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

For the Fiscal Year Ended June 30, 2012

Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

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PERS Oregon Public Employees Retirement System

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Introductory Section

Oregon

John A. Kitzhaber, M.D., Governor

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December 18, 2012

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, 2012. 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, 2012, PERS provided services to 902 employers and to more than 331,000 active, inactive, and retired members and beneficiaries.

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

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

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. We would like to direct your attention to MD&A, 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 64 of this report.

Major Initiatives

Strategic Management System

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

This new management system will allow PERS to better align its strategic planning and organizational development in support of its Mission, Vision, Values, and Operating Principles. The agency identified six key goals that, as achieved, will advance those ideals:

1. Collaborative and transparent leadership,
2. Engaged and empowered workforce,
3. Efficient, effective, adaptable organization,
4. Engaged and educated stakeholders,
5. Timely and accurate service, and
6. Trusted and credible agency.

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

Customer Satisfaction Survey

Our member and employer customer satisfaction surveys conducted in fiscal year 2011 show overall improvement from 2010, continuing the positive trend of year-to-year improvement over the six-year survey period. Over 90 percent of the member survey respondents and nearly 80 percent of the employer survey respondents rated our overall customer service as "good" or "excellent."

Member Data Verifications

Active and inactive members can now request verification of certain employment history and potential benefit calculation data based on the information that has been reported to PERS by the members' employer(s).

The verification includes the member's accrued creditable service or retirement credit and the member's "final average salary."

If PERS produces a verification, a member's retirement benefit will be calculated using data that is not less than the amounts provided in the verification, except in certain circumstances. For example, account balances will be adjusted for earnings or losses credited up to the member's effective retirement date and accumulated unused sick leave will be adjusted for leave accrued and used after the date specified in the verification.

Benefit Overpayment Recovery Project

Based on recent Oregon Supreme Court decisions, PERS is preparing to begin recovery of approximately $165 million from nearly 29,000 PERS benefit recipients. Overpayments resulted from applying 1999 earnings crediting rates to affected member accounts that were later revised as directed by courts and legislation. The project objective is to either complete the collection process or have repayment plans in place for all affected benefit recipients by July 1, 2013.

Financial Information

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

Internal Controls

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

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions are established by actuarial valuations conducted biennially in odd-numbered calendar years. PERS' funding objective is to meet long-term benefit promises through contributions that fund benefits as they accrue. An adequate contribution level, when combined with investment earnings, will result in the full funding of benefits as they come due. If the level of funding is adequate, the ratio of assets accumulated to total liabilities will increase, and more income will be available for investment. Prudent investment of assets and returns on those investments should increase the funding base and allow for a more stable employer contribution rate. As of the December 31, 2011 actuarial valuation, PERS has a funded ratio of 82.0 percent for the defined benefit plan it administers (see page 53).

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, 2012, is 43 percent public equity, 16 percent private equity, 25 percent debt securities, 11 percent real estate, and 5 percent alternative equity.

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 a modest gain in fiscal year 2012 with a rate of return of 1.6 percent. This compares with a rate of return of 22.3 percent for fiscal year 2011. The fund's trailing 10-year return was 7.4 percent, 0.6 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 63 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, 2011. 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 21 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 2012 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 tenth year the PPCC has offered the award to public retirement systems and the ninth 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	Jon E. DuFrene
Executive Director	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 June 30, 2012, the three Board members representing business management, pension management, or investing are James Dalton, John Thomas, and Rhoni Wiswall. 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 JD from Boston College Law School.

John Thomas

John Thomas co-founded Pacific Benefit Consultants, Inc. in 1993 and served as its president when it was selected as the second-ranked company in Oregon by *Oregon Business Magazine*. He currently serves as vice president of Advantage Dental and also serves as a divisional vice president and chair of the Finance Committee of MDRT, an international association of insurance and financial service professionals located in Chicago. Thomas previously served as chair of the McKenzie-Willamette Hospital Board of Trustees and was chair of Lane County Boundary Commission. He is also the past president of the Springfield Area Chamber of Commerce. Thomas holds a BA from Willamette University and an MS in financial services from the American College in Bryn Mawr, Pennsylvania. He holds professional designations of Chartered Life Underwriter, Chartered Financial Consultant, and Certified Financial Planner.

Laurie Warner (vice-chair)

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.

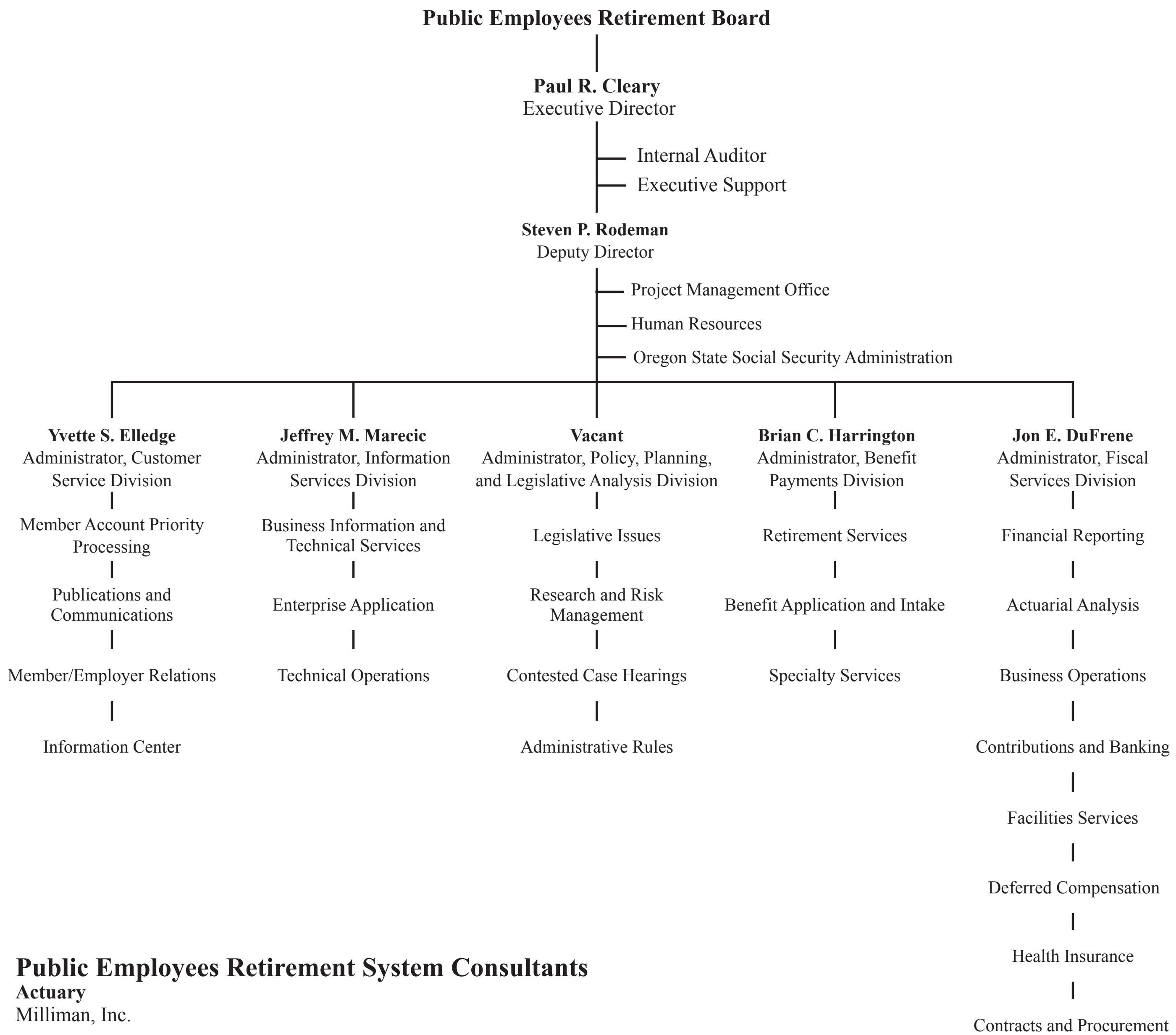
Pat West

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.

