.8	27,711.3	14,666.2	56,844.8	100	100	134
12/31/2007 [9]	9,225.0	29,157.3	15,011.8	59,586.4	100	100	141
12/31/2008	8,341.5	30,537.7	15,895.7	43,710.2	100	100	30

[1] Includes effect of Multnomah Fire District (net UAAL of $149 million as of 12/31/2008).

[2] An extensive revision of the actuarial assumptions occurs prior to each odd-year valuation; therefore, the figures are not directly comparable. Effective with the December 31, 2006 valuation, revisions to actuarial assumptions occur prior to each even-year valuation.

[3] Effective with the December 31, 2002 valuation, includes the value of UAL Lump Sum Side Accounts.

[4] The 2001 valuation was revised to include the impact of PERS Reform Legislation enacted in 2003. Figures for December 31, 2003, do not reflect the judicial review or subsequent Board action.

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

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

[7] Assets and liabilities for OPSRP are first valued in the 2005 valuation.

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

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

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

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	Actuarially determined	

Summary of Chapter 238 Provisions — Tier One/ Tier Two and Judges		
Normal Retirement Date	**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).

Full Formula — 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
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 pay multiplied by the first percentage multiplier from the table on page 74 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 pay also shown on page 74. 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 post-retirement.

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

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

SB 656/HB 3349 Adjustment	All members hired prior to July 14, 1995, 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).	

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 & Over	4.0	4.0

HB 3349 Increase

$$\frac{1}{1 - \text{maximum Oregon personal income tax rate}} \times \frac{\text{Service prior to October 1, 1991}}{\text{All Service}}$$

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	Five years or attainment of normal retirement age.	
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 • Lump sum of member contribution account (under any form) plus a pension from employer contributions under the Full Formula or Money Match method. • Lump sum 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 sum of the disability benefit and any workers' compensation benefits may not exceed the member's salary at the time of disablement.	

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	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. Any CPI change in excess of 2 percent is accumulated for future benefit adjustments, which would otherwise be less than 2 percent. No benefit will be decreased below its original amount.
	***Ad Hoc* Adjustments**	From time to time, as granted by the Legislature, retired members and beneficiaries have received increases in their monthly benefits.
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 of the funds in his or her variable account transferred back to the regular account and receive an annuity from the System and cease to participate in the variable program. 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)	**Eligibility**	All of the following must be met: (a) Currently receiving a retirement allowance from the System, (b) Equivalent of eight years of qualified service time, (c) Enrolled in a PERS-sponsored health plan, and (d) Enrolled in both Medicare Part A and Part B.
	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)	**Eligibility**	Retired state employees enrolled in a PERS-sponsored health plan.
	Benefit	A percentage (as shown on the following page) 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.

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

	Years of Service	Subsidized Amount
	Under 8	0%
	8-9	50
	10-14	60
	15-19	70
	20-24	80
	25-29	90
	30 & Over	100
Benefits Not Included in the Valuation	No material benefits have been excluded from the liabilities.	
Changes in Plan Provisions	None.	

Summary of Chapter 238A Provisions - OPSRP

Normal Retirement Date	**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.	
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.
Disability Benefit Amounts	**Pre-Retirement Benefit**	45 percent of salary during last full month of employment before disability, reduced if total benefit including workers' compensation exceeds 75 percent of salary. Benefit is payable monthly until normal retirement age.
	Retirement Benefit	Same formula as Normal Retirement Benefit, except: • Final average salary is adjusted to reflect cost-of-living increases from date of disability to normal retirement age, and • Retirement credits continue to accrue from date of disability to normal retirement age.

Summary of Chapter 238A Provisions - OPSRP

Postretirement Adjustments	All monthly pension and annuity benefits are eligible for postretirement adjustments.	
	Automatic Adjustments	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. Any CPI change in excess of 2 percent is accumulated for future benefit adjustments which would otherwise be less than 2 percent. No benefit will be decreased below its original amount.
	***Ad Hoc* Adjustments**	From time to time, as granted by the Legislature, retired members and beneficiaries have received increases in their monthly benefits.
Changes in Plan Provisions	None	

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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 decrease in Defined Benefit Pension member contributions is offset by the increase in the Oregon Public Service Retirement Plan's Individual Account Program member contributions. Fluctuations in employer contributions from 2000 forward are due to UAL payments.

The Schedules of Changes in Plan Net Assets 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 Changes in Plan Net Assets.

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.

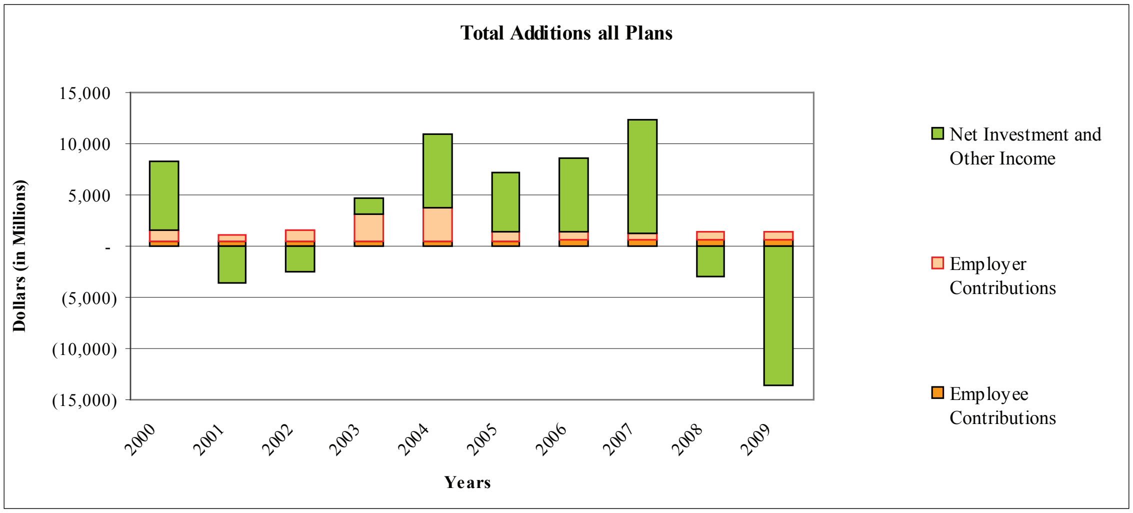
The Schedule of Average Benefit Payments for Retiree Health Insurance Account and Schedule of Average Benefits for Retiree Health Insurance Premium Account show the average monthly other postemployment healthcare benefits, final average salary, and the number of retirees receiving benefits under each plan.

