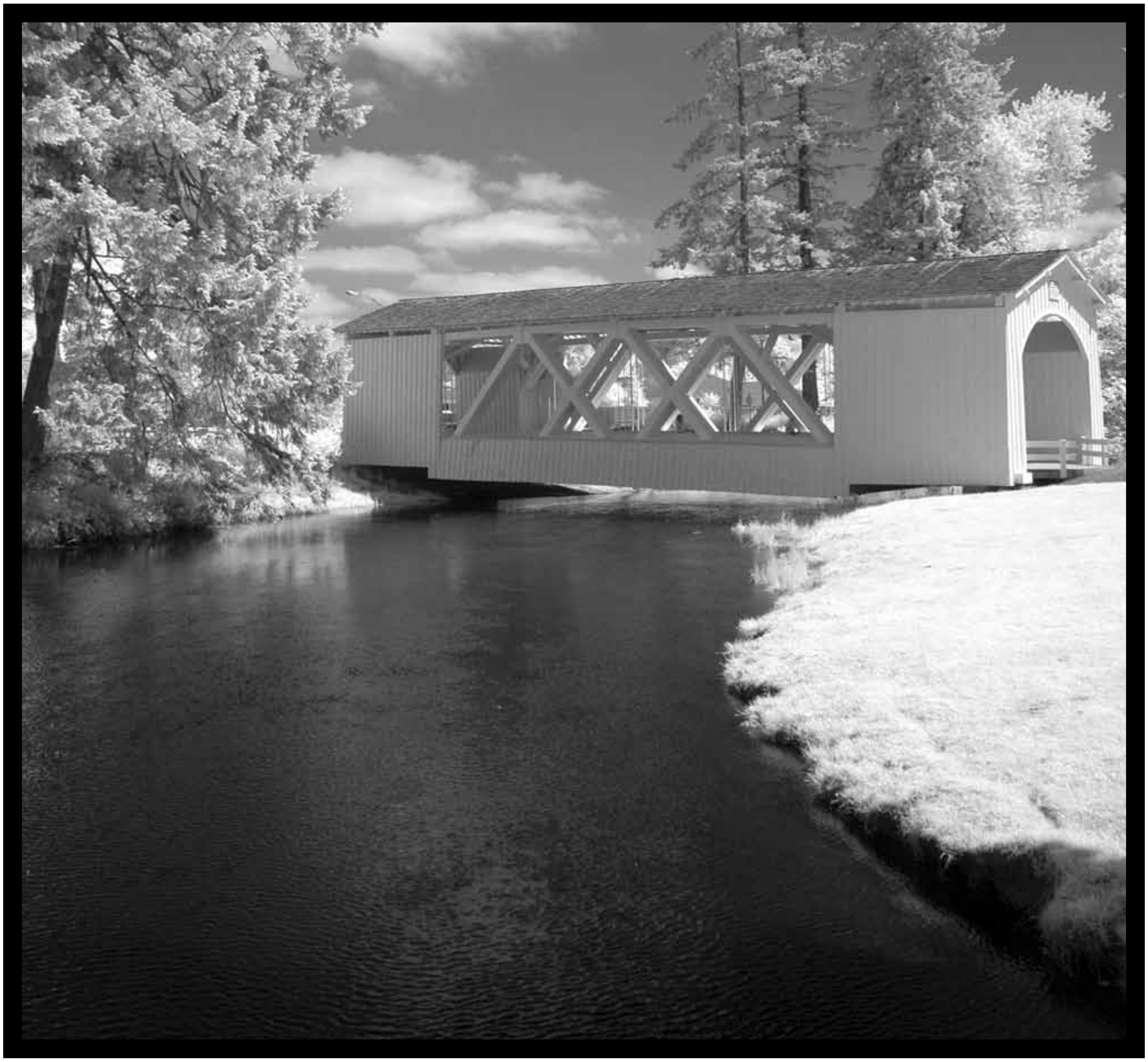

Comprehensive Annual Financial Report
Oregon Public Employees Retirement System
An Agency of the State of Oregon

For the Fiscal Year Ended June 30, 2011

Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Paul R. Cleary
Executive Director

Jon E. DuFrene
Chief Financial Officer

11410 SW 68th Parkway, Tigard OR 97223
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Introductory Section

Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System
Headquarters:
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December 29, 2011

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, 2011. 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, 2011, PERS provided services to 906 employers and to more than 339,000 members, retirees, and beneficiaries.

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

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

Management's Discussion and Analysis

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

Economic Condition and Major Initiatives

The economic condition of PERS is affected primarily by investment earnings. A comparative analysis of investment rates of return is presented on page 65 of this report.

Major Initiatives

Information Integrity

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 PERS 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 within 45 days of the member's retirement date on at least 80 percent of new retirements. This goal will be supported by continuing two initiatives: (1) strengthen the data validation process at the point of data entry and (2) resolve key data exceptions and issues by exposing data to members and employers on a regular basis.

Customer Satisfaction Survey

Our member, retiree, and employer customer satisfaction survey conducted in fiscal year 2010 shows overall improvement from 2009, continuing the positive trend of year-to-year improvement over the five-year survey period.

Oregon Retirement Information On-line Network (ORION)

PERS staff successfully completed its six-year project to replace the Retirement Information Management System (RIMS). Full conversion to the new ORION benefit administration system occurred in June 2011.

Senate Bill 897

Senate Bill 897 was adopted during the February 2010 Oregon legislative special session. Among other things, the bill set up a process where members within two years of their earliest retirement age can request PERS to verify four data elements—account balance, creditable service (i.e., eligible years and months of PERS-covered employment), final average salary, and amount of reported unused sick leave. This process first became available July 1, 2011, for the first three elements and will include the fourth element on or before July 1, 2012. Implementation of the data verification process began soon after adoption, however, as PERS has to adopt rules, policies, and procedures; hire staff; and amend our systems to support the process. Senate Bill 897 also allows OPSRP Pension Program retired members, their spouses, and eligible dependents to participate in the PERS Health Insurance Program.

Online Member Services

Part of the new ORION system that was delivered through the RIMS Conversion Project in 2011 includes the ability for PERS members to access their accounts through the Internet. This new functionality, called Online Member Services (OMS), allows members, alternate payees, and beneficiaries to view their PERS information, make updates, and access records. Non-retired members will be able to view their account balances, employment history, salary history, beneficiary data, and service credit information, as well as be able to generate an estimate using the information that PERS has on file. Withdrawal forms and data verification requests will be available for online submission. Retirees and beneficiaries will be able to view their benefit payment data and update both their permanent residence and benefit check mailing addresses online.

Financial Information

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

Internal Controls

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

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions 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, 2010 actuarial valuation, PERS has a funded ratio of 86.9 percent for the defined benefit plan it administers (see page 53).

Oregon currently ranks 11th in the United States in terms of the funded status of its public pension system, according to "The Widening Gap," a report from the Pew Center on the States published in April 2011. "The state is recovering more quickly from the market crash of 2008 because of its strict accounting methods and because years ago it enacted the sort of pension reforms that other states only now are considering," Pew researchers said. The Pew researchers cited Oregon PERS' accounting methods as one reason for the system's fiscal health. Oregon PERS realizes its investment gains and losses for every year. Other state pension plans "smooth" their investment results by averaging them over several years. "For a really good example of a state that's basically ridden the decline of the market as well as the upswing, I would point you toward Oregon," Pew researcher Kil Huh said during a press conference on the report. "That's really a great example of a state that accounts for its losses and gains on a market basis."

Investments

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

An integral part of investment policy is the strategic asset allocation policy. The target investment portfolio mix at fair value as of June 30, 2011, is 43 percent public equity, 16 percent private equity, 25 percent debt securities, 11 percent real estate, and 5 percent opportunity portfolio.

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

PERS' Regular investment portfolio exhibited high returns in fiscal year 2011 with a rate of return of 22.3 percent. This compares with a rate of return of 17.0 percent for fiscal year 2010. The fund's trailing five-year return was 5.0 percent, 3.0 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 64 through 68.

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, 2010. 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 20 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 2011 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 ninth year the PPCC has offered the award to public retirement systems and the eighth consecutive year PERS has applied for and received the award.

Acknowledgments

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

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

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

Respectfully submitted,

Paul R. Cleary
Executive Director

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 government employees.

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

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

As of December 2011, the three Board members representing business management, pension management, or investing are James Dalton, Eva Kripalani, and Michael Pittman. Pat West was appointed to represent public employees and retirees, and Laurie Warner was appointed to represent public employers. James Dalton is Board chair.

Terms for each member begin and expire with staggered 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.

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, in addition to the PERS Board of directors. Until August 2007, she served as the executive vice president and general counsel of Knowledge Learning Corporation and had 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 more than 20 years experience in the human resources 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.

Laurie Warner

Laurie Warner began working in state government in 1988 when she was hired as assistant director of the Federal Child Nutrition Programs with the Department of Education. In 1991 she was hired as a budget analyst in the Department of Administrative Services (DAS) and was later promoted to budget section manager. In 1999 she left DAS to become deputy director of the Oregon State Parks and Recreation Department, where she later served as acting director. Warner returned to DAS in July 2001 to serve first as the Internal Audits manager and then the Facilities Division administrator. In October 2003 she was asked to serve as the acting director for PERS as it went through Board and program changes required by 2003 legislation. In June 2004, Warner returned to DAS as the deputy director and served as the acting director from September 2004 through December 2005. In January 2006, she was appointed the director of the Employment Department. Warner has a bachelor's degree from Oregon State University and an MBA from Willamette University's Atkinson Graduate School of Management.

Pat West

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

Public Employees Retirement System Organizational Chart

Public Employees Retirement Board

Paul R. Cleary
Executive Director

- Internal Auditor
- Human Resources
- Executive Support

Steven P. Rodeman
Deputy Director

- Oregon State Social Security Administration

Yvette S. Elledge
Administrator, Customer Service Division

- Member Account Priority Processing
- Publications and Communications
- Member/Employer Relations
- Information Center

Jeffrey M. Marecic
Administrator, Information Services Division

- Business Information and Technical Services
- Enterprise Application
- Technical Operations
- Project Management Office

Joseph A. O'Leary
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
- Deferred Compensation
- Health Insurance
- Contracts and Procurement

Public Employees Retirement System Consultants

Actuary
Mercer Human Resource Consulting LLC

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

Insurance Consultant
Butler Partners & Associates LLC

Medical Advisor
F. William Miller, MD

Technology
HP Enterprise Services
Provaliant, Inc.

Auditor
Macias Gini & O'Connell LLP

Investments
Investment managers are reported in the Summary of Investment Fees, Commissions, and Expenses on page 59.

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, 2010

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 2011

Presented to

Oregon Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Financial Section

MGO Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles/Century City • Newport Beach • San Diego

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INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying statement of fiduciary net assets of the fiduciary funds and the statement of net assets of the proprietary fund of the Oregon Public Employees Retirement System (the System), a pension trust fund of the State of Oregon, as of June 30, 2011, and the related statement of changes in fiduciary net assets of the fiduciary funds, and the statements of revenues, expenses and changes in net assets and cash flows of the proprietary fund for the year then ended. 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. The prior year summarized comparative information has been derived from the System's 2010 financial statements which were audited by other auditors whose report thereon dated December 21, 2010 expressed an unqualified opinion.

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 Standar*ds, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary funds and proprietary fund of the Oregon Public Employees Retirement System as of June 30, 2011, and the changes in financial position of the fiduciary funds and the changes in financial position and cash flows of the proprietary fund for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 3(B), based on the most recent pension plan actuarial valuation as of December 31, 2010, the System's independent actuary determined that the value of the System's actuarial accrued liability exceeded the actuarial value of its assets by $7.7 billion.

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CA 94596

505 14th Street
5th Floor
Oakland
CA 94612

2029 Century Park East
Suite 500
Los Angeles
CA 90067

4675 MacArthur Ct.
Suite 600
Newport Beach
CA 92660

225 Broadway
Suite 1750
San Diego
CA 92101

Also described in Note 3(B), based on the most recent actuarial valuations for the post-employment healthcare benefit plans as of December 31, 2010, the System's independent actuary determined that the value of the System's actuarial accrued liabilities exceeded the actuarial value of its assets by $314.8 million for the Retirement Health Insurance Account plan, and $28.2 million for the Retiree Health Insurance Premium Account plan.

In accordance with *Government Auditing Standards*, we have issued our report dated December 29, 2011, 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 and contracts 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplemental schedules in the financial section are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Macias Gini & O'Connell LLP

Sacramento, California
December 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Oregon Public Employees Retirement System's (PERS or "the System") financial performance during the fiscal year that ended June 30, 2011. It is a narrative overview and analysis that we present in conjunction with the Letter of Transmittal, included in the Introductory Section of this Comprehensive Annual Financial Report. It should also be read in conjunction with the basic financial statements of PERS, as presented in this report.

PERS is primarily responsible for administering retirement benefits, health benefits, and supplemental retirement savings plans. PERS comprises six funds, including a defined benefit pension plan, two defined contribution plans, two other postemployment benefit funds, and a proprietary fund.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

Management's discussion and analysis provides an introduction to and overview of the basic financial statements, which comprise the following components: Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and other Supplemental Schedules. Collectively, this information presents the combined net assets held in trust for pension benefits, other postemployment benefits (OPEB), deferred compensation, and the unrestricted net assets for the proprietary fund administered by PERS as of June 30, 2011. It also summarizes the combined changes in net assets held in trust for pension and other postemployment benefits, the changes in unrestricted net assets, and the cash flows of the proprietary fund for the year then ended, along with an actuarial view on the funded status of the defined benefit pension and other postemployment benefit plans. The information available in each of these sections is briefly summarized below:

Fund Financial Statements

At June 30, 2011, financial statements are presented for the two types of funds administered by PERS: fiduciary funds, where PERS acts in a fiduciary capacity as a trustee for others and is responsible for handling the assets placed under its control; and proprietary fund, where fees are charged for services provided and the focus is on determining financial position, operating and non-operating income, cash flows and changes in net assets.

Fiduciary Funds – include the Defined Benefit Pension Plan, the Individual Account Program (IAP), the Retirement Health Insurance Account (RHIA), the Retiree Health Insurance Premium Account (RHIPA), and the Deferred Compensation Plan. Fiduciary funds are used to account for resources held for the benefit of PERS participants. A statement of fiduciary net assets and a statement of changes in fiduciary net assets are presented for the fiduciary funds as of and for the year ended June 30, 2011, along with comparative total information as of and for the year ended June 30, 2010. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year end, as well as the changes in those resources during the year.

Proprietary Fund – includes the Standard Retiree Health Insurance Account (SRHIA), an enterprise fund. A statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented for the proprietary fund as of and for the year ended June 30, 2011. These financial statements reflect the net assets, changes in net assets, and cash flows resulting from PERS business-type activities.

Notes to the Basic Financial Statements

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

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

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

Note 4 – provides information about the System's accounts receivable and payable as of June 30, 2011.

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

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

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

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

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

Note 10 – provides information on a prior period adjustment related to the SRHIA.

Note 11 – provides information about the downgrade of the federal government's credit rating subsequent to year end.

Required Supplementary Information

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

• The Schedules of Funding Progress, page 53, 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.

• The Schedules of Employer Contributions, page 54, contain historical trend information regarding the value of the total annual contributions employers must pay and the actual contributions made to meet this requirement.

• The Schedule of Claims Development Information for SRHIA, page 55, shows earned revenues and expenses over the past year.

Other Supplemental Schedules

The Schedule of Plan Net Assets and Schedule of Changes in Plan Net Assets, pages 56 through 57, display the components of the defined benefit pension plan.

• The Schedule of Administrative Expenses and Schedule of Payments to Consultants and Contractors on page 58 show the costs of managing the System. The Summary of Investment Fees, Commissions, and Expenses on page 59 provides the detail of investment-related expenses included in the line item Investment Expense reported in the Statement of Changes in Fiduciary Net Assets.

FINANCIAL HIGHLIGHTS

Fiduciary Funds

• PERS' assets exceed its liabilities at the close of fiscal year 2011, with $61,189.8 million held in trust for pension, Oregon Public Service Retirement Plan Individual Account Program (IAP), other postemployment benefits, and deferred compensation benefits.

• Fiduciary net assets increased by $9,450.1 million, or 18.3 percent, from current year operations, as financial markets continued a positive two-year trend.

• PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2010, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 86.9 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $0.87 of net assets available for payment.

• Revenues (additions to fiduciary net assets) for fiscal year 2011 rose 44.4 percent to $12,941.3 million, which includes member and employer contributions of $1,048.7 million and net income from investment activities totaling $11,891.4 million.

• Expenses (deductions from fiduciary net assets) increased to $3,491.2 million, or 7.2 percent, during the fiscal year from $3,255.9 million in fiscal year 2010.

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).

• Improving financial markets produced positive returns on PERS investments for the second year in a row. The net assets of the defined benefit pension plan increased approximately $8,109.8 million, or 17.0 percent, during the year ended June 30, 2011.

• The net assets of the IAP increased approximately $1,108.6 million, or 37.9 percent, during the year ended June 30, 2011, due to increases in member contributions and investment returns.

• The net assets of the deferred compensation plan increased approximately $193.0 million, or 21.2 percent, during the year ended June 30, 2011, primarily due to positive investment returns.

• The net assets of the Retirement Health Insurance Account increased approximately $39.2 million, or 18.8 percent, during the year ended June 30, 2011, as increased investment income more than offset higher healthcare premium subsidies.

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

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2011	2010	2011	2010	2011	2010
Cash and Receivables	$ 3,497,925	$ 2,914,057	$ 310,840	$ 231,213	$ 63,489	$ 66,309
Investments at Fair Value	55,007,311	45,758,544	3,907,072	2,746,989	1,042,986	846,529
Securities Lending Collateral	2,512,073	3,748,495	184,566	231,368	160	94
Other	47,721	43,710	988	938	—	—
Total Assets	61,065,030	52,464,806	4,403,466	3,210,508	1,106,635	912,932
Investment Purchases	2,670,037	969,552	173,971	44,704	332	253
Securities Lending Payable	2,528,403	3,748,495	185,746	231,368	160	94
Other Payables	71,741	61,744	6,912	6,229	1,167	644
Total Liabilities	5,270,181	4,779,791	366,629	282,301	1,659	991
Total Net Assets	$ 55,794,849	$ 47,685,015	$ 4,036,837	$ 2,928,207	$ 1,104,976	$ 911,941

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account	
	2011	2010	2011	2010
Cash and Receivables	$ 18,519	$ 15,079	$ 466	$ 517
Investments at Fair Value	240,350	196,821	4,940	5,322
Securities Lending Collateral	11,311	16,513	241	452
Other	36	37	1	—
Total Assets	270,216	228,450	5,648	6,291
Investment Purchases	10,764	3,172	222	86
Securities Lending Payable	11,383	16,513	243	452
Other Payables	78	19	61	9
Total Liabilities	22,225	19,704	526	547
Total Net Assets	$ 247,991	$ 208,746	$ 5,122	$ 5,744

• The net assets of the Retiree Health Insurance Premium Account decreased approximately $0.6 million, or 10.8 percent, during the year ended June 30, 2011, as increases in investment income failed to outweigh increases in healthcare premium subsidies.

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 increased $0.4 million, or 3.1 percent, from fiscal year 2010 to fiscal year 2011, due to increases in service credit purchases and contributions attributable to prior years.

• Member contributions to the IAP increased $7.8 million, or 1.5 percent, due to employee salary increases and an increase in eligible employees during the year.

• Member contributions to the deferred compensation plan increased $6.6 million, or 9.9 percent, in fiscal year 2011, as active membership increased from 19,483 to 19,545 during the year, and participants increased voluntary contributions.

• Employer contributions to the defined benefit pension plan declined $9.2 million, or 2.1 percent, in fiscal year 2011. Although there were no changes in employer contribution rates, subject salaries decreased as Tier One and Tier Two members retired and were replaced by OPSRP members.

• Employer contributions to the Retirement Health Insurance Account were unchanged in fiscal year 2011 as employer contribution rates remained the same.

• Employer contributions to the Retiree Health Insurance Premium Account decreased slightly in fiscal year 2011 as the subject salary on which contributions are based declined.

• Net investment and other income in the defined benefit pension plan was $10,931.4 million in fiscal year 2011, a $3,651.5 million, or 50.2 percent, increase over the fiscal year 2010 gain of $7,279.9 million, due to the upswing in financial markets.

• Net investment and other income in the IAP was $735.7 million in fiscal year 2011, an 86.9 percent increase over the fiscal year 2010 gain of $393.7 million. The rise in investment income resulted from increased contributions and strong investment returns.

• Net investment and other income in the Retirement Health Insurance Account was $47.4 million, a $16.2 million, or 52.1 percent, increase from the fiscal year 2010 gain of $31.1 million, due to improved market performance.

• Net investment and other income in the Retiree Health Insurance Premium Account was $1.1 million, a $0.2 million, or 20.9 percent, increase over the fiscal year 2010 gain of $0.9 million, due to investment gains.

• Net investment and other income in the deferred compensation plan was $177.0 million, a $92.6 million, or 109.7 percent, increase over the fiscal year 2010 gain of $84.4 million. Strong investment returns resulted in the increase.

Expenses – Deductions from Fiduciary Net Assets

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

• Pension benefit and other payments from the defined benefit pension plan were $3,259.7 million in fiscal year 2011, a $289.9 million, or 9.8 percent, increase over fiscal year 2010 expenses of $2,969.8 million. An increase in service retirements and death benefit payments during the year produced an increase in deductions to net assets.

• IAP benefit and other payments increased $60.3 million, or 74.9 percent, during the year, from $80.5 million in fiscal year 2010 to $140.8 million in fiscal year 2011. Accounts withdrawn rose due to higher cumulative contributions, positive earnings for the year, and new requirements for members to begin withdrawing from the IAP if a member has retired from the defined benefit pension plan.