Rhoni Wiswall

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

Public Employees Retirement System Organizational Chart



Public Employees Retirement System Consultants

Actuary
Milliman, Inc.

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

Insurance Consultant
Butler Partners & Associates LLC

Medical Advisor
F. William Miller, MD

Technology
HP Enterprise Services
Provaliant, Inc.

Auditor
Macias Gini & O'Connell LLP

Strategic and Organizational Planning
Mass Ingenuity

Investments
Investment managers are reported in the Summary of Investment Fees, Commissions, and Expenses on page 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, 2011

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

Christopher P. Morrill

President

Jeffrey R. Emer

Executive Director

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2012

Presented to

Oregon Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H Winkle

Alan H. Winkle
Program Administrator

Financial Section

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Oakland

LA/Century City

Newport Beach

San Diego

Seattle

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the fiduciary activities and proprietary activities of the Oregon Public Employees Retirement System (the System), a pension trust fund of the State of Oregon, as of and for the fiscal year ended June 30, 2012, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2011 financial statements and, in our report dated December 29, 2011, we expressed unqualified opinions on the respective financial statements of the fiduciary activities and the proprietary activities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the fiduciary activities and the proprietary activities of the Oregon Public Employees Retirement System as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3(B) to the basic financial statements, based on the most recent pension plan actuarial valuations as of December 31, 2011, the System's independent actuary determined that the value of the System's actuarial accrued liability exceeded the actuarial value of its assets by $11.0 billion.

Also discussed in Note 3(B) to the basic financial statements, based on the most recent actuarial valuations for the post-employment healthcare benefit plans as of December 31, 2011, the System's independent actuary determined that the value of the System's actuarial accrued liabilities exceeded the actuarial value of its assets by $221.5 million for the Retirement Health Insurance Account plan, and $29.9 million for the Retiree Health Insurance Premium Account plan.

As discussed in Note 10 to the basic financial statements, the System is not in compliance with the Oregon Revised Statutes, Chapter 238.660, which requires that all moneys paid to the System "shall be deposited with the State Treasury." As of June 30, 2012, a total of $75.0 million is held by the third-party administrator of the Standard Retiree Health Insurance Account.

The financial statements include summarized prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the fiscal year ended June 30, 2011, from which such summarized comparative information was derived.

In accordance with *Government Auditing Standards*, we have issued our report dated December 18, 2012, 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, the Schedules of Employer Contributions, and Schedule of Claims Development Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The Schedule of Employer Contributions presents the annual required contributions (ARC) and the percentage of the ARC recognized as contributions from employers for the past six calendar years rather than the past six consecutive fiscal years as required by accounting principles generally accepted in the United States of America. This departure from prescribed guidelines does not affect our opinion on the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the System's basic financial statements. The other supplementary information, introductory, investment, actuarial and statistical sections 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 basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Sacramento, California
December 18, 2012

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, 2012. It is a narrative overview and analysis that we present in conjunction with the Letter of Transmittal, included in the Introductory Section of this Comprehensive Annual Financial Report. It should also be read in conjunction with the basic financial statements of PERS, as presented in this report.

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

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

Management's discussion and analysis provides an introduction to and overview of the basic financial statements, which comprise the following components: Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information. Collectively, this information presents the combined net 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, 2012. 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 of 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, 2012, 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, 2012, along with comparative total information as of and for the year ended June 30, 2011. 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, 2012, along with information 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 plans administered by PERS.

Note 4 – provides information about the System's accounts receivable and payable as of June 30, 2012.

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

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

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

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

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

Note 10 – provides information about a legal provision violation.

Note 11 – provides information about the adoption of new pension-related GASB standards.

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 two years.

Other Supplementary Information

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.

FIDUCIARY FUNDS

• PERS' assets exceed its liabilities at the close of fiscal year 2012, with $59,456.3 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 decreased by $1,733.5 million, or 2.8 percent, during the fiscal year as investment returns were out-paced by increased benefit expenses.

• PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2011, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 82.0 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $0.82 of net assets available for payment.

• Revenues (additions to fiduciary net assets), which include member and employer contributions of $1,493.3 million and net income from investment activities totaling $462.0 million, fell 84.9 percent to $1,958.5 million, for fiscal year 2012, compared to $12,941.3 in fiscal year 2011.

• Expenses (deductions from fiduciary net assets) increased to $3,692.0 million, or 5.8 percent, during the fiscal year from $3,491.2 million in fiscal year 2011.

FIDUCIARY NET ASSETS

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

• Declining financial markets produced lower returns on PERS investments than those of the previous fiscal year, and benefit payments continued to grow. The net assets of the defined benefit pension plan decreased approximately $2,135.4 million, or 3.8 percent, during the year ended June 30, 2012.

• The net assets of the OPSRP IAP increased approximately $355.3 million, or 8.8 percent, during the year ended June 30, 2012, as member contributions and modest investment returns outweighed benefit payments.

• The net assets of the deferred compensation plan increased approximately $28.6 million, or 2.6 percent, during the year ended June 30, 2012. Benefit expenses were slightly exceeded by member contributions and investment income.

• The net assets of the Retirement Health Insurance Account increased approximately $18.6 million, or 7.5 percent, during the year ended June 30, 2012, as increases in employer contributions more than offset increases in 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	
	2012	2011	2012	2011	2012	2011
Cash and Receivables	$ 3,196,807	$ 3,497,925	$ 306,519	$ 310,840	$ 79,308	$ 63,489
Investments at Fair Value	52,614,382	55,007,311	4,280,807	3,907,072	1,054,975	1,042,986
Securities Lending Collateral	2,247,245	2,512,073	186,303	184,566	216	160
Other	46,568	47,721	865	988	—	—
Total Assets	58,105,002	61,065,030	4,774,494	4,403,466	1,134,499	1,106,635
Investment Purchases	2,072,276	2,670,037	185,581	173,971	521	332
Securities Lending Payable	2,261,127	2,528,403	187,450	185,746	215	160
Other Payables	112,175	71,741	9,343	6,912	195	1,167
Total Liabilities	4,445,578	5,270,181	382,374	366,629	931	1,659
Total Net Assets	$ 53,659,424	$ 55,794,849	$ 4,392,120	$ 4,036,837	$ 1,133,568	$ 1,104,976

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account	
	2012	2011	2012	2011
Cash and Receivables	$ 21,480	$ 18,519	$ 631	$ 466
Investments at Fair Value	255,398	240,350	4,115	4,940
Securities Lending Collateral	11,183	11,311	190	241
Other	29	36	—	1
Total Assets	288,090	270,216	4,936	5,648
Investment Purchases	10,156	10,764	164	222
Securities Lending Payable	11,252	11,383	190	243
Other Payables	102	78	23	61
Total Liabilities	21,510	22,225	377	526
Total Net Assets	$266,580	$ 247,991	$ 4,559	$ 5,122

• The net assets of the Retiree Health Insurance Premium Account decreased approximately $0.6 million, or 11.0 percent, during the year ended June 30, 2012, as increases in employer contributions and investment income did not surpass 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 $2.5 million, or 17.9 percent, from fiscal year 2011 to fiscal year 2012, due to increases in service credit purchases. Member contributions to the defined benefit pension plan have been closed since 2004 except for Judge members.