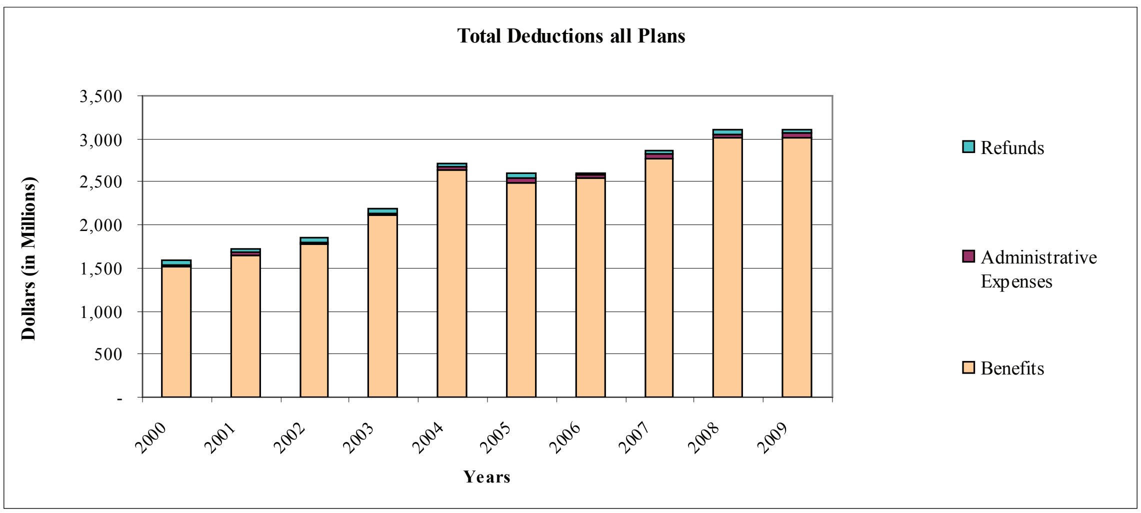
The Schedule of Average Benefit Payments presents average monthly benefits, final average salary, and number of retirees still receiving benefits, by year of retirement. The total section presents averages for all retirees still receiving benefits regardless of when their retirement benefits began. The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

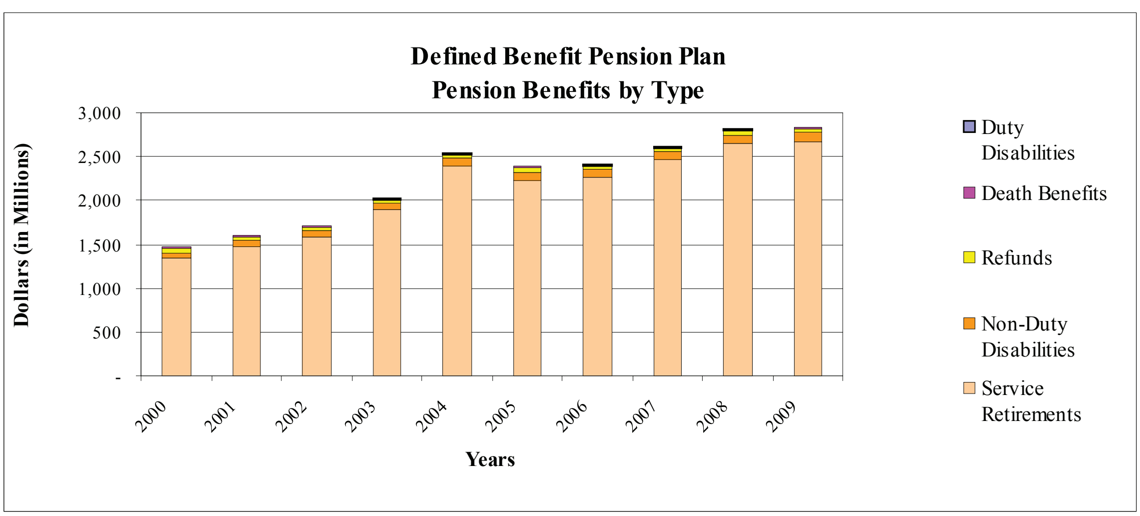
The Schedule of Benefit Recipients by Benefit Type shows retired members by benefit level, benefit types, and payment options selected.

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 1980.

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.


Total Additions all Plans
15,000
10,000
5,000
-
(5,000)
(10,000)
(15,000)
Dollars (in Millions)
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Years
Net Investment and Other Income
Employer Contributions
Employee Contributions


Total Deductions all Plans
3,500
3,000
2,500
2,000
1,500
1,000
500
-
Dollars (in Millions)
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Years
Refunds
Administrative Expenses
Benefits


Defined Benefit Pension Plan
Pension Benefits by Type
3,000
2,500
2,000
1,500
1,000
500
-
Dollars (in Millions)
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Years
Duty Disabilities
Death Benefits
Refunds
Non-Duty Disabilities
Service Retirements

Changes in Plan Net Assets
For the Last Ten Years Ended June 30:

Defined Benefit Pension Plan[1]

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 348,244,045	$ 1,022,650,598	17.53%	$ 6,680,242,927	$ 8,051,137,570
2001	370,165,609	639,010,754	10.80	(3,465,913,890)	(2,456,737,527)
2002	391,542,211	989,078,917	15.56	(2,422,055,208)	(1,041,434,080)
2003	400,988,567	2,578,989,169	39.91	1,465,990,471	4,445,968,207
2004	185,693,017	3,166,153,073	63.39	7,182,539,171	10,534,385,261
2005	9,590,285	815,807,985	14.77	5,686,759,377	6,512,157,647
2006	9,611,666	783,921,381	12.70	6,919,097,410	7,712,630,457
2007	13,680,980	597,372,229	8.70	10,589,123,834	11,200,177,043
2008	11,937,362	763,164,823	10.30	(2,804,736,029)	(2,029,633,844)
2009	8,452,030	649,706,891	7.88	(12,903,220,545)	(12,245,061,624)