• Deferred compensation benefits and other expenses increased $10.5 million, or 22.4 percent, from $46.8 million in fiscal year 2010 to $57.3 million fiscal year 2011. Benefit payments were higher due to investment gains and increased retirement activity.

• Retirement Health Insurance Account benefit and other payments increased $0.5 million, or 1.7 percent, from $29.8 million in fiscal year 2010 to $30.3 million in fiscal year 2011, as a result of increases in premium payments due to additional retirements.

• Retiree Health Insurance Premium Account benefit payments increased $0.8 million, or 32.2 percent, from $2.4 million in fiscal year 2010 to $3.2 million in fiscal year 2011, as a result of increases in premium payments due to additional retirements.

The tables below 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	
	2011	2010	2011	2010	2011	2010
Additions:						
Employer Contributions	$ 424,101	$ 433,269	$ —	$ —	$ —	$ —
Member Contributions	14,024	13,600	513,716	505,922	73,292	66,709
Net Investment and Other Income	10,931,392	7,279,891	735,695	393,652	176,999	84,417
Total Additions	11,369,517	7,726,760	1,249,411	899,574	250,291	151,126
Deductions:						
Pension Benefits	3,203,939	2,915,569	133,971	72,802	55,930	45,901
Other	55,744	54,205	6,810	7,674	1,326	890
Total Deductions	3,259,683	2,969,774	140,781	80,476	57,256	46,791
Net Increase	8,109,834	4,756,986	1,108,630	819,098	193,035	104,335
Net Assets						
Beginning of year	47,685,015	42,928,029	2,928,207	2,109,109	911,941	807,606
End of year	$ 55,794,849	$ 47,685,015	$ 4,036,837	$ 2,928,207	$ 1,104,976	$ 911,941

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	
	2011	2010	2011	2010
Additions:				
Employer Contributions	$ 22,177	$ 22,351	$ 1,428	$ 1,497
Net Investment and Other Income	47,360	31,146	1,136	939
Total Additions	69,537	53,497	2,564	2,436
Deductions:				
OPEB Benefits	29,252	28,822	3,024	2,307
Other	1,040	975	162	104
Total Deductions	30,292	29,797	3,186	2,411
Net Increase (Decrease)	39,245	23,700	(622)	25
Net Assets				
Beginning of year	208,746	185,046	5,744	5,719
End of year	$ 247,991	$ 208,746	$ 5,122	$ 5,744

PROPRIETARY FUND

The Standard Retiree Health Insurance Account uses an enterprise fund to account for the activities of PERS' healthcare program, a public entity risk pool. Prior to fiscal year 2011 activity of this account was reported using an Employee Benefit Plan fiduciary fund. Because of this change the beginning balances of the SRHIA enterprise fund are zero.

NET ASSETS

- The net assets of the Standard Retiree Health Insurance Account as of June 30, 2011, are $64.1 million.

CHANGES IN NET ASSETS

- Standard Retiree Health Insurance Account insurance premium and other revenue for the year ended June 30, 2011, are $174.2 million.
- Standard Retiree Health Insurance Account healthcare and other payments for the year ended June 30, 2011, are $172.6 million.

The tables below show the condensed summary of net assets and the condensed summary of revenues, expenses, and net assets for SRHIA.

TABLE 5
NET ASSETS, PROPRIETARY FUND
(in thousands) As of June 30:

	Standard Retiree Health Insurance Account	
	2011	
Cash and Receivables	$	88,000
Receivables		184
Securities Lending Collateral		794
Total Assets		88,978
Claims Payable		23,492
Other Payables		566
Securities Lending Payable		794
Total Liabilities		24,852
Total Net Assets	$	64,126

TABLE 6
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, PROPRIETARY FUND
(in thousands) For the Year Ending June 30:

	Standard Retiree Health Insurance Account	
	2011	
Revenues:		
Insurance Premiums	$	171,561
Investment Income		82
Administrative and Other Revenue		2,547
Total Revenues		174,190
Expenses:		
Claims		150,422
Increase in Estimated Liabilities		2,130
Administrative Expense		20,007
Total Expenses		172,559
Net Increase		1,631
Net Assets		
Beginning of Year As Previously Reported		—
Prior Period Adjustment		62,495
Net Assets as Restated		62,495
End of Year	$	64,126

PLAN MEMBERSHIP

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

TABLE 7
CHANGES IN PLAN MEMBERSHIP
As of June 30:

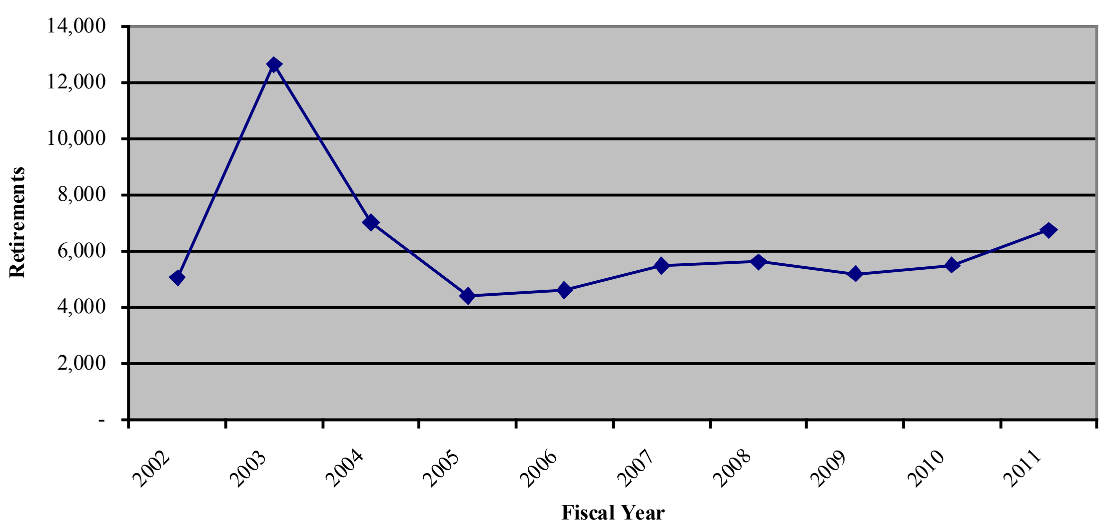
	2011	2010	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	105,717	101,795	3.9 %
Police and Fire	8,535	8,847	(3.5)
Total	114,252	110,642	3.3
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	203,070	192,068	5.7
Police and Fire	16,204	16,199	—
Nonvested:			
General	5,674	5,859	(3.2)
Police and Fire	233	248	(6.0)
Total	225,181	214,374	5.0 %

SERVICE RETIREMENTS

Service retirements increased for the second consecutive year. Service retirements in fiscal year 2011 were 6,757 compared to 5,512 in fiscal year 2010, an increase of 22.6 percent. There appear to be two major trends driving this wave of retirements:

- The number of PERS members eligible for retirement has risen dramatically in recent years;
- Many workers who put off retirement during the turbulent economy of the past few years now feel it's time to retire.

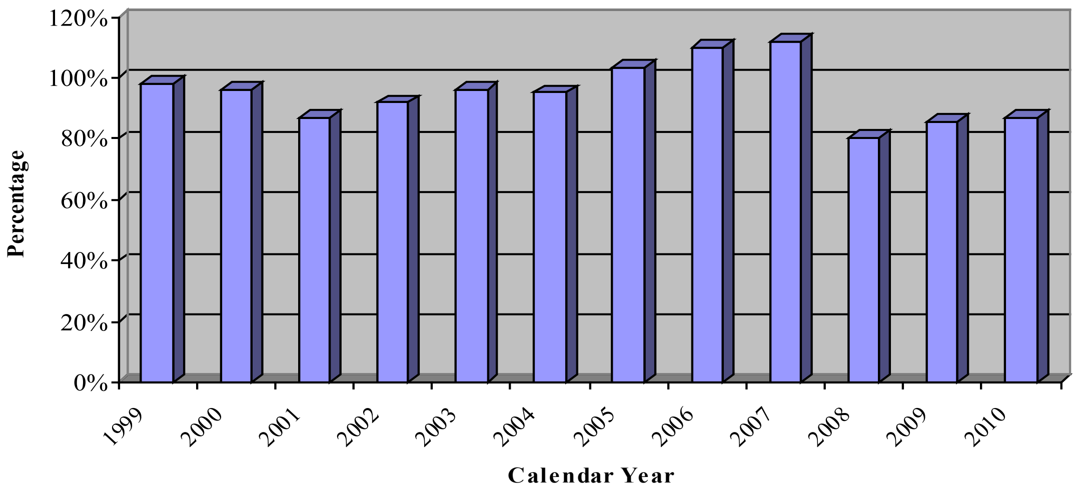
TABLE 8
SERVICE RETIREMENTS
By Fiscal Year



FUNDED STATUS

The System's Unfunded Actuarial Accrued Liability (UAAL) for pension benefits decreased by $335.4 million, going from $8,081.4 million in 2009 to $7,746.0 million as of December 31, 2010. The System's UAAL was derived using the projected unit credit method. Investment gains through December 31, 2010, led to the improved funded status.

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



INVESTMENT ACTIVITIES

During fiscal year 2011 investments increased 21.5 percent over the prior fiscal year as the economy continued to recover from the 2009 recession. All major asset classes produced positive investment returns and outperformed their respective benchmarks. Domestic and international equities increased approximately $4,726.0 million. Investments in debt securities increased $1,600.0 million as a result of purchases made in accordance with the Oregon Investment Council's asset allocation policy and a change in the way "to be announced" investments are recorded. Private equity investments were up approximately $2,833.4 million for the year, and the five-year-old Opportunity Portfolio increased approximately $92.6 million during the fiscal year. The fair value of real estate investments increased by $1,396.9 million due to gains in both real property and real estate investment trusts. One-year returns on asset classes and comparative benchmarks are presented in the table below.

TABLE 10
INVESTMENT RETURN
Periods Ending June 30:

	2011	2010
Total Portfolio, Excluding Variable	22.3%	17.0%
Policy Benchmark	20.4	15.5
Variable Account	31.1	13.2
Variable Account Blended Index	31.0	13.1
Domestic Stocks	34.0	16.8
Benchmark: Russell 3000 Index	32.4	15.7
International Stocks	30.9	12.5
Benchmark: Custom Index[1]	30.3	11.5
Fixed Income Segment	8.8	18.5
Benchmark: Custom Index[2]	4.2	10.0
Real Estate[3]	20.8	(0.7)
Benchmark: NCREIF	16.0	(9.6)
NAREIT Equity REIT Index	34.1	53.9
Private Equity[4]	21.4	28.3
Benchmark: Russell 3000 + 300 bps	20.9	56.1

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.

EFFECT OF ECONOMIC FACTORS

The financial position of the System improved during the fiscal year due to strong investment returns. Table 10 on page 18 shows portfolio returns and indexes, which are reflective of the market environment.

Benefit payments increased in fiscal year 2011 due to an increase in the number of retirees. The majority of retirees retiring elected to transfer out of the variable account at retirement. Retirees who elected to continue participating in the variable account after retirement experienced an increase in related benefits of approximately 9.0 percent, effective February 1, 2011, compared to an increase of 15.4 percent effective February 1, 2010. This increase in benefits was due to investment gains in the variable account for the period of November 1, 2009, through October 31, 2010.

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 at P.O. Box 23700, Tigard, Oregon 97281-3700.

Statement of Fiduciary Net Assets
Pension and Other Postemployment Plans
As of June 30, 2011, with Comparative Totals as of June 30, 2010

	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	$ 2,444,681,874	$ 216,423,084	$ 12,742,122	$ 356,827
Receivables:				
Employer	8,581,170	—	510,426	3,646
Plan Member	—	10,873,975	—	—
Interest and Dividends	318,582,605	23,025,262	1,416,436	29,115
Member Loans	—	—	—	—
Investment Sales and Other Receivables	724,982,913	51,692,710	3,186,480	65,346
Total Receivables	1,052,146,688	85,591,947	5,113,342	98,107
Due from Other Funds	1,096,657	8,824,499	663,786	10,468
Investments:				
Debt Securities	13,735,242,281	992,701,896	61,067,653	1,255,252
Public Equity	21,745,438,102	1,503,101,294	92,465,693	1,900,643
Real Estate	5,697,756,807	411,800,089	25,332,544	520,713
Private Equity	12,767,521,829	922,760,797	56,765,114	1,166,814
Opportunity Portfolio	1,061,351,543	76,708,198	4,718,828	96,997
Total Investments	55,007,310,562	3,907,072,274	240,349,832	4,940,419
Securities Lending Collateral	2,512,072,896	184,565,959	11,310,823	241,118
Prepaid Expenses and Deferred Charges	8,804,339	587,686	36,152	742
Capital Assets at Cost, Net	38,916,963	400,182	—	—
Total Assets	**61,065,029,979**	**4,403,465,631**	**270,216,057**	**5,647,681**
Liabilities:				
Investment Purchases and Accrued Expenses	2,670,037,148	173,970,889	10,764,156	221,541
Deposits and Other Liabilities	58,691,382	6,649,001	8,479	955
Due Other Funds	9,221,343	262,868	68,964	60,396
COPs Payable	3,615,368	—	—	—
Deferred Revenue	212,734	—	—	—
Securities Lending Collateral Due Borrowers	2,528,403,309	185,746,225	11,383,429	242,610
Total Liabilities	**5,270,181,284**	**366,628,983**	**22,225,028**	**525,502**
Net Assets Held in Trust for Benefits	**$ 55,794,848,695**	**$ 4,036,836,648**	**$ 247,991,029**	**$ 5,122,179**

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

Deferred Compensation Plan	2011	2010
$ 54,298,803	$ 2,728,502,710	$ 2,411,629,990
—	9,095,242	17,132,650
—	10,873,975	12,301,588
440,942	343,494,360	341,911,341
8,670,995	8,670,995	7,238,479
78,419	780,005,868	444,241,467
9,190,356	1,152,140,440	822,825,525
—	10,595,410	1,054,896
242,732,327	15,032,999,409	13,433,476,768
800,253,059	24,143,158,791	19,417,181,185
—	6,135,410,153	4,738,538,055
—	13,748,214,554	10,914,772,258
—	1,142,875,566	1,050,237,934
1,042,985,386	60,202,658,473	49,554,206,200
160,365	2,708,351,161	3,997,358,778
—	9,428,919	9,680,050
—	39,317,145	35,006,024
1,106,634,910	**66,850,994,258**	**56,831,761,463**
332,250	2,855,325,984	1,017,770,454
7,099	65,356,916	62,639,533
612,622	10,226,193	1,054,896
—	3,615,368	4,111,603
546,318	759,052	882,464
160,365	2,725,935,938	3,997,358,778
1,658,654	**5,661,219,451**	**5,083,817,728**
$ 1,104,976,256	**$ 61,189,774,807**	**$ 51,747,943,735**

Statement of Changes in Fiduciary Net Assets
Pension and Other Postemployment Plans
For the Year Ended June 30, 2011, with Comparative Totals for the Year Ended June 30, 2010

	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	$ 424,101,414	$ —	$ 22,176,966	$ 1,428,453
Plan Member	14,024,484	513,715,949	—	—
Total Contributions	438,125,898	513,715,949	22,176,966	1,428,453
Investment Income:				
Net Appreciation in Fair Value of Investments	9,875,362,640	658,924,523	42,650,862	1,024,188
Interest, Dividends, and Other Investment Income	1,395,464,802	99,323,867	6,203,761	146,852
Total Investment Income	11,270,827,442	758,248,390	48,854,623	1,171,040
Less Investment Expense	338,326,421	22,406,411	1,488,740	35,984
Net Investment Income	10,932,501,021	735,841,979	47,365,883	1,135,056
Securities Lending Income:				
Securities Lending Income	6,823,040	395,982	30,164	936
Less Securities Lending Expense	8,244,844	565,120	36,766	878
Net Securities Lending Income (Expense)	(1,421,804)	(169,138)	(6,602)	58
Other Income	311,735	22,216	378	—
Total Additions	11,369,516,850	1,249,411,006	69,536,625	2,563,567
Deductions:				
Benefits	3,196,331,902	133,970,603	—	—
Death Benefits	7,606,867	—	—	—
Refunds of Contributions	26,487,226	—	—	—
Administrative Expense	29,256,747	6,810,487	1,039,603	161,559
Healthcare Premium Subsidies	—	—	29,251,771	3,024,382
Retiree Healthcare Expense	—	—	—	—
Total Deductions	3,259,682,742	140,781,090	30,291,374	3,185,941
Net Increase (Decrease)	**8,109,834,108**	**1,108,629,916**	**39,245,251**	**(622,374)**
Net Assets Held in Trust for Benefits				
Beginning of Year as Previously Reported	47,685,014,587	2,928,206,732	208,745,778	5,744,553
Prior Period Adjustment	—	—	—	—
Net Assets as Restated	47,685,014,587	2,928,206,732	208,745,778	5,744,553
End of Year	**$ 55,794,848,695**	**$ 4,036,836,648**	**$ 247,991,029**	**$ 5,122,179**

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

Deferred Compensation Plan	Employee Benefit Plan Standard Retiree Health Insurance Account	2011	2010
$ —	$ —	$ 447,706,833	$ 457,116,314
73,291,691	—	601,032,124	713,161,339
73,291,691	—	1,048,738,957	1,170,277,653
169,367,602	—	10,747,329,815	6,454,410,252
9,232,502	—	1,510,371,784	1,635,252,724
178,600,104	—	12,257,701,599	8,089,662,976
2,430,124	—	364,687,680	323,821,402
176,169,980	—	11,893,013,919	7,765,841,574
298	—	7,250,420	32,877,718
298	—	8,847,906	10,742,561
—	—	(1,597,486)	22,135,157
829,536	—	1,163,865	2,189,747
250,291,207	—	12,941,319,255	8,960,444,131
55,929,452	—	3,386,231,957	3,030,857,970
—	—	7,606,867	3,414,960
—	—	26,487,226	25,692,404
1,326,224	—	38,594,620	40,351,845
—	—	32,276,153	31,128,597
—	—	—	124,449,334
57,255,676	—	3,491,196,823	3,255,895,110
193,035,531	—	**9,450,122,432**	**5,704,549,021**
911,940,725	8,291,360	51,747,943,735	46,043,394,714
—	**(8,291,360)**	**(8,291,360)**	—
911,940,725	—	51,739,652,375	46,043,394,714
$ 1,104,976,256	**$ —**	**$ 61,189,774,807**	**$ 51,747,943,735**

Statement of Net Assets - Proprietary Fund
As of June 30, 2011

		Enterprise Fund Standard Retiree Health Insurance Account 2011
Assets:		
Current Assets		
Cash and Cash Equivalents	$	87,999,852
Plan Member Receivables		183,882
Securities Lending Collateral		794,102
Total Assets		**88,977,836**
Liabilities:		
Current Liabilities		
Estimated Insurance Claims Due		23,492,372
Accrued Expenses		177,414
Due Other Funds		369,218
Securities Lending Collateral Due Borrowers		794,102
Total Current Liabilities		**24,833,106**
Long-Term Liabilities		
Other Liabilities		18,534
Total Long-Term Liabilities		**18,534**
Total Liabilities		**24,851,640**
Total Unrestricted Net Assets	$	**64,126,196**

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

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund
For the Year Ended June 30, 2011

		Enterprise Fund Standard Retiree Health Insurance Account 2011
Operating Revenues:		
Insurance Premium Revenue	$	171,560,535
Administrative Fees Earned		2,528,112
Total Operating Revenues		174,088,647
Operating Expenses:		
Claims Expense		150,422,466
Increase in Estimated Liabilities		2,130,215
Administrative Expense		20,006,526
Total Operating Expenses		172,559,207
Operating Income		**1,529,440**
Non-Operating Revenues:		
Interest, Dividends, and Other Investment Income		82,455
Securities Lending Income		1,473
Less Securities Lending Expense		1,473
Net Securities Lending Income		—
Other Income		19,470
Total Non-Operating Revenue		101,925
Change in Unrestricted Net Assets		1,631,365
Total Unrestricted Net Assets Beginning of Year as Previously Reported		—
Prior Period Adjustment		62,494,831
Beginning Net Assets as Restated		62,494,831
End of Year	$	**64,126,196**

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

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2011

		Enterprise Fund Standard Retiree Health Insurance Account 2011
Cash Flows from Operating Activities:		
Insurance Premiums Collected	$	171,481,966
Claims Paid		(150,422,466)
Other Payments		(16,957,487)
Net Cash Provided by Operating Activities		**4,102,013**
Cash Flows from Investing Activities		
Interest and Dividends Received		82,455
Other Income		19,470
Net Cash Provided by Investing Activities		**101,925**
Net Increase in Cash and Cash Equivalents		4,203,938
Cash and Cash Equivalents Beginning of Year as Previously Reported		—
Prior Period Adjustment		83,795,914
Cash and Cash Equivalents Beginning of Year as Restated		83,795,914
Cash and Cash Equivalents End of Year	$	87,999,852
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	1,529,440
Changes in Assets and Liabilities		
Plan Member Receivables		(78,568)
Estimated Insurance Claims Due		2,130,215
Accrued Expenses		174,599
Due to Other Funds		344,013
Other		2,314
Net Cash Provided by Operating Activities	**$**	**4,102,013**

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

Notes to the Financial Statements
June 30, 2011

Note 1 - Description of Plan

A. Pension 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:	
	6/30/2011
General	105,717
Police and fire	8,535
Total	**114,252**
Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	203,070
Police and Fire	16,204
Nonvested:	
General	5,674
Police and Fire	233
Total	**225,181**

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, 2011, there were 51,503 active and 21,119 inactive for a total of 72,622 Tier One members and 51,093 active and 17,115 inactive for a total of 68,208 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, 2011, there were 80,753 active and 3,598 inactive members for a total of 84,351 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 hired on or after August 29, 2003.