• Member contributions to the IAP increased $2.5 million, or 0.5 percent, due to employee salary increases and an increase in eligible employees during the year.

• Member contributions to the deferred compensation plan increased $7.3 million, or 10.0 percent, in fiscal year 2012, as participants increased voluntary contributions.

• Employer contributions to the defined benefit pension plan increased $406.0 million, or 95.7 percent, in fiscal year 2012, due to a significant rise in employer contribution rates.

• Employer contributions to the Retirement Health Insurance Account increased dramatically in fiscal year 2012 as employer contribution rates more than doubled. Employer contributions were $46.5 million in fiscal year 2012 compared to $22.2 million in fiscal year 2011, a 109.5 percent increase.

• Employer contributions to the Retiree Health Insurance Premium Account increased in fiscal year 2012 due to an increase in contribution rates. Employer contributions were $3.4 million in fiscal year 2012 compared to $1.4 million in fiscal year 2011, a 136.5 percent increase.

The significant increase in employer rates for all defined benefit plans is due in part to the partial recognition in the 2009 actuarial valuation of 2008 investment losses. Additional 2008 losses were included in the 2011 actuarial valuation used to set employer rates which will go into effect July 1, 2013.

• Net investment and other income in the defined benefit pension plan was $380.8 million, a $10,550.6 million, or 96.5 percent, decrease from the fiscal year 2011 gain of $10,931.4 million, due to a downturn in financial markets.

• Net investment and other income in the IAP was $71.5 million in fiscal year 2012, a 90.3 percent decrease from the fiscal year 2011 gain of $735.7 million. Fiscal year 2012 investment returns were weak compared to the strong returns of fiscal year 2011.

• Net investment and other income in the Retirement Health Insurance Account was $3.0 million, a $44.3 million, or 93.6 percent, decrease from the fiscal year 2011 gain of $47.4 million, due to lagging market performance.

• Net investment and other income in the Retiree Health Insurance Premium Account was $17 thousand, a 98.5 percent decrease from the fiscal year 2011 gain of $1.1 million, due to lower investment returns.

• Net investment and other income in the deferred compensation plan was $9.8 million, a $167.2 million, or 94.4 percent, decrease from the fiscal year 2011 gain of $177.0 million as a result of weak investment returns.

Expenses – Deductions from Fiduciary Net Assets

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

• Pension benefit and other payments from the defined benefit pension plan were $3,362.8 million in fiscal year 2012, a $103.2 million, or 3.2 percent, increase over fiscal year 2011 expenses of $3,259.7 million. An increase in service retirements during the year produced an increase in deductions to net assets.

• IAP benefit and other payments increased $91.6 million, or 65.1 percent, during the year, from $140.8 million in fiscal year 2011 to $232.4 million in fiscal year 2012. Accounts withdrawn rose due to higher cumulative contributions, positive earnings, and an increase in retirements for the year.

• Deferred compensation benefits and other expenses increased $4.6 million, or 8.1 percent, from $57.3 million in fiscal year 2011 to $61.9 million fiscal year 2012. Benefit payments were higher due to investment gains and increased retirement activity.

• Retirement Health Insurance Account benefit and other payments increased $0.6 million, or 2.0 percent, from $30.3 million in fiscal year 2011 to $30.9 million in fiscal year 2012, as a result of increases in premium payments due to additional retirements.

• Retiree Health Insurance Premium Account benefit payments increased $0.8 million, or 24.2 percent, from $3.2 million in fiscal year 2011 to $4.0 million in fiscal year 2012, 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	
	2012	2011	2012	2011	2012	2011
Additions:						
Employer Contributions	$ 830,123	$ 424,101	$ —	$ —	$ —	$ —
Plan Members	16,535	14,024	516,175	513,716	80,633	73,292
Net Investment and Other Income	380,750	10,931,392	71,536	735,695	9,842	176,999
Total Additions	1,227,408	11,369,517	587,711	1,249,411	90,475	250,291
Deductions:						
Pension Benefits	3,295,710	3,203,939	224,730	133,971	61,465	55,930
Other	67,123	55,744	7,698	6,810	418	1,326
Total Deductions	3,362,833	3,259,683	232,428	140,781	61,883	57,256
Net Increase/(Decrease)	(2,135,425)	8,109,834	355,283	1,108,630	28,592	193,035
Net Assets						
Beginning of year	55,794,849	47,685,015	4,036,837	2,928,207	1,104,976	911,941
End of year	$ 53,659,424	$ 55,794,849	$ 4,392,120	$ 4,036,837	$ 1,133,568	$ 1,104,976

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	
	2012	2011	2012	2011
Additions:				
Employer Contributions	$ 46,465	$ 22,177	$ 3,378	$ 1,428
Net Investment and Other Income	3,024	47,360	17	1,136
Total Additions	49,489	69,537	3,395	2,564
Deductions:				
Healthcare Premium Subsidies	29,936	29,252	3,886	3,024
Other	964	1,040	72	162
Total Deductions	30,900	30,292	3,958	3,186
Net Increase/(Decrease)	18,589	39,245	(563)	(622)
Net Assets				
Beginning of year	247,991	208,746	5,122	5,744
End of year	$ 266,580	$ 247,991	$ 4,559	$ 5,122

PROPRIETARY FUND

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

NET ASSETS

• The net assets of the Standard Retiree Health Insurance Account as of June 30, 2012, are $80.3 million, a $16.2 million, or 25.3 percent increase over fiscal year 2011. The increase is primarily due to a change in estimated healthcare claims payable and an increase in cash and cash equivalents due to increased premium revenue and Federal Government Reimbursements.

CHANGES IN NET ASSETS

• Standard Retiree Health Insurance Account insurance premium and other revenue for the year ended June 30, 2012, are $189.0 million, a $14.9 million, or 8.5 percent, increase from fiscal year 2011. This change resulted from an increase in both premium rates and the number of retirees participating in the healthcare program.

• Standard Retiree Health Insurance Account healthcare and other payments for the year ended June 30, 2012 increased $0.2 million, or 0.1 percent, from $172.6 million in fiscal year 2011 to $172.8 million in fiscal year 2012. Increases in claims expense were offset by decreases in estimated liabilities.

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

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

	Standard Retiree Health Insurance Account	
	2012	2011
Cash and Receivables	$ 96,623	$ 88,184
Securities Lending Collateral	757	794
Total Assets	97,380	88,978
Claims Payable	13,959	23,492
Other Payables	2,321	566
Securities Lending Payable	757	794
Total Liabilities	17,037	24,852
Total Net Assets	$ 80,343	$ 64,126

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

	Standard Retiree Health Insurance Account	
	2012	2011
Revenues:		
Insurance Premiums	$ 186,682	$ 174,089
Federal Government Reimbursements	2,158	—
Investment Income	130	82
Other Income	20	19
Total Revenues	188,990	174,190
Expenses:		
Claims	160,152	150,422
Increase/(Decrease) in Estimated Liabilities	(9,533)	2,130
Administrative Expense	22,154	20,007
Total Expenses	172,773	172,559
Net Increase	16,217	1,631
Net Assets		
Beginning of Year As Previously Reported	64,126	—
Prior Period Adjustment	—	62,495
Net Assets as Restated	64,126	62,495
End of Year	$ 80,343	$ 64,126