Oregon Public Service Retirement Plan[2]
Individual Account Program

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2004	$ 201,306,142	$ N/A	N/A%	$ 1,606,791	$ 202,912,933
2005	362,893,934	N/A	N/A	51,969,806	414,863,740
2006	417,555,791	N/A	N/A	139,735,992	557,291,783
2007	439,720,328	N/A	N/A	309,126,786	748,847,114
2008	465,517,744	N/A	N/A	(54,596,058)	410,921,686
2009	495,933,952	N/A	N/A	(553,146,972)	(57,213,020)

Deferred Compensation Plan

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 41,512,686	$ N/A	N/A%	$ 69,840,556	$ 111,353,242
2001	43,512,667	N/A	N/A	(61,887,870)	(18,375,203)
2002	47,472,963	N/A	N/A	(41,865,658)	5,607,305
2003	50,279,420	N/A	N/A	15,987,532	66,266,952
2004	56,479,388	N/A	N/A	79,874,001	136,353,389
2005	56,542,080	N/A	N/A	53,506,406	110,048,486
2006	59,724,202	N/A	N/A	70,672,287	130,396,489
2007	66,152,631	N/A	N/A	129,511,435	195,664,066
2008	70,448,534	N/A	N/A	(74,030,166)	(3,581,632)
2009	66,727,977	N/A	N/A	(142,099,959)	(75,371,982)

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.

Changes in Plan Net Assets
For the Last Ten Years Ended June 30: (continued)

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	1,423,192,357	$	18,568,579	$	51,726,463	$	1,493,487,399	$	6,557,650,171
	1,558,218,989		25,374,819		46,243,701		1,629,837,509		(4,086,575,036)
	1,667,133,815		17,456,752		46,086,912		1,730,677,479		(2,772,111,559)
	1,978,887,202		16,784,817		42,640,295		2,038,312,314		2,407,655,893
	2,495,222,891		26,318,257		42,193,518		2,563,734,666		7,970,650,595
	2,340,813,964		34,683,299		60,241,863		2,435,739,126		4,076,418,521
	2,371,628,570		27,582,755		33,172,837		2,432,384,162		5,280,246,295
	2,574,588,942		35,620,392		41,222,535		2,651,431,869		8,548,745,174
	2,768,305,300		33,050,622		50,660,781		2,852,016,703		(4,881,650,547)
	2,790,218,464		33,653,536		36,548,963		2,860,420,963		(15,105,482,587)

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	N/A	**$**	1,400,300	$	N/A	$	1,400,300	$	201,512,633
	1,234,891		5,243,347		N/A		6,478,238		408,385,502
	14,791,999		6,237,195		N/A		21,029,194		536,262,589
	36,379,230		7,291,683		N/A		43,670,913		705,176,201
	55,478,104		7,871,419		N/A		63,349,523		347,572,163
	49,534,423		8,413,392		N/A		57,947,815		(115,160,835)

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	26,484,319	$	607,203	$	N/A	$	27,091,522	$	84,261,720
	28,387,233		589,512		N/A		28,976,745		(47,351,948)
	41,149,643		685,523		N/A		41,835,166		(36,227,861)
	33,596,122		660,144		N/A		34,256,266		32,010,686
	40,377,599		759,180		N/A		41,136,779		95,216,610
	39,406,579		703,809		N/A		40,110,388		69,938,098
	40,544,067		884,438		N/A		41,428,505		88,967,984
	49,835,260		606,410		N/A		50,441,670		145,222,396
	50,366,273		800,668		N/A		51,166,941		(54,748,573)
	38,858,335		816,033		N/A		39,674,368		(115,046,350)

Changes in Plan Net Assets
For the Last Ten Years Ended June 30:

Retirement Health Insurance Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ N/A	$ 40,216,109	0.70%	$ 7,755,534	$ 47,971,643
2001	N/A	42,294,496	0.70	(4,089,006)	38,205,490
2002	N/A	40,154,004	0.64	(4,290,677)	35,863,327
2003	N/A	41,248,903	0.64	2,890,216	44,139,119
2004	N/A	40,619,811	0.64	20,706,960	61,326,771
2005	N/A	37,308,769	0.64	17,106,276	54,415,045
2006	N/A	38,162,075	0.59	23,296,256	61,458,331
2007	N/A	41,171,759	0.59	39,609,224	80,780,983
2008	N/A	27,783,093	0.37	(10,246,057)	17,537,036
2009	N/A	28,812,705	0.37	(52,278,868)	(23,466,163)

Retiree Health Insurance Premium Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ N/A	$ 1,026,624	0.07%	$ 584,686	$ 1,611,310
2001	N/A	1,178,373	0.07	(280,574)	897,799
2002	N/A	1,424,727	0.09	(155,146)	1,269,581
2003	N/A	1,599,744	0.09	46,286	1,646,030
2004	N/A	3,100,423	0.16	642,012	3,742,435
2005	N/A	2,344,259	0.16	594,376	2,938,635
2006	N/A	2,190,254	0.13	777,757	2,968,011
2007	N/A	2,399,843	0.13	1,301,049	3,700,892
2008	N/A	1,791,179	0.10	(312,725)	1,478,454
2009	N/A	2,005,173	0.10	(1,578,384)	426,789

Standard Retiree Health Insurance Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 36,870,774	$ N/A	N/A%	$ 1,505,437	$ 38,376,211
2001	45,492,117	N/A	N/A	1,844,957	47,337,074
2002	52,273,896	N/A	N/A	902,103	53,175,999
2003	66,380,497	N/A	N/A	542,712	66,923,209
2004	72,894,536	N/A	N/A	171,405	73,065,941
2005	85,791,039	N/A	N/A	240,016	86,031,055
2006	85,662,507	N/A	N/A	414,342	86,076,849
2007	88,765,182	N/A	N/A	567,775	89,332,957
2008	103,966,410	N/A	N/A	546,899	104,513,309
2009	115,386,399	N/A	N/A	307,557	115,693,956