A judge member who has made contributions to the PERS Fund during each of five calendar years shall receive a retirement allowance, payable monthly, for life. Before reaching age 60, judge members must choose the calculation formula under which they will retire. The election is irrevocable after the member attains age 60. The two formulas, A and B, are described 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 with years of service in excess of 16. For most judge members the maximum amount is limited to 65 percent of final average salary. The Plan B retirement allowance for judge members is computed by multiplying 3.75 percent by the final average salary for the first 16 years of service and 2.0 percent of the final average salary multiplied by the number of years of service as a judge with years of service in excess of 16. For most judge members the maximum amount is limited to 75 percent of final average salary. Plan B requires a judge to serve up to 35 days per year for a period of five years as a pro-tem judge. There is no actuarial reduction for retirement before age 65.

2. Death Benefits

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

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

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

3. Disability Benefits

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

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

4. Benefit Changes After Retirement

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

Monthly benefits are adjusted annually through cost-of-living changes. Two percent per year 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 his or her employee account, rollover account, and employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

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

2. Death Benefits

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

3. Recordkeeping

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

d. Other Postemployment Healthcare Benefits

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to $60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing, multiple-employer defined benefit OPEB plan for 906 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

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

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

For the year ended June 30, 2011, PERS employers contributed 0.10 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.19 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2007 actuarial valuation. This is included in the employer contribution rates listed in Table 4 on page 33.

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 40,292 for the fiscal year ended June 30, 2011. As of December 31, 2010, there were 94,743 active and 15,791 inactive members who meet the requirements to receive RHIA benefits when they retire.

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

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

For the year ended June 30, 2011, state agencies contributed 0.06 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIPA benefits. State agencies contributed 0.02 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2007 actuarial valuation. This is included in the employer contribution rates listed in Table 4 on page 33.

The number of active plan RHIPA participants was 1,004 for the fiscal year ended June 30, 2011. As of December 31, 2010, there were 25,279 active members who meet the requirements to receive RHIPA benefits when they retire. Inactive members are not eligible for these benefits. All subsidy payments from the RHIA and RHIPA are initially deposited in the Standard Retiree Health Insurance Account, described on page 30, and subsequently remitted to the appropriate PERS health plan.

e. Deferred Compensation Plan

Deferred compensation plans are authorized under Internal Revenue Code Section 457. The Oregon Legislature enacted Chapter 179, Oregon Laws 1997 that established the Deferred Compensation Fund. ORS 243.400 to 243.507 established and provided for PERS to administer the state deferred compensation plan, known as the Oregon Savings Growth Plan (OSGP). As of June 30, 2011, the fair value of investments was $1,043.0 million.

The deferred compensation plan is a benefit available to all state employees. To participate, an employee executes an individual agreement with the state deferring current earnings to be paid at a future date. Participants in the plan are not required to pay federal and state income taxes on the deferred contributions and earnings until the funds are 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. Table 2 summarizes the changes in member loans receivable for the year ended June 30, 2011.

PERS contracts with ING to maintain OSGP participant records. The Oregon State Treasury, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are 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, 2011, was 19,545.

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, 2011, averaged 0.23 percent of amounts deferred.

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

f. Standard Retiree Health Insurance Account

ORS 238.410 established the Standard Retiree Health Insurance Account (SRHIA), a public entity risk pool. SRHIA is both a risk sharing and insurance purchasing pool. The Board contracts for medical and hospital insurance on behalf of retired members. Members and their dependents are eligible for PERS healthcare coverage if the member is receiving a retirement allowance or benefit under the System. A surviving spouse or dependent of a PERS retiree is eligible to participate if he or she was covered under the health plan at the time of the retiree's death. As of June 30, 2011, there were 53,843 retirees and their dependents participating in the health insurance program.

PERS has contracted with various carriers on an insurance purchasing basis and remits premiums collected from participating members to the carriers on a monthly basis. PERS has contracted with Oregon Dental Service (ODS) for claims payment services for a maximum claims risk sharing plan and also remits premiums monthly for stop-loss coverage. SRHIA is ultimately at risk for all amounts collected and on deposit with ODS, which totaled approximately $79.1 million as of June 30, 2011. ODS becomes responsible for claims in excess of $200 thousand per year per individual and all claims in excess of contractually required reserves of deposit with ODS.

The current estimate of Incurred But Not Reported (IBNR) insurance claims is $23.5 million. By contract this estimate is based on 14 percent of annualized premiums.

Note 2 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements 10, 25, 31, 32, 34, 43, and 50 as well as generally accepted accounting principles that apply to

TABLE 2

Deferred Compensation Member Loans Activity as of June 30, 2011	Balance July 1, 2010	New Loans	Principal Payments Received	Balance June 30, 2011	Noncurrent Amount
Member Loans Receivable	$ 7,238,479	$ 3,457,731	$ (2,025,215)	$ 8,670,995	$ 6,244,984

TABLE 3

	Legislatively Approved Budget	Actual	Unobligated Balance at June 30, 2011
2009-2011 Biennium:			
Personal Services	$ 52,751,494	$ 50,513,682	$ 2,237,812
Services and Supplies	40,664,534	28,082,815	12,581,719
Capital Outlay	593,588	6,019,715	(5,426,127)
Special Payments	6,771,138,000	6,720,288,779	50,849,221
Debt Service	1,423,075	1,423,075	-
Total	$ 6,866,570,691	$ 6,806,328,066	$ 60,242,625

Total Deductions July 1, 2009 - June 30, 2011 Budgetary Basis (non-GAAP)	$ 6,806,328,066
Add:	
Deferred Compensation Plan Expenses	55,929,451
Decrease in Overpaid Benefits Receivable	43,240,959
Depreciation Expense	1,767,238
Increase in Accrued Benefits and Special Payments	1,204,241
Increase in Accrued Expenses	67,622
Adjustment for Net OPEB Obligation	50,018
Increase in Compensated Absences	62,125
Decrease in Prepaid Expenses	6,060
COP Amortization	6,918
Deduct:	
Fiscal Year 2010 Budgetary Expenses	3,011,754,438
Fiscal Year 2010 Benefits Accrual Reversals	235,752,446
Decrease in Retiree Healthcare Expense	138,438,218
Decrease in Retiree Administrative Expense	2,313,036
Retirement Benefits Attributable to Allocated Annuity Contracts	22,625,510
Capital Outlay	6,078,360
Principal Payment Portion of Debt Service	500,000
Decrease in Travel Advances	3,867
Statement of Changes in Fiduciary Net Assets	**$ 3,491,196,823**

governmental accounting for fiduciary funds and enterprise funds. Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity (trust funds). Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the System has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989, for its enterprise fund.

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

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

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

- Standard Retiree Health Insurance Account

C. Basis of Accounting

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

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

D. Budgetary Data

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

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

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

Table 3 reconciles deductions on the budgetary basis to deductions presented in the Statement of Changes in Fiduciary Net Assets. The legislatively approved budget includes increases approved by the Legislative Emergency Board through June 30, 2011.

E. Valuation of Investments

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

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodian's pricing agent or the investment manager. For example, a similar benchmark security may be used to derive the fair value. The benchmark will typically have a coupon rate and maturity date comparable to the debt security being valued, and its market risk will be similar, considering current market conditions. The fair value of real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services. Publicly traded REIT securities account for 22 percent of the real estate asset class as of June 30, 2011.

Investments in private equities are recorded at fair value as of June 30, 2011, as determined by PERS management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets) and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITS, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2011, as determined by PERS management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the opportunity portfolio are recorded at fair value as of June 30, 2011, as determined by the respective general partner or account manager. Investments in the opportunity portfolio representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines the fund's net asset value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation, and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets); (2) the income approach (e.g., the discounted cash flow method).

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

F. Earnings Crediting

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

G. Use of Estimates in the Preparation of Financial Statements

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

H. Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Note 3 - Contributions and Reserves

A. Contributions

a. Member Contributions

Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP), 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, 2007 actuarial valuation, which became effective July 1, 2009. The state of Oregon and certain schools, community colleges, and political subdivisions have made excess contributions to the defined benefit pension plans (unfunded actuarial liability payments), and their rates have been reduced. (See Table 4.)

1. PERS Defined Benefit Plan Contributions (ORS 238)

Pension rates for the State and Local Government Rate Pool were 11.15 percent, schools 14.01 percent, and judiciary 14.58 percent of PERS-covered salaries, effective July 1, 2009. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension rate of 10.49 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, 2007, judiciary, state agencies, schools, and certain political subdivisions had a decrease in employer contribution rates. Political subdivisions experienced an increase in their employer contribution rates. These rate changes are measured against the actual average rates paid since July 1, 2007. The Board practice is to implement new employer contribution rates July 1 of each odd-numbered year based on the valuation of the previous odd-numbered year.

2. OPSRP Pension Program Contributions (ORS 238A)

PERS employers participating in the OPSRP Pension Program participate in the same rate sharing pool and therefore share the same contribution rate. The OPSRP Pension Program employer rates effective July 1, 2009, through June 30, 2011, were 5.73 percent of covered salaries for general service employees and 8.44 percent of covered salaries for police and fire employees. These rates decreased from 5.82 percent of covered salaries for general service and 9.09 percent of covered salaries for police and fire employees. Each of these rates includes a component

TABLE 4

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	6.09	6.31	5.19	7.92	23.80	5.81	8.52	0.10	0.06
Unfunded Actuarial Liability	(3.10)	4.84	8.82	2.57	(9.22)	(0.08)	(0.08)	0.19	0.02
Total Employer Contributions	2.99	11.15	14.01	10.49	14.58	5.73	8.44	0.29	0.08

[1] Group average rates shown were effective as of July 1, 2009.
[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.

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

The funded status of the pension plan and each postemployment healthcare plan as of the most recent actuarial valuation date is illustrated in Table 5. The actuarial methodologies and assumptions used to determined funded status were the same as those used to establish rates.

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, 2009 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.

Actuarial methods and assumptions as of the latest actuarial valuation are illustrated in Table 6.

TABLE 5 (dollar amounts in millions)

Funded Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pension						
12/31/2010	$51,583.6	$59,329.5	$7,746.0	86.9%	$8,750.1	88.5%
RHIA						
12/31/2010	232.3	547.1	314.8	42.5	8,750.1	3.6
RHIPA						
12/31/2010	5.7	33.9	28.2	16.8	2,379.7	1.2

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

TABLE 6

Actuarial Methods and Assumptions

	Pension	RHIA	RHIPA
Valuation date	December 31, 2010	December 31, 2010	December 31, 2010
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	30 years	10 years	10 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 2011 to 4.5 percent in 2029.

C. Reserves and Designations

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

1. Member Reserve

The Member Reserve of $7,972.1 million as of June 30, 2011, 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 $22,049.2 million as of June 30, 2011, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

3. Benefit Reserve

The Benefit Reserve of $20,035.3 million as of June 30, 2011, is the amount set aside to pay future benefits. It includes funds transferred from the individual member and employer accounts and earnings allocations less amounts paid for retirements and disabilities.

4. Tier One Rate Guarantee Reserve

The Tier One Rate Guarantee Reserve may be credited with investment earnings in excess of the required Tier One assumed earnings rate guarantee. ORS 238.255(1) requires regular accounts for Tier One members to be credited at the assumed rate of return on investments adopted by the Board for use in actuarial valuations.

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

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

(b) the reserve has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years. As of June 30, 2011, the balance of this reserve was ($199.2) million.

5. Board Actions Affecting Reserves

As part of its December 31, 2010 earnings crediting decision, the Board decided to credit earnings to the Contingency Reserve proportional to the amounts available to other accounts and reserves.

6. Contingency Reserve

The Contingency Reserve is to be maintained and used by the Board to prevent any deficit of moneys available for the payment of retirement allowances due to interest fluctuations, changes in mortality rates, or other unforeseen contingencies. As of June 30, 2011, the balance of this reserve was $709.4 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, 2011, the reserve had a balance of $25.0 million.

8. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2011, 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, 2011, the balance of this designation was $4,407.1 million.

10. OPSRP Defined Benefit Program

The 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, 2011, the balance of this account was $796.1 million.

Other Postemployment Benefits Plans

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, 2011, the balance of this account was $248.0 million. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

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, 2011, the balance of this account was $5.1 million. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

Enterprise Fund

13. Standard Retiree Health Insurance Account (SRHIA)

The SRHIA plan net assets balance represents the program's accumulation of premium payments and interest earnings less claims payments and administrative expenses. Net assets may be used to pay incurred but not reported expenses (IBNR) and to stabilize future premium rates. As of June 30, 2011, the balance of this account was $64.1 million.

D. Administrative Costs

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

Note 4 - Receivables and Payables

A. Receivables

Table 7 disaggregates receivable balances reported in the Statement of Fiduciary Net Assets as Investment Sales and Other Receivables.

Accounts receivable for Strunk and Eugene Payment Adjustments (from prior litigation) resulted from recalculating benefits for recipients who received lump-sum payments. Collection of these receivables was put on hold pending a final court decision. (See note 8B.) About half of these receivables, or approximately $4.0 million, are not expected to be collected by June 30, 2012.

B. Payables

Table 8 disaggregates payable balances reported in the Statement of Fiduciary Net Assets as Investment Purchases and Accrued Expenses.

Note 5 - Capital Assets Used in Plan Operations

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

TABLE 7

Investment Sales and Other Receivables	**June 30, 2011**
Broker Receivable	$ 769,957,607
Strunk/Eugene Payment Adjustments	8,019,838
Overpaid Benefits	1,799,516
Other	228,907
Total	**$ 780,005,868**

TABLE 8

Investment Purchases and Accrued Expenses	**June 30, 2011**
Broker Payable	$ 2,556,987,374
Pension Roll	256,165,386
Investment Fees	32,413,797
Death Benefits	7,149,574
Compensated Absences	1,452,804
Services and Supplies	1,050,669
Other	106,380
Total	**$ 2,855,325,984**

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

Data processing software generated internally as part of the Oregon Retirement Information On-line Network (ORION) project is recorded at cost. The useful life is amortized using the straight-line method over 20 years. (See Table 9.)

TABLE 9

Schedule of Capital Assets as of June 30, 2011	Beginning of Year	Increases	Decreases	End of Year
Capital Assets				
Furniture and Equipment	$ 892,443	$ 277,758	$ —	$ 1,170,201
Data Processing Software	33,279,091	5,171,526	—	38,450,617
Data Processing Hardware	1,615,416	463,575	(65,378)	2,013,613
Building and Building Improvements	7,436,081	165,500	—	7,601,581
Land	944,463	—	—	944,463
Total Capital Assets	44,167,494	6,078,359	(65,378)	50,180,475
Less Accumulated Depreciation				
Furniture and Equipment	(814,494)	(24,442)	—	(838,936)
Data Processing Software	(4,684,926)	(1,377,633)	—	(6,062,559)
Data Processing Hardware	(1,259,736)	(178,150)	65,378	(1,372,508)
Building and Building Improvements	(2,402,314)	(187,013)	—	(2,589,327)
Total Accumulated Depreciation	(9,161,470)	(1,767,238)	65,378	(10,863,330)
Capital Assets, Net	**$ 35,006,024**	**$ 4,311,121**	**$ —**	**$ 39,317,145**

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	$ 1,745,006
Oregon Public Service Retirement Plan Individual Account Program Depreciation	22,232
Total Depreciation Expense	**$ 1,767,238**

Note 6 - Deposits and Investments

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in 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), moneys held by external investment managers, and cash equivalents held by Oregon Dental Services. 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 10.) The weighted average maturity of the OSTF is 193 days as of June 30, 2011, and the pool is not rated.

TABLE 10

Depository Account	Bank Balance
Insured	$ 22,363,943
Collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon	429
Oregon Short Term Fund	689,210,754
Uninsured and uncollateralized	2,116,740,263
Total deposits	**$ 2,828,315,389**

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.sos.state.or.us./audits/pages/state_audits/full/2011/2011-18.pdf. Custodial credit risk of OSTF is addressed in the notes to those financial statements.

Deposits in OSTF are held in demand deposit accounts and time certificates of deposit. They 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. Investments in the OSTF are held by a third party custodian and not exposed to custodial credit risk. As of June 30, 2011, the carrying amount of PERS' deposits in OSTF totaled $677.4 million, and the corresponding bank balance was $689.2 million.

Deposits of cash and cash equivalents in the certificates of participation reserve account, totaling $429 at June 30, 2011, 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 cash and cash equivalents that represent buying reserves. As of June 30, 2011, there was $2,060.0 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers, of which $2,037.7 million was exposed to custodial credit risk.

Cash and cash equivalents of $79.1 million as of June 30, 2011, held by the Oregon Dental Service are exposed to custodial credit risk because the underlying investments are not held in PERS' name.

2. Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the fair value of the deposits. Foreign currency risk is controlled via contractual agreements with the investment managers. As of June 30, 2011, $163.7 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 14 on page 40.

3. Restricted Cash Equivalents

PERS' cash and cash equivalents at June 30, 2011, include futures and swap collateral of $2.0 million held by investment managers. This amount is restricted and is not available to pay current liabilities.

B. Investments

Table 11 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2011.

TABLE 11

Investments at June 30, 2011	Fair Value
Repurchase Agreements	$ 6,002,000
U.S. Treasury Obligations	884,310,844
U.S. Federal Agency Mortgage Securities	925,107,066
U.S. Federal Agency Mortgage TBAs	1,345,603,137
U.S. Federal Agency Debt	425,064,013
U.S. Federal Agency Strips	58,727,014
U.S. Treasury Obligations – Strips	49,505,464
U.S. Treasury Obligations – TIPS	83,722,347
International Debt Securities	2,167,882,095
Corporate Bonds	3,438,254,987
Bank Loans	1,970,464,337
Municipal Bonds	85,753,035
Collateralized Mortgage Obligations	1,173,831,550
Asset-Backed Securities	616,729,443
Mutual Funds – Domestic Fixed Income	1,378,145,642
Mutual Funds – International Fixed Income	423,896,435
Total Debt Securities	15,032,999,409
Derivatives	40,162,504
Domestic Equity Securities	7,077,336,453
International Equity Securities	10,675,308,007
Mutual Funds – Domestic Equity	2,390,279,701
Mutual Funds – Global Equity	948,197,197
Mutual Funds – International Equity	2,741,023,529
Mutual Funds – Target Date	270,851,400
Limited Partnerships and Leveraged Buyouts	13,748,214,554
Real Estate and Real Estate Investment Trusts	6,135,410,153
Opportunity Portfolio	1,142,875,566
Total PERS Investments	**$ 60,202,658,473**

1. Credit Risk Debt Securities

It is OIC's policy that no more than 35 percent of the fixed income manager positions be below investment grade. Securities with a quality rating of below BBB- are considered below investment grade. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2011, the fair value of below grade investments, excluding unrated securities, is $2,467 million, or 28.1 percent, of total securities subject to credit risk, and the weighted quality rating average is A. Overall credit quality deteriorated due to downgrades in both corporate bonds and non-agency mortgages. Unrated securities include $1,970 million in bank loans, $1,802 million in mutual funds, and $861.9 million in other debt securities.

Table 12 shows the quality ratings for credit risk debt securities as of June 30, 2011.

TABLE 12

Debt Securities at June 30, 2011	Fair Value
Quality Rating	
AAA	$ 3,100,005,130
AA	269,917,272
A	1,122,488,560
BBB	1,813,625,608
BB	836,408,891
B	936,366,875
CCC	594,148,212
CC	20,710,386
C	40,695,827
D	38,566,994
Unrated	4,634,399,385
Total Subject to Credit Risk	**13,407,333,140**
U.S. Government Guaranteed	1,678,137,276
Less Amounts Recorded as Cash and Cash Equivalents	(52,471,007)
Total Debt Securities	**$ 15,032,999,409**

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, 2011, 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 classes will be diversified across their respective markets. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management.

OIC provides the following limitations for fixed income manager positions:

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

As of June 30, 2011, 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 and total net assets.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. Policies state that the fixed income manager positions will maintain a weighted average effective duration within plus or minus 20 percent of the benchmark's effective duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2011, the weighted average duration of PERS' fixed income portfolio was 4.37 years.

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

No individual fixed income investment manager's portfolio was outside the policy guidelines at June 30, 2011. Table 13 on page 39 shows the investments by type, amount, and effective weighted duration.

At June 30, 2011, PERS held approximately $2,156.7 million in debt instruments backed by pooled mortgages, Collateralized Mortgage Obligations (CMOs), or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment

TABLE 13

Schedule of Interest Rate Risk - Effective Duration at June 30, 2011

Investment	Fair Value	Effective Weighted Duration Rate (in years)
U.S. Treasury Obligations	$ 884,310,844	9.02
U.S. Treasury Obligations - Strips	49,505,464	13.81
U.S. Treasury Obligations - TIPS	83,722,347	6.64
U.S. Federal Agency Mortgage Securities	845,764,532	3.88
U.S. Federal Agency Mortgage TBAs	1,345,603,137	5.44
U.S. Federal Agency Debt	425,064,013	4.35
U.S. Federal Agency Strips	58,727,014	8.67
International Debt Securities	2,018,832,471	4.61
Corporate Bonds	3,416,869,025	4.92
Bank Loans	1,895,732,031	0.54
Municipal Bonds	85,753,035	6.79
Collateralized Mortgage Obligations	1,039,853,177	4.97
Asset-Backed Securities	459,301,557	2.11
Mutual Funds - Domestic Fixed Income	1,135,413,315	3.37
Mutual Funds - Domestic Fixed Income (OSGP)	80,638,660	4.69
Mutual Funds - International Fixed Income	423,896,435	5.52
Mutual Funds - Stable Value	162,093,667	2.51
No Effective Duration:		
U.S. Federal Agency Mortgage Securities	79,342,534	N/A
International Debt Securities	149,049,624	N/A
Corporate Bonds	21,385,962	N/A
Bank Loans	74,732,306	N/A
Collateralized Mortgage Obligations	133,978,373	N/A
Asset-Backed Securities	157,427,886	N/A
Repurchase Agreements	6,002,000	N/A
Total Debt Securities	**$ 15,032,999,409**	
Cash Equivalent - U.S. Government Short Term Funds	52,471,007	25 Days[1]
Total Subject to Interest Rate Risk	**$ 15,085,470,416**	

[1]Weighted average maturity

by the mortgage holders which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exits and collateral held may potentially be insufficient to cover the principal due. PERS also held approximately $1,345.6 million in To Be Announced (TBA) federal agency-issued mortgage pools. An additional $762.8 million of debt instruments are asset-backed securities backed primarily by automobile, equipment lease, and student loan receivables.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Policy states that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of PERS' portfolio are silent regarding this risk. As of June 30, 2011, approximately 3.6 percent of the debt investment portfolio was invested in non-dollar denominated securities. (See Table 14.)