PLAN MEMBERSHIP

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

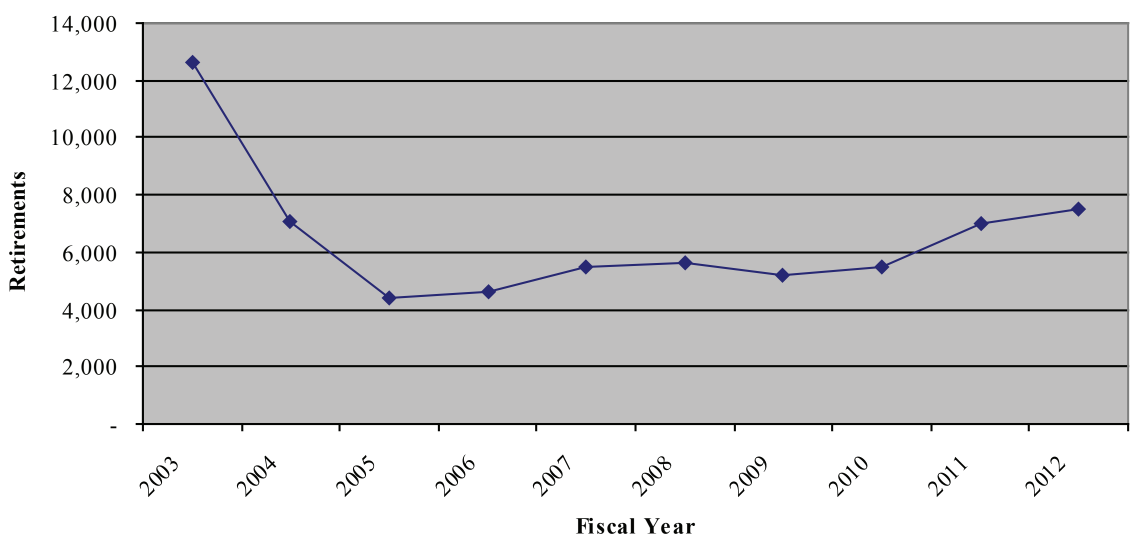
TABLE 7
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2012	2011	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	110,279	105,717	4.3 %
Police and Fire	9,067	8,535	6.2
Total	119,346	114,252	4.5
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	192,091	203,070	(5.4)
Police and Fire	16,026	16,204	—
Nonvested:			
General	3,772	5,674	(33.5)
Police and Fire	178	233	(23.6)
Total	212,067	225,181	(5.8) %

SERVICE RETIREMENTS

Service retirements rose for the third consecutive year due to a significant increase in members eligible to retire. Service retirements in fiscal year 2012 were 7,473 compared to 6,972 in fiscal year 2011, an increase of 7.2 percent.

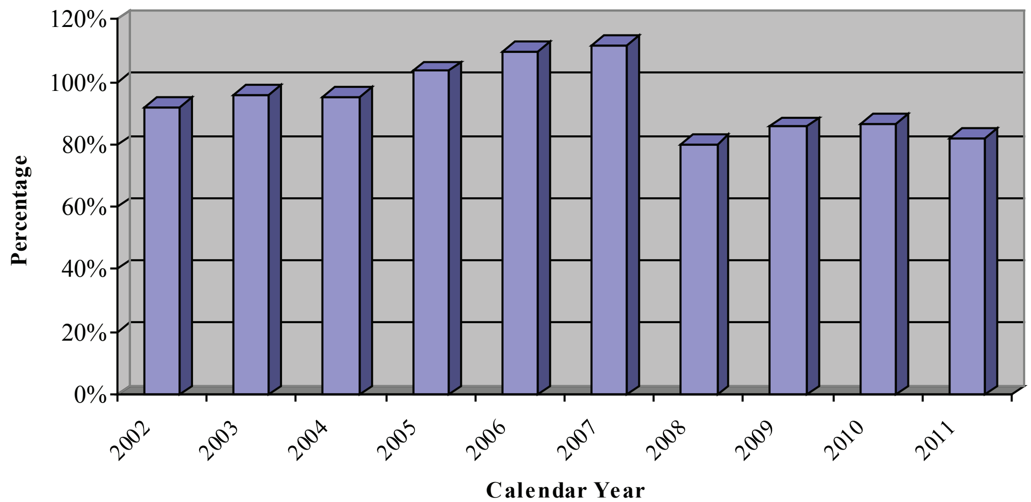
TABLE 8
SERVICE RETIREMENTS
By Fiscal Year



FUNDED STATUS

The System's Unfunded Actuarial Liability (UAAL) for pension benefits increased by $3,284.2 million, going from $7,746.0 million in 2010 to $11,030.2 million as of December 31, 2011. The UAAL was derived using the projected unit credit method. Investment gains through December 31, 2011, fell short of actuarially assumed earnings leading to a decline in the System's funded status.

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



INVESTMENT ACTIVITIES

During fiscal year 2012 investments decreased 3.3 percent from the prior fiscal year as markets retreated after two years of growth. Positive investment returns in real estate, private equity, alternative equity, and opportunity portfolio asset classes helped offset declines in public equity and debt investments. Public equity decreased approximately $3,224.2 million. While domestic equity exhibited positive returns, international equity fell sharply on European debt fears. Investments in debt securities decreased $391.0 million as a result of sales made in accordance with the Oregon investment Council's asset allocation policy. Additionally fixed income yields for the fiscal year were broadly lower than those of the previous year. Private equity investments were up approximately $795.8 million for the year. The Opportunity Portfolio increased approximately $4.5 million during the fiscal year, and the newly established Alternative asset class increased $196.7, or 92.1 percent. The fair value of real estate investments increased by $625.2 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 on page 19.

TABLE 10
INVESTMENT RETURN
Periods Ending June 30:

	2012	2011
Total Portfolio, Excluding Variable	1.6%	22.3%
Policy Benchmark	2.6	20.4
Variable Account	(6.4)	31.1
Variable Account Blended Index	(6.9)	31.0
Domestic Stocks	1.9	34.0
Benchmark: Russell 3000 Index	3.8	32.4
International Stocks	(13.4)	30.9
Benchmark: Custom Index[1]	(14.8)	30.3
Fixed Income Segment	7.4	8.8
Benchmark: Custom Index[2]	6.9	4.2
Real Estate[3]	8.7	20.8
Benchmark: NCREIF	13.4	16.0
NAREIT Equity REIT Index	12.5	34.1
Private Equity[4]	6.7	21.4
Benchmark: Russell 3000 + 300 bps	10.4	20.9

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 declined during the fiscal year due to higher benefit payments and weaker investment returns. Table 10 above shows portfolio returns and indexes, which are reflective of the market environment.

Benefit payments increased in fiscal year 2012 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 a decrease in related benefits of approximately 5.8 percent, effective February 1, 2012, compared to an increase of 9.0 percent effective February 1, 2011. This decrease in benefits was due to investment losses in the variable account for the period of November 1, 2010, through October 31, 2011.

UAL rates calculated in the December 31, 2011 actuarial valuation increased compared to the contribution rates calculated in the December 31, 2009 valuation and effective July 1, 2011. This is due both to cumulative investment returns below assumption during 2010-2011 and the functioning of the rate collar contribution stabilization policy. The rate collar restricts the change in contribution rates from one biennium to the next to within a specified bound. When the calculated contribution rate is outside of the rate collar boundaries, a portion of the contribution increase or decrease is deferred to subsequent biennia. The contribution rates effective July 1, 2011, were calculated by the December 31, 2009 actuarial valuation and were the first rates to reflect the large investment losses that occurred during the financial crisis. A significant portion of the calculated contribution rate increase from the December 31, 2009 valuation was deferred due to the rate collar. These increases deferred by the rate collar are the primary cause of the increase in the UAL rates for the period July 1, 2013, through June 30, 2015.