Changes in Plan Net Assets
For the Last Ten Years Ended June 30: (continued)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 22,608,438	$ 1,827,016	$ N/A	$ 24,435,454	$ 23,536,189
23,239,431	1,916,176	N/A	25,155,607	13,049,883
23,627,238	782,513	N/A	24,409,751	11,453,576
23,906,241	724,104	N/A	24,630,345	19,508,774
24,632,880	708,696	N/A	25,341,576	35,985,195
25,282,377	777,979	N/A	26,060,356	28,354,689
26,059,316	887,743	N/A	26,947,059	34,511,272
26,887,060	876,363	N/A	27,763,423	53,017,560
27,624,361	899,601	N/A	28,523,962	(10,986,926)
28,262,580	958,311	N/A	29,220,891	(52,687,054)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 902,695	$ 117,218	$ N/A	$ 1,019,913	$ 591,397
947,685	102,327	N/A	1,050,012	(152,213)
1,155,018	231,241	N/A	1,386,259	(116,678)
1,367,993	116,422	N/A	1,484,415	161,615
1,656,993	62,320	N/A	1,719,313	2,023,122
1,922,701	81,816	N/A	2,004,517	934,118
2,120,368	143,252	N/A	2,263,620	704,391
2,047,322	119,875	N/A	2,167,197	1,533,695
1,906,431	104,880	N/A	2,011,311	(532,857)
1,926,236	115,770	N/A	2,042,006	(1,615,217)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 35,937,352	$ 167,914	$ N/A	$ 36,105,266	$ 2,270,945
39,831,041	191,375	N/A	40,022,416	7,314,658
49,376,276	1,211,427	N/A	50,587,703	2,588,296
84,504,240	1,434,292	N/A	85,938,532	(19,015,323)
80,896,727	1,607,619	N/A	82,504,346	(9,438,405)
86,457,202	1,748,210	N/A	88,205,412	(2,174,357)
83,475,045	2,039,378	N/A	85,514,423	562,426
86,598,610	1,973,750	N/A	88,572,360	760,597
101,781,280	2,021,229	N/A	103,802,509	710,800
113,074,954	2,149,795	N/A	115,224,749	469,207

Changes in Plan Net Assets
For the Years Ended December 31[1]:

Defined Benefit Pension Plan[2]

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1999	$ 347,053,753	$ 981,343,197	17.70%	$ 7,455,428,861	$ 8,783,825,811
2000	358,532,128	617,392,002	10.52	140,492,280	1,116,416,410
2001	385,221,900	715,640,552	11.52	(2,704,326,428)	(1,603,463,976)
2002	397,510,787	1,705,408,456	26.39	(3,453,139,033)	(1,350,219,790)
2003	404,989,521	3,726,733,326	58.44	8,841,448,116	12,973,170,963
2004	14,180,906	1,035,192,490	18.39	5,883,962,236	6,933,335,632
2005	8,354,073	1,165,678,216	18.51	6,045,479,892	7,219,512,181
2006	10,751,524	605,587,796	8.27	7,920,833,371	8,537,172,691
2007	16,130,758	744,532,532	10.47	5,587,420,758	6,348,084,048
2008	7,316,509	639,128,268	7.86	(16,483,601,895)	(15,837,157,118)

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 Additions by Source
2003	$ N/A	$ N/A	N/A%	$ N/A	$ N/A
2004	357,062,609	N/A	N/A	31,356,902	388,419,511
2005	426,126,034	N/A	N/A	112,037,318	538,163,352
2006	444,988,910	N/A	N/A	212,183,144	657,172,054
2007	451,403,761	N/A	N/A	197,649,097	649,052,858
2008	476,238,379	N/A	N/A	(681,055,059)	(204,816,680)

Deferred Compensation Plan

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1999	$ 40,900,068	$ N/A	N/A%	$ 96,754,765	$ 137,654,833
2000	48,984,327	N/A	N/A	(18,990,331)	29,993,996
2001	42,815,469	N/A	N/A	(44,610,460)	(1,794,991)
2002	51,123,470	N/A	N/A	(50,282,443)	841,027
2003	50,217,519	N/A	N/A	99,459,493	149,677,012
2004	59,671,251	N/A	N/A	68,420,696	128,091,947
2005	56,557,468	N/A	N/A	49,783,696	106,341,164
2006	63,268,289	N/A	N/A	90,212,220	153,480,509
2007	67,874,937	N/A	N/A	65,816,348	133,691,285
2008	72,316,124	N/A	N/A	(268,310,470)	(195,994,346)

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.

Changes in Plan Net Assets
For the Years Ended December 31: (continued)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 1,404,568,279	$ 17,636,439	$ 47,338,113	$ 1,469,542,831	$ 7,314,282,980
1,509,574,384	22,240,490	48,558,962	1,580,373,836	(463,957,426)
1,626,837,851	20,934,512	42,537,159	1,690,309,522	(3,293,773,498)
1,746,727,771	16,156,679	39,767,828	1,802,652,278	(3,152,872,068)
2,305,913,864	23,026,963	44,485,825	2,373,426,652	10,599,744,311
2,432,307,750	29,965,677	75,329,010	2,537,602,437	4,395,733,195
2,372,895,822	32,264,214	42,143,663	2,447,303,699	4,772,208,482
2,514,479,244	29,588,997	61,059,360	2,605,127,601	5,932,045,090
2,630,279,015	37,662,196	38,197,392	2,706,138,603	3,641,945,445
2,784,164,757	29,502,963	27,117,003	2,840,784,723	(18,677,941,841)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ N/A	$ 264,574	$ N/A	$ 264,574	$ (264,574)
6,272,929	4,472,158	N/A	10,745,087	377,674,424
3,682,712	4,177,338	N/A	7,860,050	530,303,302
30,051,229	8,061,455	N/A	38,112,684	619,059,370
47,529,077	7,583,898	N/A	55,112,975	593,939,883
58,765,223	8,183,279	N/A	66,948,502	(271,765,182)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 25,252,693	$ 568,686	$ N/A	$ 25,821,379	$ 111,833,454
34,886,565	619,774	N/A	35,506,339	(5,512,343)
29,114,174	660,738	N/A	29,774,912	(31,569,903)
41,926,056	691,968	N/A	42,618,024	(41,776,997)
38,162,887	745,559	N/A	38,908,446	110,768,566
41,080,360	748,208	N/A	41,828,568	86,263,379
38,351,898	878,538	N/A	39,230,436	67,110,728
40,706,739	684,991	N/A	41,391,730	112,088,779
50,697,210	763,382	N/A	51,460,592	82,230,693
47,955,641	795,233	N/A	48,750,874	(244,745,220)