TABLE 14

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2011

Currency	Cash and Cash Equivalents	Debt Securities	Public Equity	Real Estate	Private Equity	Total
Argentine peso	$ 81,271	$ -	$ -	$ -	$ -	$ 81,271
Australian dollar	25,439,532	115,676,220	396,929,999	77,731,070	-	615,776,821
Brazilian real	5,088,675	36,764,315	210,057,191	1,493,916	-	253,404 097
Canadian dollar	4,929,523	56,895,390	512,096,746	17,692,498	-	591,614,157
Chilean peso	13,367	-	5,028,009	-	-	5,041,376
Chinese yuan	62,883	-	-	889,867	-	952,750
Colombian peso	-	884,400	4,919,923	-	-	5,804,323
Czech koruna	1,151,454	-	14,834,030	-	-	15,985,484
Danish krone	1,036,255	23,851	104,283,979	-	-	105,344,085
Dominican Republic peso	-	1,195,358	-	-	-	1,195,358
Egyptian pound	113,685	-	15,616,955	-	-	15,730,640
Euro	58,607,863	194,872,038	2,345,164,087	62,842,344	380,369,951	3,041,856,283
Hong Kong dollar	8,957,949	-	479,699,331	117,905,800	-	606,563,080
Hungarian forint	91,538	-	16,811,821	-	-	16,903,359
Indian rupee	-	-	18,621,857	-	-	18,621,857
Indonesian rupiah	340,163	-	91,562,987	-	-	91,903,150
Israeli shekel	230,421	-	25,026,233	-	-	25,256,654
Japanese yen	28,152,358	-	1,747,403,889	65,197,722	-	1,840,753,969
Jordanian dinar	1	-	-	-	-	1
Malaysian ringgit	651,463	-	54,179,646	-	-	54,831,109
Mexican peso	220,788	3,055,401	41,488,370	-	-	44,764,559
New Zealand dollar	263,695	-	22,137,812	-	-	22,401,507
Nigerian naira	-	-	625,602	-	-	625,602
Norwegian krone	496,088	477,127	83,425,655	-	-	84,398,870
Pakistan rupee	170,495	-	3,590,484	-	-	3,760,979
Peruvian nuevo sol	35	89,932	801,012	-	-	890,979
Philippine peso	159,421	-	16,998,864	1,038,463	-	18,196,748
Polish zloty	19,103	1,257,058	49,143,008	-	-	50,419,169
Pound sterling	14,867,340	128,314,931	1,576,800,482	57,004,488	-	1,776,987,241
Russian ruble	60,182	2,852,451	-	-	-	2,912,633
Singapore dollar	362,587	-	119,906,953	25,178,982	-	145,448,522
South African rand	1,601,466	629,092	202,819,867	949,533	-	205,999,958
South Korean won	1,577,496	-	438,756,570	-	-	440,334,066
Swedish krona	215,976	-	145,034,399	5,068,443	-	150,318,818
Swiss franc	2,426,166	-	437,048,609	5,676,965	-	445,151,740
Taiwanese dollar	5,362,601	-	217,801,505	-	-	223,164,106
Thai baht	710,422	-	84,364,175	1,519,001	-	86,593,598
Turkish lira	245,622	-	83,636,930	-	-	83,882,552
Uruguayan peso	-	1,528,008	-	-	-	1,528,008
Venezuelan fuerte	6,231	-	3	-	-	6,234
Total Subject to Foreign Currency Risk	**$ 163,714,115**	**$ 544,515,572**	**$ 9,566,616,983**	**$ 440,189,092**	**$ 380,369,951**	**$ 11,095,405,713**

6. Unfunded Commitments

OIC has entered into agreements that commit the Public Employees Retirement Fund (PERF), upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2011, the PERF had $7,837.1 million in commitments to purchase private equity investments, $1,754.5 million in commitments to purchase real estate investments, and $489.9 million in commitments to purchase opportunity portfolio investments. These amounts are unfunded and are not recorded in the Statement 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 Oregon State Treasury has authorized its custodian, State Street Bank, to lend its securities pursuant to the terms and conditions of policy and applicable agreements. Both PERF and the borrowers maintained the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the period of these financial statements.

The custodian had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, letters of credit, and foreign sovereign debt of Organization of Economic Cooperation and Development (OECD) countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security or 105 percent in the case of international and Canadian 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.

Prior to July 1, 2010, PERF was a participant in a securities lending collateral reinvestment pool managed by State Street Global Advisors (SSgA), a division of State Street Bank. On July 1, 2010, PERF withdrew from this pool and directed SSgA to allocate its share of pool assets into a new legacy fund owned exclusively by PERF. At the same time PERF also directed SSgA to open a new securities lending collateral reinvestment fund for ongoing lending activities. The legacy fund will be maintained until all existing assets have matured or been sold, and proceeds will be invested in the new fund. Since the assets in the legacy and new funds are wholly owned by PERF, the balances in the funds are stated at fair value in the Statement of Fiduciary Net Assets as of June 30, 2011. Previous securities lending collateral reinvestment pool balances were stated at “constant value” since PERF was a participant in a pool along with other qualified plans, due to the lending agent’s practice of redeeming shares at $1.00 per unit. The investments in the legacy and new funds are held by the custodian.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2011, is effectively one day. On June 30, 2011, PERF had no credit risk exposure to borrowers because the amounts PERF owes borrowers exceed the amounts borrowers owe PERF.

On June 30, 2011, the fair value of cash collateral received and invested cash collateral were $2,675.9 million and $2,658.3 million, respectively. The unrealized loss in invested cash collateral of $17.6 million is included in securities lending income in the Statement of Changes in Fiduciary Net Assets. For the fiscal year ended June 30, 2011, total income from securities lending activity was $7.3 million, and total expenses for the period were $8.8 million for a net loss of $1.5 million.

During the fiscal year SSgA hired an independent consultant to review the pool’s activities during the recent economic downturn to determine if pool participants who were net users of liquidity benefited at the expense of participants who were net providers of liquidity. The result of the review indicated that PERF was a net provider of liquidity and was entitled to compensation of $5.6 million, which PERF received from SSgA in May 2011. That compensation was used to establish an allowance for future losses recognized at the sale of securities held within the legacy fund, and $1.5 million of losses were recognized in the year ended June 30, 2011, leaving a balance of $4.1 million.

OSTF also participates in securities lending activity. PERF receives an allocated portion of this activity based on its deposits in OSTF. As of June 30, 2011, PERF’s allocated portion of cash collateral received and invested cash collateral were $50.9 million and $50.9 million, respectively.

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

Table 15 shows the combined balances of the securities on loan, cash and securities collateral received, and investments of cash collateral held. Securities lending collateral subject to credit risk at June 30, 2011, is shown in Table 16. Securities lending collateral subject to interest rate risk at June 30, 2011, is shown in Table 17.

TABLE 15

Securities Lending as of June 30, 2011

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury Securities	$ 165,757,982	$ 170,049,711	$ 165,282,048
U.S. Agency Securities	3,411,606	3,482,516	3,459,631
Domestic Equity Securities	1,361,101,629	1,386,766,399	1,299,267,047
Domestic Debt Securities	367,392,646	374,625,050	366,875,631
International Equity Securities	1,098,943,804	1,137,375,276	673,992,209
International Debt Securities	196,546,941	201,866,883	149,429,432
Allocation from Oregon Short Term Fund	54,733,660	55,860,707	50,838,523
Total	**$ 3,247,888,268**	**$ 3,330,026,542**	**$ 2,709,144,521**

TABLE 16

Securities Lending Invested Cash Collateral Subject to Credit Risk at June 30, 2011

Quality Rating	Fair Value
AAA	$ 444,437,117
AA [1]	1,056,458,606
A [1]	733,965,569
BBB	175,000,000
BB&B	16,971,931
Unrated	230,507,759
Total Subject to Credit Risk	**2,657,340,982**
Invested Cash Collateral not subject to Credit Risk	965,016
Allocation from Oregon Short Term Fund	50,838,523
Total Securities Lending Invested Cash Collateral	**$ 2,709,144,521**

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

TABLE 17

Securities Lending Invested Cash Collateral Subject to Interest Risk at June 30, 2011

Security Type	Fair Value	Effective Weighted Duration Rate (in days) [1]
Asset Backed Securities	$ 433,461,547	45
Bank Note	396,274,203	24
Commercial Paper	666,436,071	35
Corporate	62,409,484	27
U.S. Agency	67,709,677	11
Repurchase Agreement	1,031,050,000	1
Total Subject to Interest Rate Risk	**$ 2,657,340,982**	**21**
Invested Cash Collateral not subject to Interest Risk	965,016	
Allocation from Oregon Short Term Fund	50,838,523	
Total Securities Lending Invested Cash Collateral	**$ 2,709,144,521**	

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

D. Derivatives

Oregon Investment Council policy allows, with some restrictions, for the use of derivative instruments in the prudent management of PERS' investments. Certain internally and externally managed accounts are allowed, through contract and policy, to invest in derivative instruments in order to carry out their investment management activities. Risks inherent with derivatives are managed through investment management's adherence to contractual and policy prescribed terms that are consistent with the funds' investing objectives. All derivatives are considered investments. The fair value of PERS' derivative investments is reported in the Investment Sales and Other Receivables, Investment Purchases and Accrued Expenses, and the Public Equity lines of the Statement of Fiduciary Net Assets – Pension and Other Postemployment Plans on pages 20 and 21. Changes in fair value during the fiscal year are reported in the Net Appreciation (Depreciation) in Fair Value of Investments line of the Statement of Changes in Fiduciary Net Assets – Pension and Other Postemployment Plans on pages 22 and 23. The fair values reported in Tables 18 through 25 are not the same as amounts reported as investments in the financial statements because derivatives with net loss positions have been reclassified as Investment Purchases and Accrued Expenses. The fair value of futures reported in Table 19 is $0.

TABLE 18

Foreign Currency Exchange Contracts as of June 30, 2011

Description	Delivery Dates	Notional Value	Fair Value
Foreign currency exchange contracts purchased:			
Australian dollar	7/5/2011 - 9/21/2011	$ 326,106,521	$ 4,748,819
Brazilian real	7/5/2011 - 8/2/2011	12,293,553	48,235
Canadian dollar	7/7/2011 - 9/21/2011	90,278,353	736,953
Chinese yuan	9/27/2011 - 9/8/2015	13,361,395	136,827
Danish krone	7/8/2011 - 9/21/2011	18,593,479	128,797
Euro	7/1/2011 - 9/21/2011	481,513,038	5,326,036
Hong Kong dollar	7/8/2011 - 6/12/2012	51,225,196	15,951
Indonesian rupiah	7/20/2011 - 7/29/2011	1,602,030	8,954
Israeli shekel	7/27/2011 - 9/21/2011	12,044,181	117,286
Japanese yen	7/7/2011 - 10/7/2011	168,795,627	(294,933)
Kazakhstan tenge	7/7/2011 - 10/7/2011	1,261,084	(3,811)
Malaysian ringgit	9/21/2011	625,659	(38)
Mexican peso	8/18/2011 - 9/21/2011	742,151	6,611
New Zealand dollar	8/15/2011 - 9/21/2011	119,036,599	3,150,345
Norwegian krone	7/8/2011 - 9/21/2011	149,111,349	2,661,844
Philippine peso	7/29/2011 - 11/15/2011	2,219,731	(5,182)
Polish zloty	9/21/2011	327,374	(5,695)
Pound sterling	7/1/2011 - 9/24/2012	244,173,333	(3,197,511)
Singapore dollar	7/8/2011 - 9/21/2011	48,957,933	379,134
South Korean won	8/12/2011 - 9/21/2011	1,562,630	62,125
Swedish krona	7/8/2011 - 9/21/2011	273,403,855	(3,231,022)
Swiss franc	7/8/2011 - 9/21/2011	125,891,117	1,918,320
Total foreign currency exchange contracts purchased		**2,143,126,188**	**12,708,045**
Foreign currency exchange contracts sold:			
Australian dollar	7/5/2011 - 10/7/2011	316,372,859	(13,622,061)
Brazilian real	7/5/2011 - 9/2/2011	42,838,311	(1,408,525)
Canadian dollar	7/7/2011 - 10/7/2011	148,917,136	(1,620,608)
Chinese yuan	7/20/2012 - 10/15/2013	1,362,466	10,489
Colombian peso	7/29/2011	575,702	(5,156)
Danish krone	7/1/2011 - 9/21/2011	21,940,488	(144,690)
Euro	7/1/2011 - 3/21/2012	714,219,794	(12,022,992)
Hong Kong dollar	9/21/2011 - 6/12/2012	51,762,667	(24,586)
Israeli shekel	9/21/2011	408,696	545
Japanese yen	7/1/2011 - 9/21/2011	376,006,071	(4,365,292)
Mexican peso	8/18/2011	1,125,083	(19,338)
New Zealand dollar	9/21/2011	84,848,065	(880,398)
Norwegian krone	9/21/2011 - 12/21/2011	34,953,905	(551,419)
Peruvian nouveau sol	9/21/2011	93,478	(1,594)
Polish zloty	7/18/2011	584,721	(7,981)
Pound sterling	7/4/2011 - 11/29/2013	479,683,471	4,414,802
Singapore dollar	7/5/2011 - 9/21/2011	33,939,018	(183,568)
South African rand	9/21/2011	624,526	(31)
Swedish krona	8/15/2011 - 12/21/2011	70,405,132	(37,294)
Swiss franc	7/6/2011 - 3/21/2012	100,392,427	(2,383,937)
Total foreign currency exchange contracts sold		**2,481,054,016**	**(32,853,634)**
Total foreign currency exchange contracts subject to foreign currency risk		**$ 4,624,180,204**	**$ (20,145,589)**

TABLE 19

Futures Contracts as of June 30, 2011

	Expiration Date	Number of Contracts	Notional Value
Fixed Income			
Long cash and cash equivalents:			
90 Day Euro	12/19/2011 - 6/13/2016	1,396	$ 344,163,838
Total Long cash and cash equivalents			344,163,838
Short cash and cash equivalents:			
90 Day Euro	12/19/2011 - 6/17/2013	2,766	(686,783,163)
Total Short cash and cash equivalents			(686,783,163)
Long fixed income:			
30 year U.S. Treasury Bonds	9/21/2011	2,095	257,750,469
10 year U.S. Treasury Notes	9/21/2011	2,373	290,284,641
5 year U.S. Treasury Notes	9/30/2011	6,175	736,031,058
2 year U.S. Treasury Notes	9/30/2011	5,102	1,119,091,812
Ultra Long U.S. Treasury Bonds	9/21/2011	1,435	181,168,750
German Euro BOBL	9/8/2011	670	113,245,675
UK Long Gilt Bond	9/28/2011	384	74,071,648
Total Long Fixed Income			2,771,644,053
Short Fixed Income			
30 year U.S. Treasury Bonds	9/21/2011	1,835	(225,762,344)
10 year Govt of Canada bonds	9/21/2011	295	(37,899,751)
10 year Australian T-bonds	9/15/2011	170	(17,251,053)
10 Year U.S. Treasury Notes	9/21/2011	4,110	(502,768,594)
2 Year U.S. Treasury Notes	9/30/2011	749	(164,288,469)
Total Short Fixed Income			(947,970,211)
Total Fixed Income			**1,481,054,517**
Indexes			
Long purchased indexes:			
CAC 40	7/15/2011	1,065	61,447,029
DAX	9/16/2011	183	49,028,257
FTSE 100	9/16/2011	1,136	107,649,331
FTSE MIB	9/16/2011	289	42,346,878
Hang Seng	7/28/2011	186	26,805,513
IBEX 35	7/15/2011	24	3,574,632
Russell 1000 Mini	9/16/2011	587	42,956,660
Russell 2000 Mini	9/16/2011	1,586	130,908,440
S&P 500 E Mini	9/16/2011	373	24,534,075
S&P 500	9/15/2011	37	12,168,375
S&P Midcap 400 E Mini	9/16/2011	80	7,812,000
SGX MSCI Singapore	7/28/2011	35	2,055,067
TOPIX	9/9/2011	45	4,733,469
Total Long purchased indexes			516,019,726
Short purchased indexes:			
AEX	7/15/2011	74	(7,290,276)
ASX SPI 200	9/15/2011	899	(110,708,004)
CAC 40	7/15/2011	369	(21,290,097)
DAX	7/15/2011	70	(18,753,978)
Euro STOXX 50	9/16/2011	529	(21,843,309)
FTSE 100	9/16/2011	434	(41,126,593)
FTSE MIB	9/16/2011	39	(5,714,631)
Hang Seng	7/28/2011	54	(7,782,246)
IBEX 35	7/15/2011	48	(7,149,263)
OMX 30	7/15/2011	1,817	(32,106,798)
S&P 500 E MINI	9/16/2011	3,230	(212,453,250)
S&P TSE 60	9/15/2011	190	(30,010,983)
Swiss Market	9/16/2011	1,257	(92,379,050)
TOPIX	9/9/2011	443	(46,598,377)
Total Short purchased indexes			(655,206,855)
Total Indexes			**(139,187,129)**
Total Futures			**$ 1,341,867,388**

Currency Forwards

A forward foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations in foreign currency exchange rates. Risk associated with such contracts includes movement in the value of foreign currencies and the ability of the counterparty to perform. The change in fair value arising from the difference between the original contracts and the closing of such contracts is ($88.6) million for the fiscal year ended June 30, 2011. Table 18 on page 43 presents currency forward balances at June 30, 2011.

Futures & Forwards

Futures and forward contracts represent commitments to buy or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are exchanged-traded. Forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. The counterparty credit risk for futures is generally less than privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-trade future, daily settles the net change in the futures contract's value in cash with the broker. In the PERS portfolio futures and forward contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, equity indexes, and other market conditions. The Fund bears the market risk that arises from changes in the value of these instruments and the imperfect correlation between movements in the price of the futures and forward contracts and movements in the price of the securities hedged or used for cover. The change in fair value resulting from futures contract settlements totaled $135.7 million for the fiscal year ended June 30, 2011. The change in fair value resulting from forward contract settlements totaled $9.1 million for the fiscal year ended June 30, 2011. Table 19 on page 44 presents futures contracts balances, and Table 20 below presents forwards contracts balances at June 30, 2011.

Swaps

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

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

Interest rate swaps represent agreements between two parties to exchange cash flows or the net value of cash flows based on a notional amount and an underlying interest rate. Interest rate swaps are privately negotiated contracts with customized terms and are transacted in over-

TABLE 20

Forwards as of June 30, 2011

	Expiration Date	Notional Value	Fair Value
Assets:			
U.S. Treasury Notes	2/15/2021	$ 58,266,000	$ (1,375,605)
U.S. Treasury - Strips	11/15/2021	34,356,915	(902,209)
Total Forward Assets		92,622,915	(2,277,814)
Liabilities:			
U.S. Treasury - TIPS	1/15/2021	(54,763,100)	(596,658)
Total Forward Liabilities		(54,763,100)	(596,658)
Total Forwards		**$ 37,859,815**	**$ (1,681,156)**

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

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

The change in fair value from PERS' swap contracts for the year ended June 30, 2011, was $57.7 million. Table 21 presents swaps balances at June 30, 2011. The counterparties' credit ratings for swaps at June 30, 2011, are shown on Table 22 on page 47.