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, 2012, with Comparative Totals as of June 30, 2011

			Defined Benefit OPEB Plans	
	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Retirement Health Insurance Account	Retiree Health Insurance Premium Account
Assets:				
Cash and Cash Equivalents	$ 1,649,293,115	$ 172,678,939	$ 12,416,311	$ 447,271
Receivables:				
Employer	27,673,284	—	1,474,104	41,343
Plan Member	—	12,106,007	—	—
Interest and Dividends	309,044,576	25,510,885	1,522,008	24,525
Member Loans	—	—	—	—
Investment Sales and Other Receivables	1,209,122,153	90,499,868	5,403,780	86,967
Total Receivables	1,545,840,013	128,116,760	8,399,892	152,835
Due from Other Funds	1,673,822	5,723,641	663,542	31,259
Investments:				
Debt Securities	13,227,221,333	1,091,875,260	65,142,495	1,049,665
Public Equity	18,561,756,367	1,469,844,527	87,692,563	1,413,022
Real Estate	6,216,323,529	513,142,534	30,614,655	493,305
Private Equity	13,373,158,704	1,103,922,038	65,861,219	1,061,246
Alternative Equity	377,223,961	31,138,929	1,857,783	29,936
Opportunity Portfolio	858,697,756	70,883,431	4,228,985	68,143
Total Investments	52,614,381,650	4,280,806,719	255,397,700	4,115,317
Securities Lending Collateral	2,247,245,078	186,303,405	11,183,170	189,212
Prepaid Expenses and Deferred Charges	6,985,544	486,709	29,037	470
Capital Assets at Cost, Net	39,582,259	377,950	—	—
Total Assets	**58,105,001,481**	**4,774,494,123**	**288,089,652**	**4,936,364**
Liabilities:				
Investment Purchases and Accrued Expenses	2,072,276,543	185,581,133	10,155,963	163,648
Deposits and Other Liabilities	102,505,507	8,204,730	1,438	1,036
Due to Other Funds	6,297,579	1,139,155	100,938	21,984
COPs Payable	3,072,196	—	—	—
Deferred Revenue	299,322	—	—	—
Securities Lending Collateral Due Borrowers	2,261,126,764	187,449,305	11,251,536	190,314
Total Liabilities	**4,445,577,911**	**382,374,323**	**21,509,875**	**376,982**
Net Assets Held in Trust for Benefits	**$ 53,659,423,570**	**$ 4,392,119,800**	**$ 266,579,777**	**$ 4,559,382**

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

Deferred Compensation Plan	2012	2011
$ 69,062,567	$ 1,903,898,203	$ 2,728,502,710
—	29,188,731	9,095,242
—	12,106,007	10,873,975
315,258	336,417,252	343,494,360
9,731,566	9,731,566	8,670,995
79,412	1,305,192,180	780,005,868
10,126,236	1,692,635,736	1,152,140,440
119,704	8,211,968	10,595,410
256,699,954	14,641,988,707	15,032,999,409
798,275,085	20,918,981,564	24,143,158,791
—	6,760,574,023	6,135,410,153
—	14,544,003,207	13,748,214,554
—	410,250,609	213,528,016
—	933,878,315	929,347,550
1,054,975,039	58,209,676,425	60,202,658,473
215,793	2,445,136,658	2,708,351,161
—	7,501,760	9,428,919
—	39,960,209	39,317,145
1,134,499,339	**64,307,020,959**	**66,850,994,258**
520,974	2,268,698,261	2,855,325,984
11,215	110,723,926	65,356,916
183,726	7,743,382	10,226,193
—	3,072,196	3,615,368
—	299,322	759,052
215,793	2,460,233,712	2,725,935,938
931,708	**4,850,770,799**	**5,661,219,451**
$ 1,133,567,631	**$ 59,456,250,160**	**$ 61,189,774,807**

Statement of Changes in Fiduciary Net Assets
Pension and Other Postemployment Plans
For the Year Ended June 30, 2012, with Comparative Totals for the Year Ended June 30, 2011

			Defined Benefit OPEB Plans	
	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Retirement Health Insurance Account	Retiree Health Insurance Premium Account
Additions:				
Contributions:				
Employer	$ 830,123,405	$ —	$ 46,464,958	$ 3,378,230
Plan Member	16,534,650	516,174,983	—	—
Total Contributions	846,658,055	516,174,983	46,464,958	3,378,230
Investment Income:				
Net Appreciation/(Depreciation) in Fair Value of Investments	(786,652,250)	(37,008,710)	(2,519,592)	(82,941)
Interest, Dividends, and Other Investment Income	1,448,874,733	135,643,648	6,903,176	123,117
Total Investment Income	662,222,483	98,634,938	4,383,584	40,176
Less Investment Expense	302,690,669	28,436,818	1,441,405	25,216
Net Investment Income	359,531,814	70,198,120	2,942,179	14,960
Securities Lending Income/(Expense):				
Securities Lending Income	24,524,006	1,761,682	108,844	2,356
Less Securities Lending Expense	(5,571,008)	(443,679)	(27,470)	(593)
Net Securities Lending Income/(Expense)	18,952,998	1,318,003	81,374	1,763
Other Income	2,264,943	19,788	—	—
Total Additions	1,227,407,810	587,710,894	49,488,511	3,394,953
Deductions:				
Benefits	3,291,791,650	224,729,644	—	—
Death Benefits	3,918,168	—	—	—
Refunds of Contributions	34,020,450	—	—	—
Administrative Expense	33,102,667	7,698,098	963,843	71,981
Healthcare Premium Subsidies	—	—	29,935,920	3,885,769
Total Deductions	3,362,832,935	232,427,742	30,899,763	3,957,750
Net Increase (Decrease)	**(2,135,425,125)**	**355,283,152**	**18,588,748**	**(562,797)**
Net Assets Held in Trust for Benefits				
Beginning of Year as Previously Reported	**55,794,848,695**	**4,036,836,648**	**247,991,029**	**5,122,179**
Prior Period Adjustment	—	—	—	—
Net Assets as Restated	55,794,848,695	4,036,836,648	247,991,029	5,122,179
End of Year	**$ 53,659,423,570**	**$ 4,392,119,800**	**$ 266,579,777**	**$ 4,559,382**

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

Deferred Compensation Plan	2012	2011
$ —	$ 879,966,593	$ 447,706,833
80,632,698	613,342,331	601,032,124
80,632,698	1,493,308,924	1,048,738,957
3,264,884	(822,998,609)	10,747,329,815
8,271,166	1,599,815,840	1,510,371,784
11,536,050	776,817,231	12,257,701,599
2,569,620	335,163,728	364,687,680
8,966,430	441,653,503	11,893,013,919
2,593	26,399,481	7,250,420
(2,593)	(6,045,343)	(8,847,906)
—	20,354,138	(1,597,486)
875,400	3,160,131	1,163,865
90,474,528	1,958,476,696	12,941,319,255
61,465,377	3,577,986,671	3,386,231,957
—	3,918,168	7,606,867
—	34,020,450	26,487,226
417,776	42,254,365	38,594,620
—	33,821,689	32,276,153
61,883,153	3,692,001,343	3,491,196,823
28,591,375	**(1,733,524,647)**	**9,450,122,432**
1,104,976,256	**61,189,774,807**	**51,747,943,735**
—	—	(8,291,360)
1,104,976,256	61,189,774,807	51,739,652,375
$ 1,133,567,631	**$ 59,456,250,160**	**$ 61,189,774,807**