Changes in Plan Net Assets
For the Years Ended December 31[1]:

Retirement Health Insurance Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1999	$ N/A	$ 37,376,705	0.66%	$ 6,649,301	$ 44,026,006
2000	N/A	41,061,988	0.66	302,467	41,364,455
2001	N/A	41,754,333	0.67	(4,658,153)	37,096,180
2002	N/A	41,355,199	0.65	(7,434,689)	33,920,510
2003	N/A	40,789,302	0.65	23,713,608	64,502,910
2004	N/A	37,923,918	0.56	16,550,236	54,474,154
2005	N/A	39,202,772	0.58	20,112,501	59,315,273
2006	N/A	39,481,902	0.54	28,532,583	68,014,485
2007	N/A	35,457,965	0.45	22,089,579	57,547,544
2008	N/A	28,043,517	0.34	(66,077,417)	(38,033,900)

Retiree Health Insurance Premium Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1999	$ N/A	$ 1,743,362	0.10%	$ 424,114	$ 2,167,476
2000	N/A	1,121,770	0.06	14,417	1,136,187
2001	N/A	1,329,246	0.07	(180,170)	1,149,076
2002	N/A	1,581,544	0.09	(272,924)	1,308,620
2003	N/A	2,175,955	0.13	728,395	2,904,350
2004	N/A	2,678,731	0.14	550,508	3,229,239
2005	N/A	2,454,389	0.13	679,346	3,133,735
2006	N/A	2,284,194	0.14	920,910	3,205,104
2007	N/A	2,148,731	0.03	688,777	2,837,508
2008	N/A	1,867,402	0.08	(2,004,488)	(137,086)

Standard Retiree Health Insurance Account[2]

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 41,997,999	$ N/A	N/A%	$ 1,820,773	$ 43,818,772
2001	46,694,469	N/A	N/A	1,393,560	48,088,029
2002	58,309,342	N/A	N/A	739,717	59,049,059
2003	74,112,002	N/A	N/A	257,949	74,369,951
2004	76,650,658	N/A	N/A	191,037	76,841,695
2005	95,083,219	N/A	N/A	315,549	95,398,768
2006	75,665,624	N/A	N/A	497,598	76,163,222
2007	95,880,250	N/A	N/A	610,522	96,490,772
2008	112,216,307	N/A	N/A	437,169	112,653,476

1 Calendar year-end information is provided because earnings are distributed as of December 31.
2 Standard Retiree Health Insurance Account was added to the System July 1, 1999.

Changes in Plan Net Assets
For the Years Ended December 31: (continued)

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	22,411,800	$	1,777,895	$	N/A	$	24,189,695	$	19,836,311
	22,909,640		1,843,153		N/A		24,752,793		16,611,662
	23,505,793		1,961,990		N/A		25,467,783		11,628,397
	23,679,226		402,662		N/A		24,081,888		9,838,622
	24,236,456		467,080		N/A		24,703,536		39,799,374
	24,991,280		712,195		N/A		25,703,475		28,770,679
	25,601,296		698,986		N/A		26,300,282		33,014,991
	26,552,598		978,785		N/A		27,531,383		40,483,102
	27,244,840		888,308		N/A		28,133,148		29,414,396
	27,976,500		918,244		N/A		28,894,744		(66,928,644)

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	908,988	$	107,147	$	N/A	$	1,016,135	$	1,151,341
	873,353		138,941		N/A		1,012,294		123,893
	1,038,690		85,124		N/A		1,123,814		25,262
	1,291,244		127,636		N/A		1,418,880		(110,260)
	1,519,455		219,529		N/A		1,738,984		1,165,366
	1,735,776		63,256		N/A		1,799,032		1,430,207
	2,070,218		117,939		N/A		2,188,157		945,578
	2,158,432		140,794		N/A		2,299,226		905,878
	1,923,159		111,240		N/A		2,034,399		803,109
	1,902,292		101,664		N/A		2,003,956		(2,141,042)

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	37,137,912	$	166,108	$	N/A	$	37,304,020	$	6,514,752
	45,377,242		176,931		N/A		45,554,173		2,533,856
	65,500,099		1,761,738		N/A		67,261,837		(8,212,778)
	83,199,457		1,624,928		N/A		84,824,385		(10,454,434)
	85,252,661		1,660,849		N/A		86,913,510		(10,071,815)
	87,541,805		1,661,817		N/A		89,203,622		6,195,146
	79,200,286		2,350,930		N/A		81,551,216		(5,387,994)
	93,800,359		2,001,199		N/A		95,801,558		689,214
	109,997,682		2,055,483		N/A		112,053,165		600,311

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	Death Benefits	Refunds	Total
2000	$ 1,350,313,078	$ 7,328,142	$ 56,328,089	$ 9,223,048	$ 51,726,463	$ 1,474,918,820
2001	1,478,544,032	7,822,924	62,163,492	9,688,541	46,243,701	1,604,462,690
2002	1,578,535,743	8,496,606	69,979,830	10,121,636	46,086,912	1,713,220,727
2003	1,888,912,273	9,102,457	74,949,807	5,922,665	42,640,295	2,021,527,497
2004	2,395,783,190	10,035,722	80,793,817	8,610,162	42,193,518	2,537,416,409
2005	2,233,603,114	10,929,003	85,709,442	10,572,405	60,241,863	2,401,055,827
2006	2,264,988,154	11,371,883	89,310,558	5,957,975	33,172,837	2,404,801,407
2007	2,462,885,953	12,113,128	93,493,033	6,096,828	41,222,535	2,615,811,477
2008	2,646,746,186	13,363,139	96,763,796	11,432,179	50,660,781	2,818,966,081
2009	2,674,985,124	14,270,486	100,050,006	912,848	36,548,963	2,826,767,427