TABLE 21

Swaps as of June 30, 2011

Description	PERS Receives	PERS Pays	Maturity date	Notional Value	Fair Value
Interest Rate Swaps - Pay Fixed Asset	3 Month LIBOR	2.720 - 3.686%	9/20/2020 - 11/3/2040	$ 31,200,000	$ 2,148,210
Interest Rate Swaps - Pay Fixed Liability	3 Month LIBOR	.725 - 5.000%	5/7/2012 - 5/24/2041	971,617,128	(24,704,508)
Interest Rate Swaps - Receive Fixed Asset	2.370 - 11.570%	See note*	2/4/2014 - 12/19/2023	129,905,000	3,997,186
Interest Rate Swaps - Receive Fixed Liability	11.49%	1 day BRCDI	1/2/2012	5,200,000	(9,524)
Credit Default Swaps - Pay Fixed Assets	Credit Default Protection	0.7% - 2.5%	3/20/2012 - 2/17/2051	145,867,659	12,486,591
Credit Default Swaps - Pay Fixed Liabilities	Credit Default Protection	0.11% - 5.0%	9/20/2011 - 3/20/2019	334,885,000	(18,418,115)
Credit Default Swaps - Receive Fixed Assets	0.805% - 5.000%	Credit Default protection	8/20/2011 - 6/25/2036	42,506,497	1,372,361
Credit Default Swaps - Receive Fixed Liabilities	0.09% - 3.50%	Credit Default Protection	9/20/2012 - 10/12/2052	169,140,703	(27,798,931)
Total Return Swaps - Receive set Reference Asset	1 or 12 Month LIBOR	1 or 12 Month LIBOR	1/12/2040	23,178,492	149,410
Total Return Swaps - Pay Set Reference Liability	TRX CMBS Reset Index	TRX CMBS Index	10/1/2011 - 1/1/2012	8,225,000	(33,891)
Total Return Swaps - Pay/Receive Variable Reference Asset	Market FNMA 5% or 6% Indexes	1 Month LIBOR	1/12/2040	19,769,601	23,306
Total Equity Swaps	Equity Position	3 Month LIBOR	5/15/2012	120,878	(120,878)
Total Swaps				**$ 1,881,615,958**	**$ (50,908,783)**

* PERS pays/receives counterparty based on daily CETIP, 1-Month Mexican TIIE, 3-Month CDOR, 3-Month LIBOR, 6-Month CDOR

TABLE 22

Swaps at June 30, 2011

Counterparty	Ratings**	Credit Default Swaps	Interest Rate Swaps	Total Return Swaps	Total Return Equity Swaps	Total
Bank of America Merrill Lynch	A/A+/A2	$ (2,004,669)	$ (4,160,680)	-		$ (6,165,349)
Barclay's Bank	AA-/AA-/Aa3	(1,293,901)	(3,239,784)	68,107		(4,465,578)
BNP PARIBAS S.A.	AA/AA-/Aa2	(22,624)	-	-		(22,624)
Citibank	A/A+/A3	(11,175,059)	-	-		(11,175,059)
Credit Suisse	A+/AA-/Aa1	1,507,926	-	11,961		1,519,887
Deutsche Bank	A+/AA-/Aa3	(3,568,553)	(6,712,163)	-		(10,280,716)
Goldman Sachs	A/A+/A1	(2,540,273)	(2,378,257)	66,005		(4,852,525)
HSBC Bank	N/A	(4,539)	-	-		(4,539)
JP Morgan Chase	AA-/AA-/Aa1	(2,866,077)	(604,073)	(6,931)		(3,477,081)
Morgan Stanley	A/A/A2	(9,376,855)	(1,209,420)	(316)		(10,586,591)
Royal Bank of Canada	AA-/AA/Aa1	-	261,213	-		261,213
Royal Bank of Scotland	A+/AA-/Aa3	(104,181)	(525,472)	-		(629,653)
UBS AG Stamford	A+/A+/Aa3	(922,225)	-	-		(922,225)
Other	N/A	12,935	-	-	(120,878)	(107,943)
Total Swaps Subject to Credit Risk		**$ (32,358,095)**	**$ (18,568,636)**	**$ 138,826**	**$ (120,878)**	**$ (50,908,783)**

** Standard & Poor's/Moody's/Fitch

Options

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

TABLE 23

Options as of June 30, 2011

Description	Expiration Date	Contracts	Units	Fair Value
Fixed Income:				
Written Calls				
INF CAP USD CPURNSA	3/4/2015	1,800,000	$ (1,800,000)	$ (16,241)
FN 5.0 9 39 101	10/11/2011 - 11/14/2011	39,400,000	(39,400,000)	(640,207)
Total Written Calls			(41,200,000)	(656,448)
Written Puts				
INF Floor USD CPURNSA	3/4/2015 - 10/13/2020	2,600,000	(2,600,000)	(11,883)
IRO USD 3Y P2.75 DUB	6/18/2012	3,600,000	(3,600,000)	(17,163)
IRO USD 3Y P2.75 RYL	6/18/2012	3,000,000	(3,000,000)	(14,303)
IRO 2Y RYL	9/24/2012	11,700,000	(11,700,000)	(59,465)
IRO USD 1Y GLM	11/19/2012	4,700,000	(4,700,000)	(27,024)
Total Written Puts			(25,600,000)	(129,838)
Total Fixed Income			**$ (66,800,000)**	**$ (786,286)**
Foreign Currency:				
Calls Written				
OTC ECAL USD V KRW	9/21/2011	1,700,000	$ (1,700,000)	$ (9,044)
Total Calls			(1,700,000)	(9,044)
Puts Written				
OTC USD VS JPY 79	7/19/2011	1,100,000	(1,100,000)	(2,327)
OTC EPUT AUD VS USD	9/15/2011	3,300,000	(3,300,000)	(27,875)
Total Puts Written			(4,400,000)	(30,202)
Total Foreign Currency			**$ (6,100,000)**	**$ (39,246)**
Option Futures				
Calls				
Purchased				
10 Year Treasury Note	7/22/2011 - 8/26/2011	575	$ 575,000	$ 284,297
Written				
10 Year Treasury Note	7/22/2011 - 8/26/2011	256	(256,000)	(48,000)
Euro	3/19/2011	642	(1,605,000)	(375,675)
Total Calls Written			(1,861,000)	(423,675)
Total Option Future Calls			(1,286,000)	(139,378)
Puts				
Purchased				
10 Year Treasury Note	8/26/2011	1,862	1,862,000	567,765
5 Year Treasury Note	8/26/2011	485	485,000	137,977
2 Year Euro Midcurve	8/12/2011	141	352,500	63,450
1 Year Euro Midcurve	9/16/2011	395	987,500	71,594
Total Puts Purchased			3,687,000	840,786
Written				
Euro	3/19/2012	642	(1,605,000)	(185,350)
1 Year Euro Midcurve	9/16/2011	395	(987,500)	(7,406)
10 Year Treasury Note	8/26/2011	128	(128,000)	(136,000)
Total Puts Written			(2,720,500)	(328,756)
Total Option Future Puts			966,500	512,030
Total Option Futures			**$ (319,500)**	**$ (372,652)**

In writing an option, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written option. Exercise of an option written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Options and European options may be subject to interest rate risk, general market risk, liquidity risk, credit risk, foreign currency risk, and, for non-exchange traded options, the risk of the counterparty's ability to perform. The change in fair value from PERS' options contracts for the year ended June 30, 2011, was $2.8 million. Table 23 on page 48 presents options balances at June 30, 2011.

Swaption

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

In writing a swaption, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written swaption. Exercise of a swaption written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing a swaption is that the Fund pays a premium whether or not the option to enter a swap is exercised. Swaptions may be subject to interest rate risk, liquidity risk, and the risk of the counterparty's ability to perform. The change in fair value from PERS' swaptions contracts for the year ended June 30, 2011, was $640 thousand. Table 24 presents swaptions balances at June 30, 2011.

TABLE 24

Swaptions as of June 30, 2011

Description	Expiration Date	Contracts	Units	Fair Value
Puts				
Purchased				
Great Britain pound	12/15/2015	2,800,000	$ 2,800,000	$ 503,902
IRO Great Britain pound	12/15/2015	6,300,000	6,300,000	1,133,779
Swaption SWP011027	9/21/2011	3,675,000	3,675,000	62,255
Total Puts Purchased			12,775,000	1,699,936
Written				
IRO Euro	7/1/2014	2,500,000	(2,500,000)	(457)
Swaption 317U153B3	7/11/2011	3,800,000	(3,800,000)	(51)
Swaption 27 2.25 BOA	9/24/2012	10,500,000	(10,500,000)	(53,366)
Swaption 9W9011068	9/21/2011	3,675,000	(3,675,000)	(26,206)
Swaption 317U153B3	7/11/2011	3,675,000	(3,675,000)	(40,456)
Total Puts Written			(24,150,000)	(120,536)
Total Swaptions			**$ (11,375,000)**	**$ 1,579,400**

Rights and Warrants

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

A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain time period. Warrants are privately transacted in over-the-counter markets. In the PERS portfolio, warrants are often obtained and held due to existing investments. Warrants are subject to general market risk and liquidity risk. The change in fair value from PERS' rights and warrants for the year ended June 30, 2011, was $5.1 million. The fair value of PERS' rights and warrants at June 30, 2011, are shown in Table 25.

TABLE 25

Rights and Warrants as of June 30, 2011

	Expiration Date	Related Number of Shares	Fair Value
Rights	7/12/2011 - 7/15/2011	$ 468,752	$ 212,421
Warrants	10/28/2011 - 1/19/2021	5,260,967	16,935,661
Total Rights and Warrants		**$ 5,729,719**	**$ 17,148,082**

Note 7 - Long-Term Debt

In 1997 PERS completed construction on its retirement system headquarters building in Tigard, Oregon. The construction was financed by the sale of certificates of participation (COP), Series A. In March 2002, a new COP, Series B, was issued at a 4.41 percent interest rate and was used to finance the original Series A COP. The Series B COP amount outstanding is $3,580,000 and has a final repayment due May 1, 2017.

Table 26 summarizes all future PERS building COP payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2015, and the remaining period ending June 30, 2017. The current portion of the PERS building debt is $520,000.

Table 27 summarizes the changes in long-term debt for the year ended June 30, 2011.

TABLE 26

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "B" Principal	Interest	Total
2012	$ 520,000	$ 187,950	$ 707,950
2013	550,000	160,650	710,650
2014	580,000	131,775	711,775
2015	615,000	101,325	716,325
2016	640,000	69,038	709,038
2017	675,000	35,437	710,437
Total	**$ 3,580,000**	**$ 686,175**	**$ 4,266,175**

TABLE 27

Long-Term Debt Activity

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
PERS Building Principal	$ 4,080,000	$ —	$ 500,000	$ 3,580,000	$ 520,000
Plus: Premium (Net)	173,724	—	25,237	148,487	25,305
Less: Deferred Gain (Net)	(142,121)	—	(29,002)	(113,119)	(29,081)
Total COPs Payable	**$ 4,111,603**	**$ —**	**$ 496,235**	**$ 3,615,368**	**$ 516,224**

Note 8 - Litigation

Following is a summary of current PERS-related lawsuits:

A. White, et al. v. Public Employees Retirement Board (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 County 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.

This case has been briefed and, on May 3, 2011, was argued in the Oregon Supreme Court. On October 21, 2011, the Court requested supplemental briefing. Supplemental memoranda were due from all parties November 21, 2011, and reply memoranda were due December 5, 2011. We are 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.

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.

On October 6, 2011, the Oregon Supreme Court issued a decision affirming the judgment in favor of PERB in *Arken*, and reversing the judgment in favor of the petitioners in *Robinson*. On October 19, 2011, the *Robinson* petitioners filed a petition for reconsideration in the Oregon Supreme Court. They amended the petition October 27, 2011. The Supreme Court has not requested a response from respondents. Legal counsel is unable to provide an opinion as to the outcome of the petition for reconsideration.

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). This case was dismissed July 27, 2010.

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.

F. Murray v. State of Oregon, PERB

On May 12. 2010, the Court of Appeals issued a decision in *Murray v. PERB*, holding that expenses attributable to the Variable Annuity Account cannot be paid from that account in years when the earnings in that account are not sufficient to cover those expenses. As a result of the decision, PERB ordered a refund to Mr. Murray. Attorneys for Mr. Murray have asserted that all participants in the Variable Annuity Account during the three years since 2001 when the account's earnings were insufficient to cover its expenses also are entitled to refunds. The attorneys, however, have not taken any formal legal action to assert claims of behalf of similarly situated PERS participants.

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

The Standard Retiree Health Insurance Account establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been "incurred but not reported" (IBNR). The estimated claims liability was calculated by ODS, the SRHIA's third-party administrator, at June 30, 2011, by multiplying annual premiums by 14 percent in accordance with ODS policy. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $23.5 million is carried at face amount, and no interest discount is assumed. The IBNR represents an estimate for claims that have been incurred prior to June 30, 2011, but have not been reported to SRHIA. Table 28 shows the changes in the aggregated estimated claims liabilities as of June 30, 2011.

Note 10 - Prior Period Adjustment

During fiscal year 2011, PERS became aware that the Standard Retiree Health Insurance Account had not been reported in accordance with GAAP in prior fiscal years. Prior to fiscal year 2011, activity of this account was reported using an Employee Benefit Plan fiduciary fund. PERS determined that activity should be reported in an enterprise fund.

In the Statement of Changes in Fiduciary Net Assets on page 23, SRHIA net assets were reduced by $8.3 million.

In the Statement of Changes in Net Assets - Proprietary Fund on page 25, SRHIA net assets were increased by $62.5 million.

In the Statement of Cash Flows - Proprietary Fund on page 26, SRHIA cash and cash equivalents were increased by $83.8 million.

The increase was due to certain deposits and estimated claims expenses not reported in prior fiscal periods.

Note 11 - Subsequent Event

On August 5, 2011, Standard & Poor's lowered its long-term credit rating on debt of the U.S. government from AAA to AA+. That action affected Standard & Poor's view of U.S. public finance debt instruments that are directly or indirectly backed by the United States. As a result, on August 8, 2011, Standard & Poor's lowered its long-term credit ratings of U.S. government-sponsored enterprises and public debt issues that have credit enhancement guarantees by those government-sponsored enterprises to AA+. These credit downgrades relate to the credit risk associated with the System's investments in U.S. Government & Agency Obligations, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association securities.

TABLE 28

Changes in the Aggregated Estimated Claims Liabilities of SRHIA for the Year Ended June 30, 2011

Total Estimated Claims at Beginning of Fiscal Year	$	21,362,157
Insured Claims and Claim Adjustment Expenses		
Provision for Insured Events of Current Fiscal Year		163,104,506
Decrease in Provision for Insured Events of Prior Years		(10,551,825)
Total Incurred Claims and Claim Adjustment Expenses		152,552,681
Payments		
Claim and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year		139,612,134
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year		10,810,332
Total Payments		150,422,466
Total Estimated Claims at End of Fiscal Year	**$**	**23,492,372**

Required Supplementary Information
Schedules of Funding Progress
(dollar amounts in millions)[10]

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pensions –Tier One/Tier Two and OPSRP[1]						
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
12/31/2009[9]	48,729.2	56,810.6	8,081.4	85.8	8,512.2	94.9
12/31/2010	51,583.6	59,329.5	7,746.0	86.9	8,750.1	88.5
Postemployment Healthcare Benefits – Retirement Health Insurance Account						
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
12/31/2009	214.1	511.2	297.1	41.9	8,512.2	3.5
12/31/2010	232.3	547.1	314.8	42.5	8,750.1	3.6
Postemployment Healthcare Benefits – Retiree Health Insurance Premium Account						
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
12/31/2009	6.4	24.5	18.2	25.9	2,371.8	0.8
12/31/2010	5.7	33.9	28.2	16.8	2,379.7	1.2

1 Includes UAAL for Multnomah Fire District ($168 million as of December 31, 2010).

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

10 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, 6]
Defined Benefit Pension Plan		
12/31/2010	$ 472.4	100%[3]
12/31/2009	630.8	100[3]
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
Postemployment Healthcare Plan - Retirement Health Insurance Account[4]		
12/31/2010	$ 26.5	83%
12/31/2009	29.8	87
12/31/2008	33.0	85
12/31/2007	38.8	91
12/31/2006	44.3	89
12/31/2005	39.0	100
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[5]		
12/31/2010	$ 2.3	64%
12/31/2009	2.6	68
12/31/2008	2.9	63
12/31/2007	2.7	79
12/31/2006	2.5	90
12/31/2005	2.4	100

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

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

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

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

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

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

		2011
1. Net earned required contributions and investment revenues	$	174.19
2. Unallocated expenses		20.01
3. Estimated incurred claims and expense, end of policy year		152.55
4. Paid (cumulative) as of:		150.42
End of policy year		
One year later		
Two years later		
Three years later		
Four years later		
Five years later		
Six years later		
Seven years later		
Eight years later		
Nine years later		
5. Reestimated incurred claims and expense:		152.55
End of policy year		
One year later		
Two years later		
Three years later		
Four years later		
Five years later		
Six years later		
Seven years later		
Eight years later		
Nine years later		
6. Increase (decrease) in estimated incurred claims and expense from end of policy year		–

Other Supplemental Information
Schedule of Plan Net Assets
Defined Benefit Pension Plan
As of June 30, 2011

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2011
Assets:				
Cash and Cash Equivalents	$ 2,393,058,080	$ 48,097,803	$ 3,525,991	$ 2,444,681,874
Receivables:				
Employer	6,279,921	2,301,249	—	8,581,170
Interest and Dividends	314,110,481	4,472,124	—	318,582,605
Investment Sales and Other Receivables	714,943,938	10,038,495	480	724,982,913
Total Receivables	1,035,334,340	16,811,868	480	1,052,146,688
Interaccount Receivables and Payables	8,931,350	3,049,585	(11,980,935)	—
Due from Other Funds	1,096,657	—	—	1,096,657
Investments:				
Debt Securities	13,542,432,937	192,809,344	—	13,735,242,281
Public Equity	20,505,298,302	291,942,603	948,197,197	21,745,438,102
Real Estate	5,617,774,180	79,982,627	—	5,697,756,807
Private Equity	12,588,296,923	179,224,906	—	12,767,521,829
Opportunity Portfolio	1,046,452,753	14,898,790	—	1,061,351,543
Total Investments	53,300,255,095	758,858,270	948,197,197	55,007,310,562
Securities Lending Collateral	2,475,492,558	36,296,157	284,181	2,512,072,896
Prepaid Expenses and Deferred Charges	8,690,195	114,144	—	8,804,339
Capital Assets, Net	35,679,124	3,237,839	—	38,916,963
Total Assets	**59,258,537,399**	**866,465,666**	**940,026,914**	**61,065,029,979**
Liabilities:				
Investment Purchases and Accrued Expenses	2,636,134,855	33,753,901	148,392	2,670,037,148
Deposits and Other Liabilities	58,624,533	53,493	13,356	58,691,382
Due Other Funds	9,221,343	—	—	9,221,343
COPs Payable	3,615,368	—	—	3,615,368
Deferred Revenue	212,734	—	—	212,734
Securities Lending Cash Collateral Due Borrowers	2,491,593,732	36,525,396	284,181	2,528,403,309
Total Liabilities	**5,199,402,565**	**70,332,790**	**445,929**	**5,270,181,284**
Net Assets Held in Trust for Pension Benefits	**$ 54,059,134,834**	**$ 796,132,876**	**$ 939,580,985**	**$ 55,794,848,695**

Other Supplemental Information
Schedule of Changes in Plan Net Assets
Defined Benefit Pension Plan
For the Year Ended June 30, 2011

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2011
Additions:				
Contributions:				
Employer	$ 267,452,478	$ 156,648,936	$ —	$ 424,101,414
Plan Member	13,809,904	—	214,580	14,024,484
Total Contributions	281,262,382	156,648,936	214,580	438,125,898
Investment Income:				
Net Appreciation in Fair Value of Investments	9,503,614,500	122,574,340	249,173,800	9,875,362,640
Interest, Dividends, and Other Investment Income	1,376,137,327	19,118,716	208,759	1,395,464,802
Total Investment Income	10,879,751,827	141,693,056	249,382,559	11,270,827,442
Less Investment Expense	333,773,399	4,054,796	498,226	338,326,421
Net Investment Income	10,545,978,428	137,638,260	248,884,333	10,932,501,021
Securities Lending Income:				
Securities Lending Income	6,760,752	61,761	527	6,823,040
Less Securities Lending Expense	8,139,379	104,938	527	8,244,844
Net Securities Lending Expense	(1,378,627)	(43,177)	—	(1,421,804)
Other Income	311,735	—	—	311,735
Total Additions	10,826,173,918	294,244,019	249,098,913	11,369,516,850
Deductions:				
Benefits	3,160,136,200	2,025,259	34,170,443	3,196,331,902
Death Benefits	7,606,867	—	—	7,606,867
Refunds of Contributions	25,217,648	—	1,269,578	26,487,226
Administrative Expense	22,851,045	4,970,580	1,435,122	29,256,747
Interaccount Transfers	(83,267,558)	—	83,267,558	—
Total Deductions	3,132,544,202	6,995,839	120,142,701	3,259,682,742
Net Increase	**7,693,629,716**	**287,248,180**	**128,956,212**	**8,109,834,108**
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	46,365,505,118	508,884,696	810,624,773	47,685,014,587
End of Year	**$ 54,059,134,834**	**$ 796,132,876**	**$ 939,580,985**	**$ 55,794,848,695**

Other Supplemental Information
Schedule of Administrative Expenses - Fiduciary Funds
For the Year Ended June 30, 2011

	2011
Personal Services:	
Staff Salaries	$ 17,246,554
Social Security	1,308,000
Retirement	2,463,790
Insurance	4,866,325
Assessments	118,978
Total Personal Services	26,003,647
Professional Services:	
Actuarial	432,223
Data Processing	228,520
Audit	178,921
Legal Counsel	651,692
Medical Consultants	145,396
Training and Recruitment	215,228
Contract Services	2,921,260
Healthcare Fees	591,208
Total Professional Services	5,364,448
Communications:	
Printing	96,010
Telephone	212,820
Postage	601,456
Travel	116,695
Total Communications	1,026,981
Rentals:	
Office Space	617,781
Equipment	124,619
Total Rentals	742,400
Miscellaneous:	
Central Government Charges	704,342
Supplies	1,299,587
Maintenance	1,067,822
Non-Capitalized Equipment	408,158
Depreciation	1,767,238
COP Amortization	209,997
Total Miscellaneous	5,457,144
Total Administrative Expenses	**$ 38,594,620**

Other Supplemental Information
Schedule of Payments to Consultants and Contractors
For the Year Ended June 30, 2011

Individual or Firm	Commission/Fees 2011	Nature of Service
Orrick, Herrington & Sutcliffe LLP	$ 89,971	Legal
Ice Miller LLP	14,510	Legal
Harrang Long Gray Rudnick PC	74,744	Legal
Oregon Department of Justice	382,689	Legal
HP Enterprise Services	4,934,404	Technology
Provaliant, Inc.	334,800	Technology
nextSource Inc	891,427	Technology
QA Partners LLC	41,000	Technology
TriTek Solutions Inc.	43,448	Technology
CEM Benchmarking Inc.	35,000	Benchmarking
Mercer Human Resources Consulting LLC	444,598	Actuarial
Gabriel Roeder Smith & Company	45,000	Actuarial
Oregon Secretary of State Audits Division	204,503	Audit
Benefit Partners & Associates LLP	77,132	Health Insurance
Fredrick William Miller, MD	68,200	Medical
Trucker Huss	40,313	Medical
Ronald N. Turco, MD	3,600	Medical
ING	2,184,291	IAP Administration

Other Supplemental Information
Summary of Investment Fees, Commissions, and Expenses
For the Year Ended June 30, 2011