Statement of Net Assets - Proprietary Fund
As of June 30, 2012 and 2011

	Enterprise Fund	
	Standard Retiree Health Insurance Account	
	2012	2011
Assets:		
Current Assets		
Cash and Cash Equivalents	$ 96,586,516	$ 87,999,852
Plan Member Receivables	—	183,882
Due from Other Funds	36,846	—
Securities Lending Collateral	756,993	794,102
Total Assets	**97,380,355**	**88,977,836**
Liabilities:		
Current Liabilities		
Estimated Insurance Claims Due	13,959,000	23,492,372
Accrued Expenses	1,815,955	177,414
Due to Other Funds	505,432	369,218
Securities Lending Collateral Due Borrowers	756,993	794,102
Total Current Liabilities	**17,037,380**	**24,833,106**
Long-Term Liabilities		
Other Liabilities	423	18,534
Total Long-Term Liabilities	**423**	**18,534**
Total Liabilities	**17,037,803**	**24,851,640**
Total Unrestricted Net Assets	**$ 80,342,552**	**$ 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 Years Ended June 30, 2012 and 2011

	Enterprise Fund	
	Standard Retiree Health Insurance Account	
	2012	2011
Operating Revenues:		
Insurance Premium Revenue	$ 186,681,811	$ 174,088,647
Federal Government Reimbursements	2,158,326	—
Other Income	20,361	19,470
Total Operating Revenues	188,860,498	174,108,117
Operating Expenses:		
Claims Expense	160,152,655	150,422,466
Increase/(Decrease) in Estimated Liabilities	(9,533,372)	2,130,215
Administrative Expense	22,154,403	20,006,526
Total Operating Expenses	172,773,686	172,559,207
Operating Income	**16,086,812**	**1,548,910**
Non-Operating Revenues:		
Interest, Dividends, and Other Investment Income	129,544	82,455
Securities Lending Income	9,096	1,473
Less Securities Lending Expense	(9,096)	(1,473)
Net Securities Lending Income	—	—
Total Non-Operating Revenue	129,544	82,455
Changes in Unrestricted Net Assets	16,216,356	1,631,365
Total Unrestricted Net Assets		
Beginning of Year as Previously Reported	64,126,196	—
Prior Period Adjustment	—	62,494,831
Beginning Net Assets as Restated	64,126,196	62,494,831
End of Year	**$ 80,342,552**	**$ 64,126,196**

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

Statement of Cash Flows - Proprietary Fund
For the Years Ended June 30, 2012 and 2011

	Enterprise Fund	
	Standard Retiree Health Insurance Account	
	2012	2011
Cash Flows from Operating Activities:		
Insurance Premiums Collected	$ 186,865,693	$ 171,481,966
Federal Government Reimbursements	2,158,326	—
Claims Paid	(160,152,655)	(150,422,466)
Other Receipts	20,361	19,470
Other Payments	(20,434,605)	(16,957,487)
Net Cash Provided by Operating Activities	**8,457,120**	**4,121,483**
Cash Flows from Investing Activities		
Interest and Dividends Received	129,544	82,455
Net Increase in Cash and Cash Equivalents	8,586,664	4,203,938
Cash and Cash Equivalents Beginning of Year as Previously Reported	87,999,852	—
Prior Period Adjustment	—	83,795,914
Cash and Cash Equivalents Beginning of Year as Restated	87,999,852	83,795,914
Cash and Cash Equivalents End of Year	$ 96,586,516	$ 87,999,852
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 16,086,812	$ 548,910
Changes in Assets and Liabilities		
Plan Member Receivables	183,882	(78,568)
Due from Other Funds	(36,846)	—
Estimated Insurance Claims Due	(9,533,372)	2,130,215
Accrued Expenses	1,638,541	174,599
Due to Other Funds	136,215	344,013
Other Liabilities	(18,112)	2,314
Net Cash Provided by Operating Activities	**$ 8,457,120**	**$ 4,121,483**

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

Notes to the Financial Statements
June 30, 2012

Note 1 - Description of Plan

A. Pension Plan Membership

The Oregon Public Employees Retirement System (PERS or "the System") provides statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (Board). For 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 pension, postemployment healthcare, deferred compensation plans, and asset-based account 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:	
	6/30/2012
General	110,279
Police and fire	9,067
Total	**119,346**
Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	192,091
Police and Fire	16,026
Nonvested:	
General	3,772
Police and Fire	178
Total	**212,067**

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, 2012, there were 45,629 active and 20,017 inactive for a total of 65,646 Tier One members and 48,150 active and 16,902 inactive for a total of 65,052 Tier Two members in the System.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2012, there were 76,002 active and 5,367 inactive members for a total of 81,369 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 in the following paragraph.

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

2. Death Benefits

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

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

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

3. Disability Benefits

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

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

4. Benefit Changes After Retirement

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

Monthly benefits are adjusted annually through cost-of-living changes. Two percent per year 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 902 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, 2012, PERS employers contributed 0.09 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.50 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2009 actuarial valuation. This is included in the employer contribution rates listed in Table 2 on page 32.

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 41,467 for the fiscal year ended June 30, 2012. As of December 31, 2011, there were 92,067 active and 16,399 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, 2012, state agencies contributed 0.05 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIPA benefits. State agencies contributed 0.11 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2009 actuarial valuation. This is included in the employer contribution rates listed in Table 4 on page 34.

The number of active plan RHIPA participants was 1,136 for the fiscal year ended June 30, 2012. As of December 31, 2011, there were 23,521 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, 2012, the fair value of investments was $1,055.0 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 withdrawn. Participants or their beneficiaries cannot withdraw the funds until at least one of the following occurs: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a *de minimis* distribution from inactive accounts valued less than $5,000. A loan program is also available for eligible participants. Member loans receivable at June 30, 2012, total $9.7 million. Of that amount $6.9 million is not expected to be collected within one year.

PERS contracts with ING to maintain OSGP participant records. The Oregon State Treasury, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are 19 investment options with varying degrees of market risk. Up to five financial institutions provide investment services in mutual funds for each investment option. A participant receives a blend of these mutual funds within the investment option. Participants direct the selection of investment options and also bear any market risk. The state has no liability for losses under the plan but does have the prudent investor responsibility of due care. Total membership as of June 30, 2012, was 19,596.

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, 2012, 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, 2012, there were 55,442 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 and other health insurance providers, which totaled approximately $75.0 million as of June 30, 2012. ODS becomes responsible for claims in excess of $200 thousand per year per individual and all claims in excess of contractually required reserves on deposit with ODS.

The current estimate of Incurred But Not Reported (IBNR) insurance claims is $14.0 million. SRHIA received Early Retiree Reinsurance Program (ERRP) revenues through the federal government's Affordable Care Act. The purpose of ERRP is to generate cost savings so that employers can maintain healthcare coverage for early retirees age 55 and older who are not yet eligible for Medicare. PERS has achieved this purpose by using the ERRP revenues to reduce healthcare insurance premiums. The ERRP revenues are reported as Federal Government Reimbursements in the Statement of Revenues, Expenses, and Changes in Net Assets.

Note 2 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

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

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 claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Data

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

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

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

E. Valuation of Investments

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

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodian's pricing agent or the investment manager. For example, a similar benchmark security may be used to derive the fair value. The benchmark will typically have a coupon rate and maturity date comparable to the debt security being valued, and its market risk will be similar, considering current market conditions. 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 23.7 percent of the real estate asset class as of June 30, 2012.

Investments in private equities, alternative equities, and the opportunity portfolio are recorded at fair value as of June 30, 2012, as determined by management based on valuation information provided by the general partner. Investments in private equities, alternative equities, and the opportunity portfolio representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets) and (2) the income approach (e.g., the discounted cash flow method).

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, 2012, as determined by management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

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

F. Earnings Crediting

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

G. Use of Estimates in the Preparation of Financial Statements

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

H. Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2011, from which the summarized information was derived. Certain reclassifcations have been made to June 30, 2011 balances to conform to the presentation as of and for the year ended June 30, 2012.