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

Calendar Year	Tier One Earnings/(Loss) Available for Crediting	Credited: Tier One	Credited: Tier Two[4]	Variable Earnings/(Loss) Credited	Individual Account Program
1999	24.89%	11.33%[2]	21.97%	28.83%	
2000	0.63	8.00	0.54	(3.24)	
2001	(7.17)	8.00	(6.66)	(11.19)	
2002	(8.93)	8.00	(8.93)	(21.51)	
2003	23.79	8.00[2]	22.00	34.68	
2004	13.80	8.00	13.27	13.00	12.77%[3]
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)

1 Calendar year-end information is provided because earnings are credited as of December 31.
2 Revised by the Board based upon Oregon Supreme Court decisions.
3 The Individual Account Program began in 2004 and was remediated in 2006 to reflect annual earnings credited for 2004 and 2005.
4 Tier Two earnings available and credited are the same.

Schedule of Average Benefits for Retiree Health Insurance Account* For the Year Ended June 30, 2009:

Years Credited Service	8+
Average Monthly Benefit	$60.00
Final Average Salary	N/A
Number of Active Retirees	38,923

Schedule of Average Benefits for Retiree Health Insurance Premium Account* For the Year Ended June 30, 2009:

	Years Credited Service: 8 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Average Monthly Benefit	$132.22	$158.67	$185.11	$211.55	$238.00	$264.44	$234.86
Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Active Retirees	10	32	67	120	174	306	709

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

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1999 to June 30, 2009	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
2000 Average Monthly Benefit	$ 314.88	$ 748.81	$1,204.09	$1,930.49	$2,920.47	$4,051.67	$4,780.14	$2,325.73
Final Average Salary	$2,106.75	$2,517.33	$2,919.61	$3,395.33	$4,094.83	$4,855.80	$5,053.21	$3,622.55
Number of Active Retirees	427	569	546	628	706	930	241	4,047
2001 Average Monthly Benefit	$ 405.07	$ 683.83	$1,209.61	$1,875.77	$2,859.28	$3,993.94	$4,392.49	$2,229.74
Final Average Salary	$2,298.74	$2,506.89	$2,985.41	$3,413.89	$4,005.31	$4,741.61	$4,509.91	$3,590.11
Number of Active Retirees	533	521	599	629	739	920	242	4,183
2002 Average Monthly Benefit	$ 650.32	$ 828.63	$1,215.94	$1,922.28	$2,838.40	$4,160.16	$4,811.00	$2,558.26
Final Average Salary	$2,358.73	$2,581.29	$3,011.10	$3,536.06	$4,166.85	$4,827.51	$4,996.84	$3,851.36
Number of Active Retirees	386	557	705	683	1,019	1,233	364	4,947
2003 Average Monthly Benefit	$ 856.88	$1,006.22	$1,362.42	$1,954.71	$2,875.88	$4,217.31	$5,164.67	$2,783.01
Final Average Salary	$2,365.72	$2,528.25	$3,141.55	$3,656.38	$4,251.49	$4,964.41	$5,335.30	$4,040.81
Number of Active Retirees	662	1,165	1,565	1,770	2,502	2,881	1,121	11,666
2004 Average Monthly Benefit	$ 935.03	$ 860.15	$1,206.82	$1,770.33	$2,693.70	$3,946.89	$4,498.67	$2,433.84
Final Average Salary	$2,168.88	$2,564.20	$2,990.26	$3,513.72	$4,043.37	$4,634.68	$4,826.98	$3,759.32
Number of Active Retirees	359	598	833	947	1,143	1,419	332	5,631
2005 Average Monthly Benefit	$ 801.66	$ 864.45	$1,249.86	$1,781.65	$2,703.55	$3,910.88	$4,164.56	$2,272.84
Final Average Salary	$2,152.57	$2,797.65	$2,863.10	$3,289.22	$3,933.06	$4,451.82	$3,765.14	$3,517.24
Number of Active Retirees	261	459	524	555	533	844	120	3,296
2006 Average Monthly Benefit	$ 773.70	$ 805.04	$1,158.06	$1,718.29	$2,665.55	$3,821.22	$4,221.45	$2,235.30
Final Average Salary	$2,271.79	$2,970.52	$3,472.75	$3,682.48	$4,128.46	$4,785.11	$4,408.65	$3,877.70
Number of Active Retirees	228	476	624	677	613	901	173	3,692
2007 Average Monthly Benefit	$ 720.63	$ 806.15	$1,155.28	$1,703.07	$2,534.56	$3,808.91	$4,395.92	$2,284.14
Final Average Salary	$2,553.98	$3,229.36	$3,432.01	$3,994.66	$4,680.36	$5,308.36	$5,168.70	$4,306.19
Number of Active Retirees	269	551	602	787	615	1,066	280	4,170
2008 Average Monthly Benefit	$ 844.97	$ 798.23	$1,197.84	$1,604.43	$2,332.94	$3,792.26	$4,670.22	$2,304.89
Final Average Salary	$2,416.86	$3,150.35	$3,997.78	$4,386.41	$4,706.43	$5,574.01	$5,680.10	$4,608.00
Number of Active Retirees	283	533	636	861	755	1,143	339	4,550
2009 Average Monthly Benefit	$ 818.84	$ 868.31	$1,165.89	$1,645.22	$2,415.30	$3,726.15	$4,801.05	$2,404.04
Final Average Salary	$2,951.31	$3,298.61	$4,213.32	$4,612.67	$5,060.59	$5,744.27	$6,127.04	$4,913.37
Number of Active Retirees	233	449	512	691	613	940	399	3,837
Total Average Monthly Benefit	**$ 389.22**	**$610.77**	**$1,000.44**	**$1,545.14**	**$2,383.18**	**$3,525.79**	**$3,850.77**	**$2,059.66**
Final Average Salary	**$2,085.93**	**$2,444.31**	**$2,861.37**	**$3,342.15**	**$3,908.58**	**$4,637.36**	**$4,619.84**	**$3,629.22**
Number of Active Retirees	**8,783**	**13,154**	**15,252**	**17,972**	**18,976**	**23,260**	**10,539**	**107,936**