	2011
International Equity Fund Managers	
Acadian Asset Management, Inc.	$ 2,613,147
AllianceBernstein International	3,438,531
AQR Capital Management	3,542,436
Arrowstreet Capital, LP	6,308,685
Brandes Investment Partners LLC	2,857,968
Fidelity Management Trust Co.	2,115,672
Genesis Investment Management, Ltd.	3,798,254
Harris Associates	1,953,147
Pictet Investment Management	1,773,901
Pyramis Global Investors	3,719,881
TT International Co., Ltd.	2,286,487
UBS Global Asset Management Americas	1,353,688
Victory Capital Management	1,468,260
Walter Scott & Partners Limited	2,920,919
Other International Equity Fund Managers	6,051,899
Domestic Equity Fund Managers	
Alethia Asset Management	1,278,660
AQR Capital Management	1,232,916
Aronson+Johnson+Oritz	1,647,409
The Boston Company Asset Management, LLC	1,376,142
Delaware Capital Management	1,684,924
MFS Institutional Advisors, Inc.	2,320,586
Next Century Growth Investors	2,169,695
Northern Trust Company	1,215,049
PIMCO	4,424,688
Wanger Asset Management, LP	2,612,391
Wellington Management Company, LLP	2,068,346
Wells Capital Management	1,967,246
Other Domestic Equity Fund Managers	3,784,046
Debt Securities Managers	
Alliance Capital Management	2,761,200
BlackRock Asset Management	2,814,557
KKR Financial Credit Portfolio	9,140,271
Oak Hill Advisors	5,796,871
Wellington Management Company, LLP	1,881,838
Western Asset Management Company	1,994,645
Other Debt Securities Managers	492,778
Opportunity Portfolio Managers	7,352,840
Custodian	
State Street Bank	102,500
Private Equity Managers	
Affinity Equity Partners	2,000,000
Apollo Management	3,109,525
Aquiline Capital Partners	3,380,597
Black Diamond Capital Management	3,213,243
CVC Capital Partners	9,431,269
Centerbridge Partners	1,958,896
First Reserve	4,205,890
Fisher Lynch Capital	3,162,829
Gores Capital Partners	2,905,558
Grove Street Advisors, LLC	4,932,627
Kohlberg Kravis Roberts & Co.	19,925,299
KSL Capital Partners	2,014,883
New Mountain Capital	1,738,035
Oak Hill Capital Partners	7,697,495
Palamon European Equity	2,837,514
Parthenon Capital	2,641,783
Pathway Private Equity	4,992,393
Providence Equity Partners	2,450,035
Riverside Co.	2,365,402
Tailwind Capital Partners	2,354,732
TPG Capital	7,588,116
Terra Firma Investments	2,328,018
Unitas Capital	3,952,522
Other Private Equity Fees	28,593,066
Real Estate Fees and Expenses	31,491,967
State Treasury Fees	8,154,235
Brokerage Commissions	24,787,797
Other Investment Fees and Expenses	61,721,357
Deferred Compensation Investment Fees and Expenses	2,430,124
Total Investment Fees, Commissions, and Expenses	**$ 364,687,680**

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Investment Section

Investment Officer's Report

RONALD D. SCHMITZ
DIRECTOR
INVESTMENT DIVISION

PHONE 503 378-4111
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STATE OF OREGON
OREGON STATE TREASURY
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896

October 5, 2011

Dear PERS Members:

If you read the paper every day or watch the market reports on the news, it's hard to not have some angst about what's happening in the investment world. One day, the arrows are pointing upward, and the next day they are pointing at the ground. Then, the economists can't even seem to agree about what's going on and why. As a result, it can be tough for investors whose futures are directly tied to the bumpy performance of the financial markets.

So as I begin the annual update, which will be my last as Oregon's chief investment officer, I hope that I can at least partially put your mind at ease. While the levels of recent volatility are unusual, financial markets are supposed to go up and go down. But when you are building a balanced and diversified pension portfolio, you are looking at the distant horizon. You expect the arrows will bounce around, because that is what markets do. You build a portfolio with that in mind.

Over the long-term, Oregon's strategy has worked, and worked well. The 25-year annual average returns for the Oregon Public Employee Retirement Fund are still upwards of 8.5 percent, even though the average returns for the past decade are lower. Every year, we continue to seek out the best opportunities including our new entry into "alternatives" such as infrastructure investing, in order to continue to diversify our investment mix and take advantage of opportunities.

This letter will address the performance of the pension fund through June 30 – as is the case every year. Still, given the significant volatility shortly after the conclusion of the fiscal year, I will start with some commentary about the state of the global economy and capital markets.

For some perspective, consider the thoughts of Stephen Roach, a faculty member at Yale and a non-executive Chairman of Morgan Stanley Asia. He begins his August 29th letter with this:

"One number says it all. The number is 0.2%. It is the average annualized growth of consumer spending over the last 14 quarters – calculated in inflation-adjusted terms from the first quarter of 2008 to the second quarter of 2011. ***Never before in the post-WWII era have American consumers been so weak for so long.*** *(emphasis added.)"*

It is easy to see why this is the case. A record credit bubble fueled an unprecedented property bubble and allowed consumers to spend beyond their means for many years. When the bubbles burst in 2008, consumers had no choice but to cut back on spending and repair their balance sheets.

This process has begun. Household debt is down to 115 percent of disposable personal income, an improvement from 130 percent in 2007. Still, that figure remains much higher than the 75 percent average level of debt in the 1970-2000 period. American consumers' lack of spending could persist for a while, especially with persistent soft employment. Consumer spending represents about 75 percent of real GDP, so as a result any short-term U.S. economic growth faces a significant headwind.

Recent market volatility is a reflection of the debt retrenchment as well as a reminder of the macroeconomic issues facing the U.S. and Western Europe. But unlike many pundits, we do not see this as a return to the 2008-2009 meltdown or as a 1981-like double dip recession. There are important differences today from both of these two troubling periods.

The major pain in 2008-2009 has already been felt and asset prices have been adjusted in large part. It is hard to imagine additional forced selling to take place in the financial sector today. While housing still needs to stabilize, it appears we are closer to a bottom than a top.

There is a key difference between 1981 and today. We are not in an inflationary period at this time. Back then, the Fed consciously raised interest rates and purposefully triggered a recession to fight inflation. Last month the Fed signaled to the markets that they intended to keep rates near zero until the middle of 2013.

While these thoughts grab the headlines, a different story is in the background. First, while the downturn in GDP in this past recession was severe at 4.1 percent—which is more severe than average recessions in the post-WWII period—it is not the only time downturns have resulted in a 3 percent or more decline. And, this is nothing like the Depression's 26 percent decrease in GDP.

Second, emerging Asia, Latin America and Eastern Europe show solid GDP advances and seem to be decoupling from dependence on U.S. and developed Europe consumption. Unlike years past, emerging economies today are being driven by domestic consumption as the general standard of living increases in these parts of the world. This creates opportunities for companies with global reach. GDP growth in the West should become less dependent on local consumption. And we expect slower than normal, but steady, growth ahead – with the caveat that our leaders in Washington help rather than hinder the recovery.

With respect to performance of the pension fund, OPERF ended the fiscal year with positive returns of 22.3 percent, which was well ahead of the policy benchmark of 20.4 percent.

All asset classes generated strong results for the year. Stocks, domestic and international, saw returns over 30 percent and both asset sub-classes within our portfolio were ahead of the market indexes. Fixed income saw a less robust return – 8.8 percent - but this was well above the policy benchmark of 4.2 percent. Real estate and private equity assets both saw returns upward of 20 percent and both asset classes were ahead of benchmark.

Longer term, the total fund has somewhat mixed results. For the past three and five-year periods, the returns lagged the benchmark slightly. But we exceeded the benchmark over the past 10 years. Relative to other large state funds, OPERF continues to perform well. Total fund performance for the year ended 6/30/11 was in the top 35th percentile of large public funds while the ten year rank was 12th percentile.

OPERF is a global portfolio and has significant exposure to developing and developed markets around the globe. All asset classes include U.S. and non-U.S. exposure. As such, the portfolio is well positioned and well diversified, and Oregon will continue to seek the best opportunities—while always mindful that you don't predict if the market arrows will go up or down. You build a solid portfolio for the long term with the expectation that they will do both.

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, Public and Private Equities, and Alternative Investments. In addition, PERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

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

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

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

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

Investment Results*

	Periods Ending June 30, 2011		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	22.3%	3.7%	5.0%
Policy Benchmark	20.4	4.1	5.2
Variable Account	31.1	1.9	1.4
Variable Account Blended Index	31.0	1.7	2.0
Domestic Stocks	34.0	4.1	3.4
Benchmark: Russell 3000 Index	32.4	4.0	3.4
International Stocks	30.9	1.5	5.0
Benchmark: Custom Index[1]	30.3	0.3	4.3
Fixed Income Segment	8.8	9.6	7.7
Benchmark: Custom Index[2]	4.2	6.5	6.4
Real Estate[3]	20.8	(4.6)	0.9
Benchmarks: NCREIF Property Index	16.0	(3.6)	3.5
NCREIF Equity REIT Share Price Index	34.1	5.4	2.6
Private Equity[4]	21.4	5.0	9.4
Russell 3000 +300 bps	20.9	7.8	6.8

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

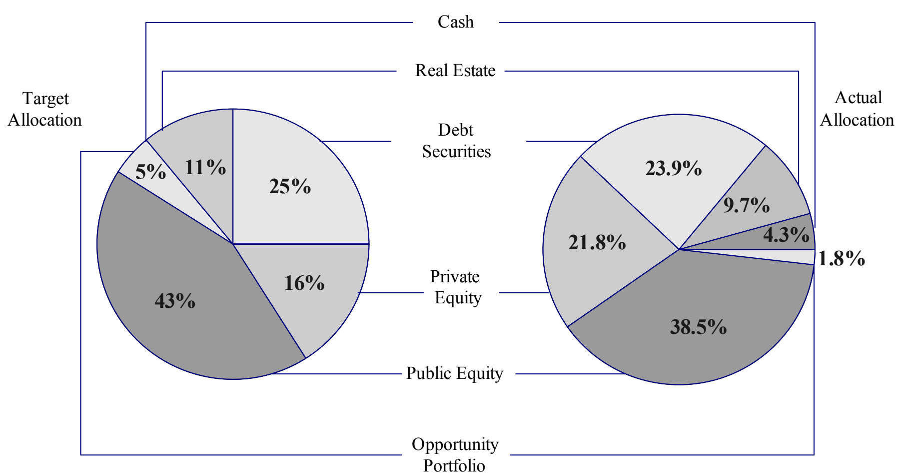
1 Morgan Stanley Capital International All Country World Index (MSCI ACWI) ex U.S. Gross through May 31, 2008, and thereafter linked with the MSCI ACWI ex U.S. Investable Market Index Net Index

2 90% Barclays Capital Universal/10% Solomon Smith Barney Inc. Non-US World Government Bond Hedged

3 Returns are lagged one quarter.

4 Returns are lagged one quarter.

OIC Target and Actual Investment Allocations as of June 30, 2011*



	Low Range	High Range	OIC Target Allocation
Cash	0.0%	3.0%	0.0%
Debt Securities	20.0	30.0	25.0
Real Estate	8.0	14.0	11.0
Public Equity	38.0	48.0	43.0
Private Equity	12.0	20.0	16.0
Opportunity Portfolio	0.0	8.0	5.0
	78.0%	123.0%	100.0%

	Actual Allocation
Cash	4.3%
Debt Securities	23.9
Real Estate	9.7
Public Equity	38.5
Private Equity	21.8
Opportunity Portfolio	1.8
	100.0%

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

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2011

Description	Shares	Fair Value
Apple Inc.	392,402	$ 131,717,579
JPMorgan Chase & Co.	2,341,751	95,871,286
Pfizer Inc.	4,631,416	95,407,170
AstraZeneca PLC	1,749,211	87,281,101
Exxon Mobil Corporation	1,067,063	86,837,587
Sanofi	1,076,152	86,500,698
Chevron Corporation	797,278	81,992,070
GlaxoSmithKline Plc	3,731,995	79,927,070
Vodafone Group Plc	29,563,617	78,456,229
Gazprom OAO Sponsored American Depositary Receipt	5,215,512	75,885,700

Largest Bond Holdings (by Fair Value)
June 30, 2011

Description	Par Value	Fair Value
FNMA TBA 30 Year Single Family 3.5% TBA Expires July 15, 2011	181,800,000	$ 173,846,250
GNMA TBA 30 Years 4% TBA Expires July 15, 2011	149,700,000	152,482,923
FNMA TBA 30 Year Single Family 4% TBA Expires July 15, 2011	148,700,000	148,700,000
FNMA TBA 30 Year Single Family 4.5% TBA Expires July 15, 2011	124,600,000	128,902,438
US Treasury Notes 3.625% Due February 15, 2020	95,865,000	101,404,080
FNMA TBA 15 Year Single Family 4.5% TBA Expires July 15, 2011	87,875,000	93,147,500
GNMA I TBA 30 Year Single Family 4.5% TBA Expires July 15, 2011	87,900,000	92,761,749
GNMA II TBA 30 Year 4.5% TBA Expires July 15, 2011	74,900,000	78,820,266
US Treasury Notes 2.5% Due April 30, 2015	73,250,000	76,821,664
Brambles Payment In-Kind Senior Subordinated Notes 12% Due July 18, 2014	73,476,066	75,910,228

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

Schedule of Fees and Commissions
For the Fiscal Year Ended June 30, 2011

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$ 15,032,999,409	$ 24,882,160	0.165517
Public Equity Managers	24,143,158,791	74,471,472	0.308458
Real Estate Managers	6,135,410,153	31,491,967	0.513282
Private Equity Managers (Limited Partnerships)	13,748,214,554	129,779,727	0.943975
Opportunity Portfolio Managers	1,142,875,566	7,352,840	0.643363
Total Assets Under Management	**$ 60,202,658,473**		
Other Investment Service Fees:			
Investment Consultants		1,891,224	
Commissions and Other Fees		94,818,290	
Total Investment Service and Managers' Fees		**$ 364,687,680**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2011

Broker's Name	Commission	Shares / Par	Commission Per Share
Goldman, Sachs & Co.	$ 2,514,744	$ 177,520,295	0.01417
Credit Suisse First Boston Corporation	1,653,215	250,199,010	0.00661
J.P. Morgan	1,419,338	223,988,135	0.00634
Citigroup Global Markets Inc.	1,343,801	185,897,356	0.00723
Merrill Lynch, Pierce, Fenner & Smith, Inc.	1,335,040	182,078,070	0.00733
UBS Securities Inc.	1,235,996	146,310,224	0.00845
Barclays Capital	1,147,049	46,993,563	0.02441
Morgan Stanley & Co., Incorporated	1,114,537	117,191,580	0.00951
Deutsche Bank	938,562	134,692,862	0.00697
Nomura Securities International, Inc.	854,459	180,101,894	0.00474
Instinet Corporation	705,132	163,309,509	0.00432
MacQuarie Securities	579,712	233,587,626	0.00248
Investment Technology Group Inc.	558,015	108,195,237	0.00516
Liquidnet, Inc.	545,880	40,508,588	0.01348
Frank Russell Company	464,395	13,226,035	0.03511
Société Générale	431,820	139,775,220	0.00309
Jefferies & Company	399,813	20,719,261	0.01930
BNP Paribas	323,492	73,939,536	0.00438
RBC Capital Markets	257,473	10,751,490	0.02395
HSBC Bank Plc	236,121	22,401,925	0.01054

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, 2011	Percent of Total Fair Value*
Debt Securities		
U.S. Government Securities	$ 1,017,538,656	1.69%
U.S. Agency Securities	2,754,501,230	4.58
Corporate Bonds	5,500,474,358	9.14
Asset-Backed Securities	1,790,560,993	2.97
International Debt Securities	2,167,882,095	3.60
Mutual Funds - Domestic Fixed Income	1,378,145,642	2.29
Mutual Funds - International Fixed Income	423,896,435	0.70
Total Debt Securities	**15,032,999,409**	**24.97**
Public Equity		
Domestic Equity Securities	7,117,498,957	11.82
International Equity Securities	10,675,308,007	17.73
Mutual Funds - Domestic Equity	2,390,279,701	3.97
Mutual Funds - Global Equity	948,197,197	1.58
Mutual Funds - International Equity	2,741,023,529	4.55
Mutual Funds - Target Date	270,851,400	0.45
Total Public Equity	**24,143,158,791**	**40.10**
Real Estate	**6,135,410,153**	**10.19**
Private Equity	**13,748,214,554**	**22.84**
Opportunity Portfolio	**1,142,875,566**	**1.90**
Total Fair Value	**$ 60,202,658,473**	**100.00%**

*These percentages do not include cash and cash equivalents.

Actuarial Section

MERCER

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Retirement Board
Oregon Public Employees Retirement System

November 28, 2011

Dear Members of the Board:

We have prepared an actuarial valuation of the Oregon Public Employees Retirement System as of December 31, 2010, including both the Chapter 238 and Chapter 238A programs. Actuarial valuations are complex and involve a large amount of census and financial data, actuarial assumptions and methods, and complex plan provisions. The system-wide December 31, 2010 Actuarial Valuation Report, issued November 10, 2011, describes the actuarial basis of the valuation and contains important comments on the material inputs to the valuation and limitations of use of the valuation. This information is incorporated herein by reference.

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

Mercer has prepared the December 31, 2010, actuarial valuation report exclusively for the Oregon Public Employees Retirement System (PERS); Mercer is not responsible for reliance upon this report by any other party. Subject to this limitation, Oregon PERS may direct that this report be provided to its auditors in connection with audits of the Plan or its sponsoring entities.

The only purposes of this report are to:

- Present Mercer's actuarial estimates of the system-wide liabilities and expenses of the Oregon Public Employees Retirement System, including pension benefits provided through Tier 1/Tier 2 and the Oregon Public Service Retirement Plan (OPSRP), and retiree medical benefits provided through the Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA), as of December 31, 2010, for PERS to incorporate, as PERS deems appropriate, in its financial statements; and
- Provide advisory information on estimated system-wide average employer contribution rates and employer contribution rates for the School District rate pool and the State and Local Government Rate Pool (SLGRP) for the period beginning July 1, 2013.

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 2010 actuarial valuation were adopted by the Board based upon the results of our experience study as of December 31, 2010. The assumptions and methods used for funding do not always meet the parameters set for disclosures by Governmental Accounting Standards Board Statements Nos. 25 and 43. Where the funding amount does not meet GASB parameters, the Annual Required Contribution has been adjusted to satisfy the GASB parameters.

MERCER

Mercer prepared the following information that is presented in the Actuarial Section of the 2011 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2010 actuarial valuation:

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

We understand the Actuarial Section of the CAFR will also include summaries of the actuarial methods, actuarial assumptions, and plan provisions valued. These summaries are contained in the December 31, 2010, actuarial valuation report.

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 130 independent employers who do not share costs with the other employers except through the Benefits in Force Reserve that pools the experience of those in pay status across all employers and all other pooling arrangements.

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

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

MARSH & McLENNAN COMPANIES

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 are consistent with our understanding of the Oregon Supreme Court decisions in the Arken and Robinson cases.

Important Notices

Mercer has prepared the December 31, 2010, actuarial valuation exclusively for Oregon PERS; Mercer is not responsible for reliance upon this report by any other party. This report may not be used for any other purpose than as stated above; Mercer is not responsible for the consequences of any unauthorized use.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

The Oregon Investment Council (OIC) is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Mercer's actuaries have not provided any investment advice to the OIC.

A valuation report is only a snapshot of a Plan's estimated financial condition at a particular point in time; it does not predict the Plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare the valuation report, actuarial assumptions, as described in the system-wide December 31, 2010 Actuarial Valuation Report, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely “correct” and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis for this project and thus the results of such an analysis are not included in this report. At Oregon PERS’ request, Mercer is available to perform such a sensitivity analysis.

Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, Oregon PERS selected an assumption based on the expected long term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely “correct” level of contributions for the coming biennium.

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the contribution levels over a period of years are lower or higher than necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this with a view to funding the plan over time.

Data and Plan Provisions

To prepare this letter, Mercer has used and relied on member and financial data submitted by Oregon PERS and as summarized in the *Data* and *System-Wide Assets* sections of the system-wide December 31, 2010, Actuarial Valuation Report. Oregon PERS is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of December 31, 2010, that is sufficiently comprehensive and accurate for the purposes of this letter. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Mercer has also used and relied on the plan provisions described in Oregon Revised Statutes Sections 238 and 238A and legislative amendments supplied by the Oregon Public Employees Retirement System. A summary of the plan provisions valued is presented in our report. The Oregon Public Employees Retirement System is solely responsible for the accuracy, validity and comprehensiveness of this information. If the data or plan provisions supplied are not accurate and complete the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the different interpretations could lead to different valuation results.

We understand that the market values of private equity and some real estate investments are reported on a 3-month lag. We have made no adjustment to the reported market value of assets to account for this lag. A very brief discussion of this issue is provided in the Executive Summary of the system-wide December 31, 2010, Actuarial Valuation Report.

Data, computer coding and mathematical errors are possible in the preparation of a valuation involving complex computer programming and thousands of calculations and data inputs. Errors in a valuation discovered after its preparation may be corrected by amendment to the valuation or in a subsequent year's valuation.

Actuarial Calculations, Methods, and Assumptions

Assumptions used are based on the last experience study, as adopted by the Board on July 29, 2011. The Board is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods and assumptions. This valuation is based on assumptions, plan provisions, methods and other parameters so prescribed and as summarized in this report. Oregon PERS is solely responsible for communicating to Mercer any changes required thereto.

Oregon PERS should notify Mercer promptly after receipt of the valuation report if it disagrees with anything contained in the valuation report or is aware of any information that would affect the results of the valuation report that has not been communicated to Mercer or incorporated therein. The valuation report will be deemed final and acceptable to Oregon PERS unless it promptly provides such notice to Mercer.

Professional Qualifications

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship,

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including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

Please feel free to contact us with any questions, comments, or requests for additional clarifications on the contents of this letter.