Note 3 - Contributions and Reserves

A. Contributions

a. Member Contributions

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

b. Employer Contributions

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

Employer contribution rates during the period were based on the December 31, 2009 actuarial valuation, which

TABLE 2

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

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

became effective July 1, 2011. The state of Oregon and certain schools, community colleges, and political subdivisions have made excess contributions to the defined benefit pension plans (unfunded actuarial liability payments), and their rates have been reduced. (See Table 2 on page 32.)

1. PERS Defined Benefit Plan Contributions (ORS 238)

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

Oregon Laws 2001, Chapter 945, Section 13 authorized the establishment of the State and Local Government Rate Pool. Local political subdivisions were given the option to join the state of Oregon and community colleges for the actuarial purpose of calculating employer rates. Participation by local political subdivisions in this pool was effective for the actuarial valuation period beginning January 1, 2002.

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

2. OPSRP Pension Program Contributions (ORS 238A)

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

B. Actuarial Cost Method and Assumptions

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

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

TABLE 3 (dollar amounts in millions)[1]

Funded Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pension						
12/31/2011	$50,168.2[2]	$61,198.4	$11,030.2	82.0%	$8,550.5	129.0%
RHIA						
12/31/2011	239.6	461.1	221.5	52.0	8,550.5	2.6
RHIPA						
12/31/2011	4.5	34.4	29.9	13.2	2,376.9	1.3

[1] Discrepancies contained in this table are the result of rounding differences.
[2] Includes individual employer side accounts of $5,225.1 million

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, 2010 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 used in the latest actuarial valuation are illustrated in Table 4.

C. Reserves and Designations

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

1. Member Reserve

The Member Reserve of $7,481.9 million as of June 30, 2012, 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 $21,907.4 million as of June 30, 2012, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

3. Benefit Reserve

The Benefit Reserve of $19,476.5 million as of June 30, 2012, is the amount set aside to pay future benefits. It includes funds transferred from the individual member and employer accounts and earnings allocations less amounts paid for retirements and disabilities.

4. Tier One Rate Guarantee Reserve

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

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

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

(b) the reserve has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years. As of June 30, 2012, the balance of this reserve was ($345.3) million.

5. Board Actions Affecting Reserves

As part of its December 31, 2011 earnings crediting decision, the Board decided to distribute $199.2 million from the Contigency Reserve to the Tier One Rate Guarantee Reserve to eliminate the 2008 deficit.

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, 2012, the balance of this reserve was $510.3 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, 2012, the reserve had a balance of $25.0 million.

TABLE 4

Actuarial Methods and Assumptions	Pension	RHIA	RHIPA
Valuation date	December 31, 2011	December 31, 2011	December 31, 2011
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.

8. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2012, 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, 2012, the balance of this designation was $3,599.4 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, 2012, the balance of this account was $1,004.2 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, 2012, the balance of this account was $266.6 million. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

12. Retiree Health Insurance Premium Account (RHIPA)

The RHIPA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2012, the balance of this account was $4.6 million. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

Enterprise Fund

13. Standard Retiree Health Insurance Account (SRHIA)

The SRHIA plan net assets balance represents the program's accumulation of insurance premiums 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, 2012, the balance of this account was $80.3 million.

D. Administrative Costs

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

Note 4 - Receivables and Payables

A. Receivables

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

The Strunk/Eugene Accrual resulted from recalculating benefits for recipients who received overpayments based on the reallocation of 1999 earnings. Approximately 84.6 percent of these receivables, or $93.5 million, is not expected to be collected by June 30, 2013.

TABLE 5

Investment Sales and Other Receivables	June 30, 2012
Broker Receivable	$ 1,191,858,056
Strunk/Eugene Accrual	110,516,276
Overpaid Benefits	2,517,568
Other	300,280
Total	**$ 1,305,192,180**

B. Payables

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

TABLE 6

Investment Purchases and Accrued Expenses	June 30, 2012
Broker Payable	$ 2,209,223,490
Investment Fees	34,144,909
Refunds	14,982,502
Death Benefits	7,132,366
Compensated Absences	1,562,765
Services and Supplies	884,834
Other	767,395
Total	**$ 2,268,698,261**

Note 5 - Capital Assets Used in Plan Operations

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

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

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

As noted above, the deposit and investment risks, including custodial risk, of the OSTF are outlined in the OSTF financial statements. As of June 30, 2012, the carrying amount of PERS' deposits in OSTF totaled $532.9 million, and the corresponding bank balance was $591.6 million.

TABLE 7

Schedule of Capital Assets as of June 30, 2012	Beginning of Year	Increases	Decreases	End of Year
Capital Assets				
Furniture and Equipment	$ 1,170,201	$ 493,552	(420,564)	$ 1,243,189
Data Processing Software	38,450,617	1,709,001	—	40,159,618
Data Processing Hardware	2,013,613	74,941	(297,422)	1,791,132
Building and Building Improvements	7,601,581	687,082	—	8,288,663
Land	944,463	—	—	944,463
Total Capital Assets	50,180,475	2,964,576	(717,986)	52,427,065
Less Accumulated Depreciation				
Furniture and Equipment	(838,936)	(125,971)	420,564	(544,343)
Data Processing Software	(6,062,559)	(1,771,716)	—	(7,834,275)
Data Processing Hardware	(1,372,508)	(220,040)	297,422	(1,295,126)
Building and Building Improvements	(2,589,327)	(203,785)	—	(2,793,112)
Total Accumulated Depreciation	(10,863,330)	(2,321,512)	717,986	(12,466,856)
Capital Assets, Net	**$ 39,317,145**	**$ 643,064**	**$ —**	**$ 39,960,209**

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	$ 2,299,280
Oregon Public Service Retirement Plan Individual Account Program Depreciation	22,232
Total Depreciation Expense	**$ 2,321,512**

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 health insurance providers. OSTF is a cash and investment pool that operates as a demand deposit account and is required for use by all state funds. (See Table 8.) OSTF is separately audited by the Oregon Audits Division. The audited financial statements can be viewed at http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-27.pdf. OSTF investment risks are addressed in the notes to those financial statements.

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.

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. As of June 30, 2012, there was $1,392.6 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers, of which $1,347.8 million was exposed to custodial credit risk.

Cash and cash equivalents of $75.0 million as of June 30, 2012, held by the Oregon Dental Service and Providence Health Plans in the Standard Retiree Health Insurance Account are exposed to custodial credit risk because the underlying investments are not held in PERS' name.

TABLE 8

Depository Account	Bank Balance
Insured	$ 44,707,339
Oregon Short Term Fund	591,573,019
Uninsured and uncollateralized	1,422,849,156
Total deposits	**$ 2,059,129,514**

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, 2012, $85.9 million in cash and cash equivalents was exposed to foreign currency risk. The U.S. dollar balances of these deposits, organized by currency denomination, are presented in Table 12 on page 40.

3. Restricted Cash Equivalents

PERS' cash and cash equivalents at June 30, 2012, include futures and swap collateral of $10.9 million held by investment managers. Swap collateral is offset by a related liability with a net settlement feature. Collateral is restricted and is not available to pay current liabilities.

B. Investments

Table 9 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2012.

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, 2012, the fair value of below grade investments, excluding unrated securities, is $2,243.5 million, or 26.6 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 $1,758.8 million in bank loans, $2,004.1 million in mutual funds, and $980.9 million in other debt securities.

Table 10 shows the quality ratings for credit risk debt securities as of June 30, 2012.