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2009

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	20,887	16,759	171	242	3,454	261	3,194	4,819	3,916	1,369	661	3,994	2,326	608
501 - 1000	17,520	14,296	119	759	2,032	314	2,897	5,261	4,235	1,919	633	1,323	942	310
1001 - 1500	13,725	11,388	93	760	1,256	228	2,046	4,015	3,742	1,738	464	791	718	211
1501 - 2000	10,769	9,076	101	632	771	189	1,472	3,029	3,075	1,358	374	633	639	189
2001 - 2500	9,042	7,920	64	448	494	116	1,155	2,507	2,587	1,197	262	522	661	151
2501 - 3000	7,678	6,946	50	297	326	59	999	2,106	2,371	1,111	262	307	401	121
3001 - 3500	6,642	6,133	33	198	252	26	826	1,784	2,390	1,033	207	150	198	54
3501 - 4000	5,782	5,468	18	123	156	17	530	1,602	2,242	974	196	89	109	40
4001 - 4500	4,990	4,780	19	63	118	10	435	1,252	2,133	893	137	36	76	28
4501 - 5000	3,556	3,425	9	39	81	2	302	908	1,576	598	107	15	41	9
5001 - 5500	2,585	2,494	10	27	52	2	185	641	1,148	504	71	13	20	3
5501 - 6000	1,702	1,651	4	16	31	–	103	381	779	371	42	4	16	6
6000 plus	3,058	2,954	2	20	81	1	167	644	1,513	631	50	10	36	7
Totals	**107,936**	**93,290**	**693**	**3,624**	**9,104**	**1,225**	**14,311**	**28,949**	**31,707**	**13,696**	**3,466**	**7,887**	**6,183**	**1,737**

<u>*Type of Retirement</u>
1 - Normal
2 - Duty Disability
3 - Non-Duty Disability
4 - Survivor Payment
5 - Alternate Payee

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

Schedule of Retirement System Membership at December 31:

	1980	1985	1990	1995	2000	2005
State Agencies	37,935	37,824	46,187	45,068	42,434	38,076
School Districts	46,150	47,590	48,144	55,734	63,133	56,756
Political Subdivisions	23,728	26,238	33,177	40,635	53,291	50,085
Inactive Members	14,128	15,920	23,225	32,033	44,830	47,289
Total Non-Retired	121,941	127,572	150,733	173,470	203,688	192,206
Retired Members and Beneficiaries	32,832	46,181	55,540	64,796	82,355	101,213
Total Membership	154,773	173,753	206,273	238,266	286,043	293,419
Administrative Expense	$ 1,949,677	$ 2,905,072	$ 8,901,091	$ 13,500,677	$ 24,358,550	$ 40,056,600
Pension Roll (one month)	$ 7,474,402	$ 18,083,614	$ 33,175,888	$ 58,457,531	$122,467,087	$ 202,633,214

Schedule of Retirement System Membership at June 30:

	2004	2005	2006	2007	2008	2009
State Agencies	41,818	39,588	36,817	42,906	41,872	44,377
School Districts	62,804	58,566	55,493	65,792	69,840	70,946
Political Subdivisions	56,186	51,768	48,442	55,850	55,740	55,745
Inactive Members	48,627	48,017	46,952	52,513	46,356	43,397
Total Non-Retired	209,435	197,939	187,704	217,061	213,808	214,465
Retired Members and Beneficiaries	98,686	100,124	101,519	103,368	105,721	107,936
Total Membership	308,121	298,063	289,223	320,429	319,529	322,401
Administrative Expense	$ 30,097,192	$ 42,534,651	$ 37,776,761	$ 46,488,473	$ 44,748,419	$ 46,106,837
Pension Roll (one month)	$ 207,501,846	$ 184,518,138	$ 205,232,050	$216,137,975	$ 230,863,092	$ 227,379,725

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

	2009		2006	
	Number of Current Employees	Percent of Total System	Number of Current Employees	Percent of Total System
State of Oregon	44,377	25.94%	37,973	24.23%
Oregon Health & Science University	5,964	3.49	4,988	3.18
Portland Public Schools	5,589	3.27	4,984	3.18
Salem-Keizer Public Schools	4,613	2.70	3,948	2.52
Beaverton School District	4,597	2.69	3,488	2.23
City of Portland	4,524	2.64	3,509	2.24
Multnomah County	4,298	2.50	4,047	2.58
Hillsboro School District	2,520	1.47	1,974	1.26
Portland Community College	2,201	1.29	2,849	1.82
Eugene School District	2,171	1.27	1,864	1.19
All Others*	90,214	52.74	87,074	55.57
Totals	171,068	100.00%	156,698	100.00%
* “All Others” consisted of:				
Counties	13,075	7.64%	12,381	7.90%
Municipalities	12,030	7.03	11,410	7.28
School Districts	51,456	30.08	49,710	31.73
Community Colleges	6,296	3.69	6,635	4.23
Other Political Subdivisions	7,357	4.30	6,938	4.43
Total All Others	90,214	52.74%	87,074	55.57%

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

Schedule of Participating Employers (885)

State (116)