Sincerely,

Matthew R. Larrabee, FSA, EA, MAAA
Principal

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

CRJ/SDP/MRL/sdp/mrl:gjw
Enclosure

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.

MARSH & McLENNAN COMPANIES

Actuarial Assumptions and Methods

Tier One/Tier Two

Actuarial Methods and Valuation Procedures

On July 29, 2011, the Board adopted the following actuarial methods and valuation procedures for the December 31, 2010 and 2011 actuarial valuations of PERS Tier One/Tier Two benefits. The actuarial cost method and contribution rate stabilization method were first adopted effective December 31, 2004.

Actuarial cost method

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.

Amortization of change in UAL due to change in actuarial cost method (PUC change UAL)

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, 2013, 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, 2013.

Tier One/Tier Two UAL and Retiree Healthcare UAL amortization

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.

The amortization of the UAL using the current amortization method results in an initial payment less than the "interest only" payment on the UAL. Payments less than the interest only amount will result in the UAL increasing for an initial period of time.

Asset valuation method	The actuarial value of assets equals the market value of assets, excluding the Contingency, Capital Preservation, and Rate Guarantee Reserves when it is in positive surplus status. 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. This valuation report does not attempt to quantify any such effects.
Contribution rate stabilization method	Contribution rates for a rate pool (e.g., Tier One/Tier Two SLGRP, Tier One/ Tier Two School Districts, OPSRP) are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 70 percent or increases above 130 percent, the size of the collar doubles. If the funded percentage excluding side accounts is between 70 percent and 80 percent or between 120 percent and 130 percent, the size of the rate collar is increased on a graded scale.
Allocation of Liability for Service Segments	For active Tier One/Tier Two members who have worked for multiple PERS employers over their 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 40 percent (10 percent for police and fire) based on account balance with each employer and 60 percent (90 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, 2010 and 2011 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. The interest crediting assumption for variable account balances was adopted December 31, 2010. 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 8.25 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
2011	7.0%	2021	6.0
2012	6.9	2022	5.8
2013	6.9	2023	5.6
2014	6.9	2024	5.4
2015	6.9	2025	5.2
2016	6.8	2026	5.0
2017	6.8	2027	4.9
2018	6.6	2028	4.7
2019	6.4	2029+	4.5
2020	6.2		

[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, 2010 and 2011 actuarial valuations.

Mortality

The following mortality tables were first adopted in the December 31, 2010 valuation, except for the Police and Fire male table, which was 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 18 months
Other General Service male (including male beneficiary)	Blended 25 percent blue collar, set back 12 months
Police and Fire male	Blended 33 percent blue collar, no set back
School District female	White collar, set back 24 months
Other female (including female beneficiary)	White 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, 2010 actuarial valuation, except for the School District male, Police and Fire male, and other General Service female rates, which were adopted in the December 31, 2008 valuation.

Non-Annuitant Members

Basic Table	Percent of Healthy Retired Mortality Tables
School District male	75%
Other General Service male	85
Police and Fire male	70
School District female	60
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, 2010 valuation.

Judge members are assumed to retire at age 63.

	Police and Fire			General Service/School Districts				
				General Service		School Districts		
Age	< 13 Years	13-24 Years	25+ Years	< 15 Years	15-29 Years	< 15 Years	15-29 Years	30+ Years
<50								18.0%
50	1.0%	2.0%	25.0%					18.0
51	1.0	2.0	16.5					18.0
52	1.0	2.0	16.5					32.0
53	1.0	2.0	16.5					28.0
54	1.0	2.0	16.5					27.0
55	3.0	7.5	16.5	1.0%	3.5%	1.0%	6.0%	26.0
56	3.0	7.5	16.5	1.0	3.25	1.0	5.0	25.0
57	3.0	7.5	16.5	1.0	3.0	1.0	5.0	24.0
58	3.0	7.5	16.5	1.5	9.0	2.5	15.0	28.0
59	5.0	7.5	16.5	2.0	8.0	2.5	12.0	21.0
60	5.0	7.5	16.5	4.0	8.0	3.5	12.0	21.0
61	5.0	7.5	16.5	4.0	8.0	4.5	12.0	21.0
62	13.0	22.0	35.0	8.5	15.0	9.0	21.0	29.0
63	8.0	20.0	30.0	7.0	13.0	8.0	16.0	22.0
64	8.0	10.0	30.0	7.0	13.0	8.0	16.0	22.0
65	100.0	100.0	100.0	12.0	22.0	17.0	27.0	26.0
66				19.0	31.0	14.0	32.0	18.0
67				13.0	25.0	12.0	24.0	18.0
68				12.0	21.0	10.0	24.0	18.0
69				12.0	21.0	8.0	24.0	18.0
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, 2010.

Partial Lump Sum:	6% for all years
Total Lump Sum:	5% for 2011, declining by 0.5% per year until reaching 0.0%
No Lump Sum:	89% in 2011, 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, 2010.

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

Judge Member Plan Election

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

Disability Assumptions

There are two disability assumptions used in the valuation—duty disability and ordinary disability. Duty disability rates are separated between police and fire and general service, while ordinary disability is the same for all members. The rates for ordinary disability were first adopted effective December 31, 2010. 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 0.18% 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.

The termination assumptions for School District and Police and Fire members were first adopted effective December 31, 2008. The assumptions for General Service members were first adopted December 31, 2010.

Termination Rates

Sample termination rates are shown for each group below:

Age	**School District**	**General Service Male**	**General Service Female**	**Police and Fire**
30	4.32%	6.16%	8.75%	3.45%
40	2.63	3.64	4.42	2.17
50	1.90	2.61	3.00	1.24

Probability of Refund Before Retirement

None. This assumption was removed effective December 31, 2010.

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, 2010.

Duration	School District	Other General Service	Police and Fire
5	2.05%	1.97%	2.55%
10	1.11	1.00	1.20
15	0.35	0.51	0.67
20	(0.18)	0.33	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 local general service females were adopted effective December 31, 2001, and the rates for local general service males were adopted effective December 31, 2005. All other rates were adopted effective December 31, 2010.

Actives	Rates
State GS Male	6.25%
State GS Female	3.75
School District Male	8.25
School District Female	6.50
Local GS Male	4.25
Local GS Female	3.00
State Police and Fire	5.50
Local Police and Fire	7.50

Dormants	
All members	2.50%

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. These rates were adopted December 31, 2010.

	Rates
Tier One Non-School District/Judges	1.0%
Tier One School District	0.25
Tier Two	0.0

Retiree Healthcare Participation

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

RHIPA	13%
RHIA	
▪ Healthy Retired	48%
▪ Disabled Retired	20

The RHIA disabled retired rate was first adopted December 31, 2008. All other rates were first adopted effective December 31, 2010.

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. The Board adopted the following methods, procedures, and assumptions for the December 31, 2010 and December 31, 2011 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%	5.5%			
51	1.0	2.0	5.5			
52	1.0	2.0	5.5			
53	1.0	2.0	30.0			
54	1.0	2.0	16.5			
55	3.0	5.0	16.5	1.0%	5.0%	5.0%
56	3.0	5.0	16.5	1.0	4.0	5.0
57	3.0	5.0	16.5	1.0	3.0	7.5
58	3.0	5.0	16.5	2.0	3.0	35.0
59	3.0	5.0	16.5	2.0	3.0	25.0
60	3.0	15.0	16.5	4.0	3.75	20.0
61	3.0	8.5	16.5	4.0	5.0	20.0
62	13.0	22.0	35.0	7.0	12.0	30.0
63	8.0	20.0	30.0	6.0	10.0	20.0
64	8.0	10.0	30.0	6.0	10.0	20.0
65	100.0	100.0	100.0	14.0	40.0	20.0
66				17.25	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. The following table illustrates sample rates at several ages.

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	11.32%	9.98%	8.64%	7.30%	12.73%	10.18%	7.64%	5.09%
35	6.78	5.89	5.00	4.11	6.53	5.22	3.92	2.61
45	4.83	4.14	3.45	2.76	4.45	3.56	2.67	1.78

Age	Other General Service Male				Other General Service Female			
	1st Select Period	2nd Select Period	3rd Select Period	Ultimate	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
25	20.91%	17.93%	14.94%	11.95%	21.23%	18.20%	15.16%	12.13%
35	13.36	9.29	7.74	6.19	13.09	10.92	9.74	7.28
45	10.73	6.58	5.04	3.28	12.86	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, 2009 valuation is provided below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the report entitled 2010 Experience Study.

Changes in Actuarial Methods and Allocation Procedures

Exclusion of Reserves from Valuation Assets

The Contingency Reserve, Capital Preservation Reserve, and Tier One Rate Guarantee Reserve/(Deficit) have historically been excluded from valuation assets. In conjunction with the 2010 Experience Study, the PERS Board elected to refine the treatment of the Tier One Rate Guarantee Reserve such that it will only be excluded from valuation assets when it is in positive surplus status.

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, 2008 and December 31, 2009 valuations, the Money Match method was weighted 50 percent for General Service members and 15 percent for Police and Fire members. This weighting has been adjusted to 40 percent for General Service members and 10 percent for Police and Fire members.

Variable Account Interest Crediting

The assumed interest crediting for variable account balances was reduced from 8.50 percent to 8.25 percent.

Mortality

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

Merit Salary Increase

Assumed merit salary increases were lowered for School District and other General Service members. No change was made to the assumption for Police and Fire.

Disability, Retirement and Termination

Rates for the disability, retirement, and termination assumptions were adjusted. A distinction was added to separate the ultimate assumed termination rate for OPSRP members from Tier One/Tier Two members.

RHIA/RHIPA Assumptions

The participation rate assumptions for healthy retirees eligible for RHIA or RHIPA were increased. The RHIA assumption increased from 42.5 percent to 48 percent. The RHIPA participation assumption increased from 9 percent to 13 percent.

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	
12/31/2009	178,606	8,512,192	47,659	0.0	776	
12/31/2010	193,569	8,750,064	45,204	(5.2)	787	

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	8.4	20,869
12/31/2004[2]	6,754	$149,474	2,863	$ 35,151	101,668	2,154,856	5.6	21,195
12/31/2005[2]	4,472	149,127	3,217	36,784	102,923	2,267,198	5.2	22,028
12/31/2006[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
12/31/2009[2,3]	6,377	226,713	3,374	46,228	112,141	2,826,252	6.8	25,203
12/31/2010	6,359	217,424	3,512	51,627	114,988	2,992,048	5.9	26,021

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) [7]

Actuarial Valuation Date	Actuarial Value of Assets[1,2] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL)[2] (b-a)	Funded Ratio (a/b)	Covered Payroll[3] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Tier One/Tier Two State and Local Government Rate Pool						
12/31/2004	$ 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
12/31/2009[6]	25,068.8	29,029.1	3,960.3	86.4	3,465.1	114.3
12/31/2010	26,499.5	30,285.0	3,785.4	87.5	3,333.1	113.6
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
12/31/2009	19,388.0	22,517.6	3,129.6	86.1	2,079.2	150.5
12/31/2010	20,343.5	23,303.3	2,959.8	87.3	2,027.5	146.0
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
12/31/2009[6]	3,926.7	4,665.9	739.3	84.2	579.1	127.7
12/31/2010	4,189.4	4,913.1	723.7	85.3	569.7	127.0
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
12/31/2009	445.4	535.5	90.1	83.2	2,388.8	3.8
12/31/2010	659.0	767.6	108.6	85.8	2,819.8	3.9
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
12/31/2009	214.1	511.2	297.1	41.9	6,123.4	4.9
12/31/2010	232.3	547.1	314.8	42.5	5,930.3	5.3
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
12/31/2009	6.4	24.5	18.2	25.9	1,705.1	1.1
12/31/2010	5.7	33.9	28.2	16.8	1,603.3	1.8

Notes:

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

2 As of December 31, 2010, UAAL excludes $168 million for Multnomah Fire District; as a result, the actuarial value of asset and actuarial accrued liability amounts reported in this schedule differ from the amounts reported in the basic financial statements on pages 34 and 53.

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. For the postemployment healthcare benefit plans—Retirement Health Insurance Account and Retiree Health Insurance Premium Account, the covered payroll shown reflects payroll amounts over which UAALs are amortized and includes both Tier One/Tier Two and OPSRP. This differs from the covered payroll amounts reported in the basic financial statements on pages 34 and 53, which only reflect payroll for Tier One/Tier Two members eligible for those programs.

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.

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

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

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 — Pension and Retiree Healthcare Plans	$ Gain (or Loss) for Year			
		2010		2009
Retirements from Active Status	$	(134.0)	$	(151.0)
Active Mortality and Withdrawal		(37.4)		(33.6)
Pay Increases		121.4		(68.7)
Contributions		26.1		82.1
Interest Crediting Experience		(70.0)		(191.3)
Investment Income		1,455.9		3,588.2
Retirement, Mortality, and Lump Sums from Dormant Status		98.1		149.5
Retiree and Beneficiary Mortality		(127.6)		(135.4)
Data Corrections		(5.2)		(12.6)
COLA Experience		29.3		—
Other		(103.5)		(107.7)
Gain During Year From Financial Experience	**$**	**1,253.1**	**$**	**3,119.5**
Non-Recurring Items				
Assumption Changes		(243.3)		—
Plan Changes		—		(2.5)
Composite Gain During Year	$	**1,009.8**	$	**3,117.0**

[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)[11]

	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
12/31/2009[10]	8,392.0	32,484.2	16,470.1	48,949.7	100	100	49
12/31/2010	8,407.9	34,432.5	17,070.2	51,821.6	100	100	53

1 Includes effect of Multnomah Fire District (net UAAL of $168 million as of 12/31/2010).
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 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2010.
11 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	Set by the PERS Board based on actuarial calculations that follow Board rate-setting policies for employers.	

Summary of Chapter 238 Provisions — Tier One/ Tier Two and Judges		
Normal Retirement Age	**Police and Fire**	Age 55
	Judges	Age 65
	Tier One General Service	Age 58
	Tier Two General Service	Age 60

Normal Retirement Allowance

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

Full Formula: The percentage multiplier from the table below multiplied by final average 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 89 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 89. 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

Final Average Salary

The greater of:

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

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

Creditable Service

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

Prior Service Pension

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

SB 656/HB 3349 Adjustment

All members receive an increase to their monthly retirement benefit equal to the greater of the increase under Senate Bill 656 (SB 656) or House Bill 3349 (HB3349). The adjustment for SB 656 only applies to members who established membership prior to July 14, 1995.

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

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

Early Retirement Eligibility

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

Early Retirement Allowance

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

Vesting

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

Termination Benefits

Non-Vested	Payment of member's account balance.
Vested	Same as normal (or early) retirement allowance, but commencement is deferred to normal (or early) retirement date.

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

<table>
<tr><td>Optional Forms of Retirement Allowance</td><td colspan="2">The normal form of benefit is a cash refund annuity (joint and two-thirds survivor contingent annuity for a married judge). All optional amounts are adjusted to be actuarially equivalent.

Options Available
• Life annuity
• Cash refund annuity
• Life annuity guaranteed 15 years
• Joint and 50 percent or 100 percent survivor contingent annuity, with or without pop-up feature
• Partial Lump Sum: Refund of member contribution account balance plus a pension (under any optional form) or employer-paid portion of the Full Formula or Money Match annuity.
• Total Lump Sum: Refund of member contribution account plus a matching employer amount.</td></tr>
<tr><td rowspan="2">Pre-retirement Death Benefit Eligibility</td><td>Judges</td><td>Six or more years of service.</td></tr>
<tr><td>All others</td><td>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.</td></tr>
<tr><td rowspan="2">Pre-retirement Death Benefit</td><td>Judges</td><td>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.</td></tr>
<tr><td>All others</td><td>The member's account balance plus a matching employer amount.</td></tr>
<tr><td>Additional Police and Fire Death Benefits</td><td colspan="2">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.</td></tr>
<tr><td rowspan="2">Disability Benefit Eligibility</td><td>Duty</td><td>Disablement occurring as a direct result of a job-related injury or illness, regardless of length of service.</td></tr>
<tr><td>Non-Duty</td><td>Disablement occurring after 10 years of service (six years, if a judge), but prior to normal retirement eligibility.</td></tr>
<tr><td>Disability Benefits</td><td colspan="2">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.</td></tr>
<tr><td>Waiting Time Service Purchases</td><td colspan="2">Members with at least 10 years of combined credited and/or prior service under PERS may elect to purchase service credit for the six-month "waiting time" period worked prior to establishing membership in the system. The waiting time purchase is interest-free and must be purchased in one payment prior to retirement.</td></tr>
</table>

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.
	Surviving Spouse or Dependent Eligibility	A surviving spouse or dependent of a deceased RHIA-eligible retiree is eligible for RHIA benefits if they are enrolled in both Medicare Part A and Part B, and *either* of the following criteria are met: (a) Currently receiving a retirement allowance from the System, or (b) The surviving spouse or dependent was covered under the eligible retiree's PERS-sponsored health insurance at the time of the retiree's death and the deceased retiree retired before May 1, 1991.
	Benefit Amount	A monthly contribution of up to $60 per retiree is applied to PERS-sponsored Medicare supplemental insurance costs.
Retiree Healthcare – Under Age 65 (RHIPA)	**Eligibility**	Retired state employees enrolled in a PERS-sponsored health plan.
	Surviving Spouse or Dependent Eligibility	A surviving spouse or dependent of a deceased RHIPA-eligible retiree is eligible for RHIPA benefits if they are not yet eligible for Medicare, and *either* of the following criteria are met: (a) Currently receiving a retirement allowance from the System, or (b) The surviving spouse or dependent was covered under the eligible retiree's PERS-sponsored health plan at the time of the retiree's death and the deceased retiree retired on or after September 29, 1991.
	Benefit	A percentage (as shown 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	There were no changes in plan provisions since the December 31, 2009 actuarial valuation.	

Summary of Chapter 238A Provisions - OPSRP

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

Summary of Chapter 238A Provisions - OPSRP

Disability Benefit Amounts	**Pre-Retirement Benefit**	45 percent of salary during last full month of employment before disability, reduced if total benefit including workers' compensation exceeds 75 percent of salary. Benefit is payable monthly until normal retirement age.
	Retirement Benefit	Same formula as Normal Retirement Benefit, except: • Final average salary is adjusted to reflect cost-of-living increases from date of disability to normal retirement age, and • Retirement credits continue to accrue from date of disability to normal retirement age.
Postretirement Adjustments	All monthly pension and annuity benefits are eligible for postretirement adjustments.	
	Automatic Adjustments	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	There were no changes in plan provisions since the December 31, 2009 actuarial valuation.	

Statistical Section

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

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

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

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

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

The Schedule of Participating Employers lists all employers as of June 30, 2011, to show public employers of the state of Oregon participating in PERS.

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
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)
2010	13,600,476	433,268,434	4.88	7,279,890,664	7,726,759,574
2011	14,024,484	424,101,414	5.30	10,931,390,952	11,369,516,850

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)
2010	505,922,492	N/A	N/A	393,651,362	899,573,854
2011	513,715,949	N/A	N/A	735,695,057	1,249,411,006

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
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)
2010	66,708,970	N/A	N/A	84,417,201	151,126,171
2011	73,291,691	N/A	N/A	176,999,516	250,291,207

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

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

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

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

Benefits	Administrative Expenses[3]	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 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	34,549,034	60,241,863	2,435,604,861	4,076,552,786
2,371,628,570	24,350,573	33,172,837	2,429,151,980	5,283,478,477
2,574,588,942	29,214,866	41,222,535	2,645,026,343	8,555,150,700
2,768,305,300	27,061,038	50,660,781	2,846,027,119	(4,875,660,963)
2,790,218,464	26,195,676	36,548,963	2,852,963,103	(15,098,024,727)
2,915,568,801	28,512,343	25,692,404	2,969,773,548	4,756,986,026
3,203,938,769	29,256,747	26,487,226	3,259,682,742	8,109,834,108

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)
72,802,216	7,673,682	N/A	80,475,898	819,097,956
133,970,603	6,810,487	N/A	140,781,090	1,108,629,916

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 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)
45,901,913	889,647	N/A	46,791,560	104,334,611
55,929,452	1,326,224	N/A	57,255,676	193,035,531

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
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)
2010	N/A	22,351,240	0.29	31,145,418	53,496,658
2011	N/A	22,176,966	0.29	47,359,659	69,536,625

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
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
2010	N/A	1,496,640	0.08	939,274	2,435,914
2011	N/A	1,428,453	0.08	1,135,114	2,563,567

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
$ 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)
28,821,538	974,988	N/A	29,796,526	23,700,132
29,251,771	1,039,603	N/A	30,291,374	39,245,251

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 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)
2,307,059	103,645	N/A	2,410,704	25,210
3,024,382	161,559	N/A	3,185,941	(622,374)

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
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)
2009	11,209,060	561,305,422	6.59	8,054,309,024	8,626,823,506
2010	14,327,206	411,590,742	4.61	6,018,828,853	6,444,746,801

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)
2009	504,209,955	N/A	N/A	435,988,065	940,198,020
2010	502,322,036	N/A	N/A	400,883,000	903,205,036

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
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)
2009	63,087,307	N/A	N/A	147,674,587	210,761,894
2010	67,994,065	N/A	N/A	82,812,783	150,806,848

1 Calendar year-end information is provided because earnings are distributed as of December 31.
2 House Bill 3262, enacted by the 2005 Oregon Legislature, combined the OPSRP Pension Program with the existing defined benefit plan. Activity since 2005 includes activity of the OPSRP Pension Program.
3 The Oregon Public Service Retirement Plan was added to the System in January 2004.
4 Balances restated for fiscal years 2004 to 2009 due to prior period adjustment.