Appraiser Certification and Licensure Board
Board of Accountancy
Board of Architect Examiners
Board of Chiropractic Examiners
Board of Examiners for Engineering and Land Surveying
Board of Geologists Examiners
Board of Optometry
Board of Parole and Post-Prison Supervision
Board of Pharmacy
Board of Psychologist Examiners
Bureau of Labor and Industries
Chancellor's Office
Commission on Indian Services
Commission on Judicial Fitness and Disability
Construction Contractors Board
Department of Administrative Services
Department of Agriculture
Department of Aviation
Department of Community Colleges and Work Force Development
Department of Consumer and Business Services
Department of Corrections
Department of Education
Department of Energy
Department of Environmental Quality
Department of Human Services
Department of Justice
Department of Land Conservation and Development
Department of Military — Federal Employees
Department of Revenue
Department of State Lands
Department of State Police
Department of Transportation
Department of Veterans' Affairs
District Attorneys Department
Eastern Oregon University
Economic Development Department
Employment Department
Employment Relations Board
Forestry Department
Geology and Mineral Industries
Health Related Licensing Boards
Industries for the Blind
Judges PERS
Judicial Department
Land Use Board of Appeals
Landscape Contractors Board
Legislative Administration Board
Legislative Assembly
Legislative Committees
Legislative Fiscal Office
Long Term Care Ombudsman
Military Department
Office of the Governor
Office of Legislative Counsel
Office of Private Health Partnerships
Office of the State Treasurer
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 Commission for the Blind
Oregon Commission on Children and Families
Oregon Corrections Enterprises
Oregon Criminal Justice Commission
Oregon Dairy Products Commission
Oregon Department of Fish and Wildlife
Oregon Dungeness Crab Commission
Oregon Film and Video
Oregon Forest Resources Institute
Oregon Fryer Commission
Oregon Government Ethics Commission
Oregon Hazelnut Commission
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 University
Oregon Tourism Commission
Oregon Trawl Commission
Oregon Watershed Enhancement Board
Oregon Wheat Commission
Oregon Wine Board
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 (485)

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
Clatskanie, City of
Clatskanie Library District
Clatskanie People's Utility District
Clatskanie RFPD
Clatsop County
Clatsop County 4-H and Extension Service District
Clean Water Services
Cloverdale RFPD
Coburg, City of
Coburg RFPD
Colton RFPD 70
Columbia, City of
Columbia County
Columbia County 911 Communications District
Columbia Drainage Vector Control District
Columbia Health 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 2
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 RFPD
Junction City, City of
Keizer RFPD
Keizer, City of
Keno RFPD
King City, City of
Klamath County
Klamath County Emergency Communications District
Klamath County Fire District 1
Klamath Falls, City of
Klamath Housing Authority
Klamath Vector Control District
Knappa Svensen Burnside RFPD
La Grande, City of
La Pine RFPD
Lafayette, City of
Lake County
Lake County 4-H and Extension Service District
Lake County Library District
Lake Oswego, City of
Lakeside, City of
Lakeside Water District
Lakeview, Town of
Lane Council of Governments
Lane County
Lane County Fair Board
Lane County Fire District 1
Lane Rural Fire Rescue
League of Oregon Cities
Lebanon Aquatic District
Lebanon, City of
Lebanon RFPD
Lincoln City, City of
Lincoln County

Lincoln County Communications Agency
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 Council of Governments
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
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 Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend City Housing Authority
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell RFPD
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 School Boards Association
Oregon Small Schools 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, City of
Reedsport, City of
Regional Organized Crime Narcotics Task Force
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 Water District
Shady Cove, City of
Sheridan, City of
Sheridan Fire District
Sherman County
Sherwood, City of
Silver Falls Library District
Silverton, City of
Silverton RFPD 2
Sisters and Camp Sherman RFPD
Sisters, City of
Siuslaw Public Library District
Siuslaw RFPD 1
South Fork Water Board
South Lane County Fire and Rescue
South Suburban Sanitary District
Southwest Polk County RFPD
Southwest Lincoln County Water District
Springfield, City of
Springfield Utility District
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
Turner RFPD
Umatilla, City of
Umatilla County
Umatilla County Soil and Water District
Umatilla County Special Library District
Umatilla RFPD 7-405
Vale, City of
Valley View Cemetery Maintenance District
Veneta, City of
Vernonia, City of
Vernonia RFPD
Waldport, City of
Wallowa, City of
Wallowa County
Warrenton, City of
Wasco County
Wasco County Soil and Water Conservation District
Washington County
Washington County Consolidated Communications Agency
Washington County Fire District 2
West Extension Irrigation District
West Linn, City of
West Multnomah Soil and Water Conservation District
West Side Fire District
West Slope Water District
West Valley Fire District
West Valley Housing Authority
Western Lane Ambulance District
Westfir, City of
Weston, City of
Weston Cemetery District
Wheeler, City of
Wickiup Water District
Willamette Valley Fire and Rescue Authority
Willamina, City of
Wilsonville, City of
Winchester Bay Sanitary District
Winston, City of
Winston-Dillard Fire District
Winston-Dillard Water District
Wood Village, City of
Woodburn, City of
Woodburn Fire District
Yachats, City of
Yachats RFPD
Yamhill, City of
Yamhill Communications Agency
Yamhill County
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 (267)

Alliance Charter Academy
Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Ballston Community School
Beaverton School District 45J
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Cascade Heights Public Charter School
Central Curry School District 1
City View Charter School
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
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
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
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
Harney ESD Region 17
Harney CSD 3
Harney CSD 4
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
Hood River CSD
Howard Street Charter School, Inc.
Inavale Community Partners
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
KOREducators
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
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
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
Morrow CSD
Mosier Community 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
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Ridgeline Montessori Public Charter School
Rimrock Academy
Sage Community School
Sand Ridge Charter School
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan Japanese School Foundation
Sherman CSD
Sherwood Charter School
Siletz Valley Early College Academy
Siletz Valley School
Sisters Charter School
Slavic Youth of America
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
Springwater Environmental Sciences School
Sweet Home Charter School
The Emerson School
The Lighthouse School
The Village School
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 21
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-Baker ESD
Union CSD 1
Union CSD 5
Union CSD 11
Union CSD 15
Union CSD 23
Upper Chetco Charter School
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
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J

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Cover art

The image on the front cover is a partial view of the massive Vermont marble relief sculpture flanking the west side of the main entrance to the Oregon State Capitol. Called *The Covered Wagon*, it was sculpted by American artist Leo Friedlander.

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