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

Benefits	Administrative Expenses[4]	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 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	30,659,957	42,143,663	2,445,699,442	4,773,812,739
2,514,479,244	24,438,769	61,059,360	2,599,977,373	5,937,195,318
2,630,279,015	31,358,911	38,197,392	2,699,835,318	3,648,248,730
2,784,164,757	24,645,591	27,117,003	2,835,927,351	(18,673,084,469)
2,823,723,754	26,011,412	18,269,906	2,868,005,072	5,758,818,434
3,053,863,566	29,126,521	17,996,148	3,100,986,235	3,343,760,566

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)
53,171,640	7,905,631	N/A	61,077,271	879,120,749
95,293,228	7,822,430	N/A	103,115,658	800,089,378

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 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)
37,366,503	863,699	N/A	38,230,202	172,531,692
46,759,679	804,345	N/A	47,564,024	103,242,824

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
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)
2009	N/A	25,863,178	0.31	33,958,964	59,822,142
2010	N/A	22,156,216	0.25	26,075,309	48,231,525

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
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)
2009	N/A	1,796,343	0.08	1,016,811	2,813,154
2010	N/A	1,458,105	0.06	659,794	2,117,899

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

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
$ 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)
28,537,920	974,580	N/A	29,512,500	30,309,642
29,066,220	973,329	N/A	30,039,549	18,191,976

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 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)
2,020,198	113,096	N/A	2,133,294	679,860
2,664,123	106,791	N/A	2,770,914	(653,015)

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

Fiscal Year	Service Benefits	Disability Benefits: Duty	Disability Benefits: Non-Duty	Retirement Benefit Totals	Death Benefits	Refunds[1]: Normal	Refunds[1]: Death	Total
2002	$ 1,578,535,743	$ 8,496,606	$ 69,979,830	$ 1,657,012,179	$ 10,121,636	$ 46,086,912	N/A	$ 1,713,220,727
2003	1,888,912,273	9,102,457	74,949,807	1,972,964,537	5,922,665	42,640,295	N/A	2,021,527,497
2004	2,395,783,190	10,035,722	80,793,817	2,486,612,729	8,610,162	42,193,518	N/A	2,537,416,409
2005	2,233,603,114	10,929,003	85,709,442	2,330,241,559	10,572,405	60,241,863	N/A	2,401,055,827
2006	2,264,988,154	11,371,883	89,310,558	2,365,670,595	5,957,975	33,172,837	N/A	2,404,801,407
2007	2,462,885,953	12,113,128	93,493,033	2,568,492,114	6,096,828	41,222,535	N/A	2,615,811,477
2008	2,646,746,186	13,363,139	96,763,796	2,756,873,121	11,432,179	50,660,781	N/A	2,818,966,081
2009	2,672,728,881	14,270,486	100,050,006	2,787,049,373	3,169,091	36,548,963	N/A	2,826,767,427
2010	2,795,098,921	15,188,097	101,866,823	2,912,153,841	3,414,960	25,692,404	N/A	2,941,261,205
2011	3,074,390,373	15,967,087	105,974,442	3,196,331,902	7,606,867	17,203,318	9,283,908	3,230,425,995

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

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

Calendar Year	Tier One Earnings/ (Loss) Available for Crediting	Credited: Tier One	Credited: Tier Two[2]	Variable Earnings/ (Loss) Credited	Individual Account Program
2001	(7.17)%	8.00%	(6.66)%	(11.19)%	
2002	(8.93)	8.00	(8.93)	(21.51)	
2003	23.79	8.00	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)
2009	19.12	8.00	19.12	37.57	18.47
2010	12.65	8.00	12.44	15.17	12.13

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

Schedule of Average OPEB Benefits for Retirement Health Insurance Account[1] For the Year Ended June 30, 2011:

Years Credited Service	8+
Average Monthly Benefit	$ 60
Final Average Salary	N/A
Number of Active Retirees	40,292

Schedule of Average OPEB Benefits for Retiree Health Insurance Premium Account[1] For the Year Ended June 30, 2011:

	Years Credited Service: 8 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Average Monthly Benefit	$161	$193	$225	$257	$290	$322	$288
Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Active Retirees	9	49	92	144	243	467	1,004

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

Schedule of Average Defined Benefit Pension Payments

Retirement Effective Dates July 1, 2001 to June 30, 2011	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
2002 Average Monthly Benefit	$ 673	$ 866	$ 1,268	$ 2,003	$ 2,955	$ 4,337	$ 5,006	$ 2,666
Final Average Salary	$ 2,318	$ 2,584	$ 3,014	$ 3,535	$ 4,174	$ 4,826	$ 4,999	$ 3,849
Number of Active Retirees	380	552	701	678	1,016	1,228	357	4,912
2003 Average Monthly Benefit	$ 890	$ 1,049	$ 1,424	$ 2,039	$ 2,991	$ 4,393	$ 5,384	$ 2,901
Final Average Salary	$ 2,354	$ 2,530	$ 3,143	$ 3,664	$ 4,254	$ 4,970	$ 5,352	$ 4,046
Number of Active Retirees	657	1,157	1,548	1,754	2,493	2,874	1,111	11,594
2004 Average Monthly Benefit	$ 974	$ 8965	$ 1,259	$ 1,849	$ 2,807	$ 4,117	$ 4,705	$ 2,541
Final Average Salary	$ 2,130	$ 2,563	$ 2,998	$ 3,516	$ 4,053	$ 4,635	$ 4,809	$ 3,760
Number of Active Retirees	357	597	827	940	1,136	1,415	332	5,604
2005 Average Monthly Benefit	$ 839	$ 893	$ 1,312	$ 1,864	$ 2,822	$ 4,083	$ 4,373	$ 2,377
Final Average Salary	$ 2,153	$ 2,794	$ 2,870	$ 3,311	$ 3,925	$ 4,441	$ 3,847	$ 3,523
Number of Active Retirees	258	456	518	552	534	839	120	3,277
2006 Average Monthly Benefit	$ 809	$ 838	$ 1,205	$ 1,783	$ 2,779	$ 3,979	$ 4,415	$ 2,332
Final Average Salary	$ 2,271	$ 2,987	$ 3,459	$ 3,676	$ 4,104	$ 4,790	$ 4,472	$ 3,879
Number of Active Retirees	226	469	619	674	611	897	173	3,669
2007 Average Monthly Benefit	$ 749	$ 842	$ 1,211	$ 1,773	$ 2,653	$ 3,966	$ 4,588	$ 2,387
Final Average Salary	$ 2,552	$ 3,226	$ 3,415	$ 4,014	$ 4,671	$ 5,298	$ 5,168	$ 4,304
Number of Active Retirees	265	545	602	780	612	1,065	280	4,149
2008 Average Monthly Benefit	$ 879	$ 826	$ 1,250	$ 1,669	$ 2,432	$ 3,951	$ 4,865	$ 2,405
Final Average Salary	$ 2,400	$ 3,148	$ 4,007	$ 4,388	$ 4,715	$ 5,569	$ 5,680	$ 4,609
Number of Active Retirees	282	529	634	855	754	1,140	341	4,535
2009 Average Monthly Benefit	$ 882	$ 891	$ 1,213	$ 1,700	$ 2,469	$ 3,809	$ 4,915	$ 2,436
Final Average Salary	$ 2,356	$ 2,790	$ 3,631	$ 4,161	$ 4,628	$ 5,391	$ 5,540	$ 4,411
Number of Active Retirees	292	551	623	795	715	1,049	457	4,482
2010 Average Monthly Benefit	$ 733	$ 960	$ 1,171	$ 1,703	$ 2,381	$ 3,703	$ 4,722	$ 2,426
Final Average Salary	$ 2,761	$ 3,776	$ 4,003	$ 4,800	$ 5,433.99	$ 6,083	$ 6,361	$ 5,175
Number of Active Retirees	247	657	678	893	906	1,171	566	5,118
2011 Average Monthly Benefit	$ 806	$ 962	$ 1,236	$ 1,704	$ 2,377	$ 3,537	$ 4,919	$ 2,428
Final Average Salary	$ 2,559	$ 3,739	$ 4,168	$ 4,887	$ 5,364	$ 6,122	$ 6,649	$ 5,255
Number of Active Retirees	235	663	790	902	958	1,103	686	5.337

Schedule of Benefit Recipients by Benefit Type For the Year Ended June 30, 2011

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	19,471	15,599	151	200	3,256	265	2,722	4,695	3,853	1,235	644	3,575	2,179	568
501 - 1000	17,913	14,629	116	715	2,094	359	2,746	5,514	4,524	1,844	745	1,279	960	301
1001 - 1500	14,349	11,900	94	726	1,360	269	1,938	4,271	4,081	1,811	530	781	732	205
1501 - 2000	11,504	9,687	96	632	882	207	1,501	3,271	3,450	1,414	415	640	614	199
2001 - 2500	9,805	8,514	77	471	601	142	1,143	2,723	2,979	1,263	313	524	710	150
2501 - 3000	8,141	7,288	57	319	394	83	983	2,285	2,566	1,108	274	364	441	120
3001 - 3500	7,144	6,548	37	215	309	35	851	1,939	2,560	1,046	248	179	252	69
3501 - 4000	6,337	5,939	24	159	203	12	602	1,749	2,525	1,007	204	100	110	40
4001 - 4500	5,598	5,365	21	65	132	15	497	1,425	2,344	953	195	56	95	33
4501 - 5000	4,404	4,203	12	50	135	4	348	1,101	1,976	760	127	23	54	15
5001 - 5500	3,150	3,027	10	26	81	6	237	842	1,353	573	106	10	23	6
5501 - 6000	2,161	2,085	6	22	48	0	152	487	1,008	415	62	10	20	7
6000 plus	4,275	4,117	5	25	127	1	215	927	2,101	885	81	11	45	10
Totals	**114,252**	**98,901**	**706**	**3,625**	**9,622**	**1,398**	**13,935**	**31,229**	**35,320**	**14,314**	**3,944**	**7,552**	**6,235**	**1,723**

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

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

Schedule of Retirement System Membership at December 31:

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

Schedule of Retirement System Membership at June 30:

	2006	2007	2008	2009	2010	2011
State Agencies	36,817	42,906	41,872	44,377	46,105	46,739
School Districts	55,493	65,792	69,840	70,946	72,656	75,915
Political Subdivisions	48,442	55,850	55,740	55,745	57,989	60,695
Inactive Members	46,952	52,513	46,356	43,397	37,624	41,832
Total Non-Retired	187,704	217,061	213,808	214,465	214,374	225,181
Retired Members and Beneficiaries	101,519	103,368	105,721	107,936	110,642	114,252
Total Membership	289,223	320,429	319,529	322,401	325,016	339,433
Administrative Expense[1]	$34,544,579	$40,082,947	$38,758,835	$38,648,977	$40,351,845	$ 38,594,620
Pension Roll (one month)	$205,232,050	$216,137,975	$230,863,092	$227,379,725	$236,323,468	$ 270,111,478

[1]Prior year balances revised to show effect of prior period adjustments for 2004 through 2009.

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

	2011			2006		
	Number of Current Employees	Rank	Percent of Total System	Number of Current Employees	Rank	Percent of Total System
State of Oregon	46,739	1	25.49%	37,973	1	24.23%
Portland Public Schools	5,742	2	3.13	4,984	3	3.18
Oregon Health & Science University	5,736	3	3.13	4,988	2	3.18
Salem-Keizer Public Schools	5,401	4	2.94	3,948	5	2.52
City of Portland	5,071	5	2.77	3,509	6	2.24
Beaverton School District	4,695	6	2.56	3,488	7	2.23
Multnomah County	4,503	7	2.46	4,047	4	2.58
Hillsboro School District1J	2,652	8	1.45	1,974	9	1.26
Eugene School District 4J	2,227	9	1.21	1,864	10	1.19
North Clackamas Schools	2,085	10	1.14	-		-
Portland Community College	-		-	2,849	8	1.82
All Others*	98,498		53.72	87,074		55.57
Total	183,349		100.00%	156,698		100.00%
* "All Others" consisted of:						
Counties	13,822		7.54%	12,381		7.90%
Municipalities	13,313		7.26	11,410		7.28
School Districts	53,113		28.97	49,710		31.73
Community Colleges	9,952		5.43	6,635		4.23
Other Political Subdivisions	8,298		4.52	6,938		4.43
Total All Others	98,498		53.72%	87,074		55.57%

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

Schedule of Participating Employers (906)

State (115)

Appraiser Certification and Licensure Board
Board of Accountancy
Board of Architect Examiners
Board of Chiropractic Examiners
Board of Examiners for Engineering and Land Surveying
Board of Geologists Examiners
Board of Optometry
Board of Parole and Post-Prison Supervision
Board of Pharmacy
Board of Psychologist Examiners
Bureau of Labor and Industries
Chancellor's Office
Commission on Indian Services
Commission on Judicial Fitness and Disability
Construction Contractors Board
Department of Administrative Services
Department of Agriculture
Department of Aviation
Department of Community Colleges and Work Force Development
Department of Consumer and Business Services
Department of Corrections
Department of Education
Department of Energy
Department of Environmental Quality
Department of Human Services
Department of Justice
Department of Land Conservation and Development
Department of Military — Federal Employees
Department of Revenue
Department of State Lands
Department of State Police
Department of Transportation
Department of Veterans' Affairs
District Attorneys Department
Eastern Oregon University
Employment Department
Employment Relations Board
Forestry Department
Geology and Mineral Industries
Health Related Licensing Boards
Judges PERS
Judicial Department
Land Use Board of Appeals
Landscape Contractors Board
Legislative Administration Committee
Legislative Assembly
Legislative Committees
Legislative Fiscal Office
Long Term Care Ombudsman
Military Department
Office of the Governor
Office of Legislative Counsel
Office of Private Health Partnerships
Oregon Advocacy Commission Office
Oregon Board of Licensed Professional Counselors and Therapists
Oregon Beef Council
Oregon Board of Dentistry
Oregon Board of Massage Therapists
Oregon Board of Medical Examiners
Oregon Business Development Department
Oregon Commission for the Blind
Oregon Commission on Children and Families
Oregon Corrections Enterprises
Oregon Criminal Justice Commission
Oregon Dairy Products Commission
Oregon Department of Fish and Wildlife
Oregon Dungeness Crab Commission
Oregon Film and Video
Oregon Forest Resources Institute
Oregon Government Ethics Commission
Oregon Hazelnut Commission
Oregon Health Authority
Oregon Health Licensing Agency
Oregon Hop Commission
Oregon Housing and Community Services
Oregon Institute of Technology
Oregon Liquor Control Commission
Oregon Parks and Recreation Department
Oregon Patient Safety Commission
Oregon Potato Commission
Oregon Racing Commission
Oregon Salmon Commission
Oregon Student Assistance Commission
Oregon State Bar
Oregon State Bar Professional Liability Fund
Oregon State Board of Nursing
Oregon State Library
Oregon State Treasury
Oregon State University
Oregon Tourism Commission
Oregon Trawl Commission
Oregon Watershed Enhancement Board
Oregon Wheat Commission
Oregon 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 Providers
Clackamas River Water
Clatskanie, City of
Clatskanie Library District
Clatskanie People's Utility District
Clatskanie RFPD
Clatsop County
Clatsop County 4-H and Extension Service District
Clean Water Services
Cloverdale RFPD
Coburg, City of
Coburg RFPD
Colton RFPD 70
Columbia City, City of
Columbia County
Columbia County 911 Communications District
Columbia Drainage Vector Control District
Columbia 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
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
Emergency Communications of Southern Oregon
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, City of
Imbler RFPD
Independence, City of
Irrigon, City of
Jackson County
Jackson County Fire District 3
Jackson County Fire District 4
Jackson County Fire District 5
Jackson County Fire District 6
Jackson County Vector Control District
Jacksonville, City of
Jefferson, City of
Jefferson County
Jefferson County EMS District
Jefferson County Library District
Jefferson County RFPD 1
Jefferson County SWCD
Jefferson RFPD
Job Council
John Day, City of
Jordan Valley, City of
Joseph, City of
Josephine County
Junction City, City of
Junction City RFPD
Keizer, City of
Keizer RFPD
Keno RFPD
King City, City of
Klamath County
Klamath County Emergency Communications District
Klamath County Fire District 1
Klamath Falls, City of
Klamath Housing Authority
Klamath Vector Control District
Knappa Svensen Burnside RFPD
La Grande, City of
La Pine RFPD
Lafayette, City of
Lake County
Lake County 4-H and Extension Service District
Lake County Library District
Lake Oswego, City of
Lakeside, City of
Lakeside Water District
Lakeview, Town of
Lane Council of Governments
Lane County
Lane County Fire District 1
Lane Rural Fire Rescue
League of Oregon Cities
Lebanon Aquatic District
Lebanon, City of
Lebanon RFPD
Lincoln City, City of
Lincoln County
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 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
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 Fire and Rescue
Nehalem Bay Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend City Housing Authority
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell 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 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
Santiam Canyon Communications Council
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 Board
St. Helens, City of
Stanfield, City of
Stanfield Fire District 7-402
Stayton, City of
Stayton RFPD
Sublimity RFPD
Suburban East Salem Water District
Sunrise Water Authority
Sunriver Service District
Sutherlin, City of
Sutherlin Water Control District
Sweet Home, City of
Sweet Home Cemetery Maintenance District
Sweet Home Fire and Ambulance District
Talent, City of
Talent Irrigation District
Tangent RFPD
Tigard, City of

Tillamook, City of
Tillamook County Emergency Communications District
Tillamook County Soil and Water Conservation District
Tillamook Fire District
Tillamook People's Utility District
Toledo, City of
Tri-City Water and Sanitary Authority
Tri-County Cooperative Weed Management Area
Troutdale, City of
Tualatin, City of
Tualatin Valley Fire and Rescue
Tualatin Valley Irrigation District
Tualatin Valley Water District
Turner, City of
Umatilla, City of
Umatilla County
Umatilla County Soil and Water District
Umatilla County Special Library District
Umatilla 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 (289)

Alliance Charter Academy
Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Baker Web Academy
Baker Web Academy 2
Ballston Community School
Beaverton School District 48J
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Cascade Heights Public Charter School
Center for Advanced Learning
Central Curry School District 1
City View Charter School
Clackamas Charter Alliance 1
Clackamas Charter Alliance 2
Clackamas County ESD
Clackamas CSD 3
Clackamas CSD 7J
Clackamas CSD 12
Clackamas CSD 35
Clackamas CSD 46
Clackamas CSD 53
Clackamas CSD 62
Clackamas CSD 86
Clackamas CSD 108
Clackamas CSD 115
Clatskanie School District 6J
Clatsop CSD 1C
Clatsop CSD 4
Clatsop CSD 8
Clatsop CSD 10
Clatsop CSD 30
Columbia CSD 13
Columbia CSD 47 J
Columbia CSD 502
Columbia Gorge Education Service District
Condon Admin. School District 25J
Coos CSD 8
Coos CSD 9
Coos CSD 13
Coos CSD 31
Coos CSD 41
Coos CSD 54
Corbett Charter School
Crook CSD
Curry CSD 2CJ
Curry CSD 17C
Dayton School District 8
Deschutes CSD 1
Deschutes CSD 2J
Deschutes CSD 6
Douglas County ESD
Douglas CSD 1
Douglas CSD 4
Douglas CSD 12
Douglas CSD 15
Douglas CSD 19
Douglas CSD 21
Douglas CSD 22
Douglas CSD 32
Douglas CSD 34
Douglas CSD 70
Douglas CSD 77
Douglas CSD 105
Douglas CSD 116
Douglas CSD 130
EagleRidge High School
Eddyville Charter School
Estacada Web and Early College Academy 1
Estacada Web and Early College Academy 2
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 5
Harney CSD 7
Harney CSD 10
Harney CSD 13
Harney CSD 16
Harney CSD 28
Harney CSD UH1J
Harrisburg School District 7
High Desert Education Service District
Hillsboro School District 1J
Home Scholars Academy of Oakridge and Westfir
HomeSource Family Charter
Hood River CSD
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
Logos Public Charter School
Lourdes Charter School
Luckiamute Valley Charter School
Madrone Trail Public Charter School
Malheur ESD Region 14
Malheur CSD 8C
Malheur CSD 12
Malheur CSD 26C
Malheur CSD 29
Malheur CSD 61
Malheur CSD 66
Malheur CSD 81
Malheur CSD 84
Marcola Web and Early College Academy 1
Marcola Web and Early College Academy 2
Marion CSD 1
Marion CSD 4J
Marion CSD 5
Marion CSD 14CJ
Marion CSD 15
Marion CSD 24J
Marion CSD 45
Marion CSD 91
Marion CSD 103C
Mastery Learning Institute
Molalla River Academy
Morrow CSD
Mosier Community School
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
Personalized Learning, Inc.
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Powell Butte Community Charter School
Renaissance Public Academy
Ridgeline Montessori Public Charter School
Rimrock Academy
Sage Community School
Sand Ridge Charter School
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan AllPrep Academy
Sheridan Japanese School Foundation
Sherman CSD
Sherwood Charter School
Siletz Valley Early College Academy
Siletz Valley School
Sisters Charter School
Sisters Web and Early College Academy #1
Sisters Web and Early College Academy #2
Sisters Web and Early College Academy #3
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
Springfield Academy of Arts & Academics
Springwater Environmental Sciences School
Sunny Wolf Charter School
Sweet Home Charter School
The Emerson School
The Ivy School
The Lighthouse School
The Village School
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 56
Tillamook CSD 101
Trillium Charter School
Umatilla County Administrative School District 1R
Umatilla Morrow ESD
Umatilla CSD 2R
Umatilla CSD 5
Umatilla CSD 6R
Umatilla CSD 7
Umatilla CSD 8R
Umatilla CSD 16R
Umatilla CSD 29RJ
Umatilla CSD 61R
Umatilla CSD 80R
Union-Baker ESD
Union CSD 1
Union CSD 5
Union CSD 11
Union CSD 15
Union CSD 23
Wallowa County Region 18 ESD
Wallowa CSD 6
Wallowa CSD 12
Wallowa CSD 21
Wallowa CSD 54
Wasco CSD 29
Washington CSD 13
Washington CSD 15
Washington CSD 23J
Washington CSD 88J
Washington CSD 511JT
West Lane Technical Learning Center
Wheeler CSD 1
Wheeler CSD 55U
Willamette ESD
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J

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