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, 2012, 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

TABLE 9

Investments at June 30, 2012	Fair Value
Repurchase Agreements	$ 12,456,946
U.S. Treasury Obligations	1,306,237,936
U.S. Federal Agency Mortgage Securities	1,334,708,135
U.S. Federal Agency Mortgage TBAs	690,918,754
U.S. Federal Agency Debt	271,695,690
U.S. Federal Agency Strips	68,874,997
U.S. Treasury Obligations – Strips	4,312,597
U.S. Treasury Obligations – TIPS	66,629,437
International Debt Securities	2,261,725,563
Corporate Bonds	3,192,669,596
Bank Loans	1,758,832,290
Temporary Liquidity Guarantee Program (TLGP)	6,717,907
Municipal Bonds	105,358,805
Collateralized Mortgage Obligations	1,054,012,032
Asset-Backed Securities	502,742,605
Mutual Funds – Domestic Fixed Income	1,523,285,754
Mutual Funds – International Fixed Income	480,809,663
Total Debt Securities	14,641,988,707
Derivatives	53,606,520
Domestic Equity Securities	7,045,170,977
International Equity Securities	8,660,292,506
Mutual Funds – Domestic Equity	1,946,539,771
Mutual Funds – Global Equity	755,730,716
Mutual Funds – International Equity	2,161,639,370
Mutual Funds – Target Date	293,817,471
Oregon Savings Growth Plan - Self-Directed	2,184,233
Real Estate and Real Estate Investment Trusts	6,760,574,023
Limited Partnerships and Leveraged Buyouts	14,544,003,207
Alternative Equity	410,250,609
Opportunity Portfolio	933,878,315
Total PERS Investments	**$ 58,209,676,425**

TABLE 10

Credit Risk Debt Securities at June 30, 2012	Fair Value
Quality Rating	
AAA	$ 759,239,255
AA	2,036,798,975
A	886,646,432
BBB	2,202,901,750
BB	759,250,568
B	819,923,275
CCC	526,968,023
CC	87,603,895
C	2,881,602
D	46,899,289
Unrated	4,743,830,644
Total Subject to Credit Risk	**12,872,943,708**
U.S. Government Guaranteed Securities	1,769,044,999
Total Debt Securities	**$ 14,641,988,707**

- other issuers, excluding investments in commingled vehicles – no more than 3 percent of the debt investment portfolio.

As of June 30, 2012, there were no single issuer debt investments that exceeded the above guidelines nor were there investments in any one issuer that represent 5 percent or more of total investments or total net 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, 2012, the weighted average duration of PERS' fixed income portfolio was 4.05 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, 2012. Table 11 shows the investments by type, amount, and effective weighted duration.

At June 30, 2012, PERS held approximately $2,456.6 million in debt instruments backed by pooled mortgages, Collateralized Mortgage Obligations (CMOs), or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exits and collateral held may potentially be insufficient to cover the principal due. PERS also held approximately $690.9 million in To Be Announced (TBA) federal agency-issued mortgage pools. An additional $767.5 million of debt instruments are asset-backed securities backed primarily by automobile, equipment lease, and student loan receivables.

TABLE 11

Schedule of Interest Rate Risk - Effective Duration at June 30, 2012

Investment		Fair Value	Effective Weighted Duration (in years)
U.S. Treasury Obligations	$	1,288,240,944	8.92
U.S. Treasury Obligations - Strips		4,312,597	5.42
U.S. Treasury Obligations - TIPS		66,629,437	6.38
U.S. Federal Agency Mortgage Securities		1,985,080,993	3.24
U.S. Federal Agency Debt		271,695,690	6.07
U.S. Federal Agency Strips		68,874,997	7.51
International Debt Securities		2,181,280,326	4.82
Corporate Bonds		3,165,388,102	4.93
Temporary Liquidity Guarantee Program (TLGP)		6,717,907	0.15
Bank Loans		1,756,910,101	0.28
Municipal Bonds		105,219,007	8.93
Collateralized Mortgage Obligations		985,068,702	2.82
Asset-Backed Securities		454,916,220	1.37
Mutual Funds - Domestic Fixed Income		1,266,585,800	2.16
Mutual Funds - Domestic Fixed Income (OSGP)		98,411,398	4.68
Mutual Funds - International Fixed Income		480,809,663	6.13
Mutual Funds - Stable Value		158,288,556	2.77
No Effective Duration:			
U.S. Treasury Obligations		17,996,992	N/A
U.S. Federal Agency Mortgage Securities		40,545,896	N/A
International Debt Securities		80,445,237	N/A
Corporate Bonds		27,281,494	N/A
Bank Loans		1,922,189	N/A
Municipal Bonds		139,798	N/A
Collateralized Mortgage Obligations		68,943,330	N/A
Asset-Backed Securities		47,826,385	N/A
Repurchase Agreements		12,456,946	N/A
Total Debt Securities	**$**	**14,641,988,707**	
Cash Equivalent - U.S. Government Short Term Funds		62,849,224	39 Days[1]
Total Subject to Interest Rate Risk	**$**	**14,704,837,931**	

[1]Weighted average maturity

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, 2012, approximately 3.0 percent of the debt investment portfolio was invested in non-dollar denominated securities. (See Table 12 on page 39.)

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, 2012, the PERF had $7,519.1 million in commitments to purchase private equity investments, $2,260.7 million in commitments to purchase real estate investments, $532.4 million in commitments to purchase alternative equity investments, and $304.5 million in commitments to purchase opportunity portfolio investments, which includes $188.1 million in recallable distributions. 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

TABLE 12

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2012

Currency	Cash and Cash Equivalents	Debt Securities	Public Equity	Real Estate	Private Equity	Total
Argentine peso	$ 73,730	$ -	$ -	$ -	$ -	$ 73,730
Australian dollar	1,108,339	82,298,584	372,149,992	74,508,689	-	530,065,604
Brazilian real	2,133,315	22,976,021	207,681,388	1,488,889	-	234,279,613
Canadian dollar	584,421	23,114,949	415,208,122	16,961,881	-	455,869,373
Chilean peso	15,553	-	6,439,132	-	-	6,454,685
Chinese yuan	63,839	-	-	-	-	63,839
Colombian peso	-	1,256,090	7,411,171	-	-	8,667,261
Czech koruna	192,919	-	4,678,787	-	-	4,871,706
Danish krone	525,709	21,979	95,495,277	-	-	96,042,965
Dominican Republic peso	-	1,152,815	-	-	-	1,152,815
Egyptian pound	156,742	-	14,029,251	-	-	14,185,993
Euro	44,018,809	134,661,886	1,712,010,977	51,203,863	380,294,537	2,322,190,072
Hong Kong dollar	2,340,648	-	397,374,281	94,914,017	-	494,628,946
Hungarian forint	4,147	-	10,501,033	-	-	10,505,180
Indian rupee	309,721	-	66,427,913	-	-	66,737,634
Indonesian rupiah	409,215	-	82,538,091	-	-	82,947,306
Israeli shekel	73,637	-	10,203,386	-	-	10,277,023
Japanese yen	17,849,598	21,804,287	1,472,876,698	63,761,839	-	1,576,292,422
Jordanian dinar	1	-	-	-	-	1
Malaysian ringgit	189,616	-	33,205,292	-	-	33,394,908
Mexican peso	2,061,980	52,751,645	52,859,698	-	-	107,673,323
New Zealand dollar	116,741	-	11,875,608	-	-	11,992,349
Nigerian naira	-	-	548,371	-	-	548,371
Norwegian krone	547,583	-	39,798,145	534,704	-	40,880,432
Pakistan rupee	65,729	-	1,732,449	-	-	1,798,178
Peruvian nuevo sol	36	100,161	967,398	-	-	1,067,595
Philippine peso	7,485	-	15,532,630	-	-	15,540,115
Polish zloty	34,847	-	23,435,864	-	-	23,470,711
Pound sterling	7,562,860	93,360,820	1,260,822,555	60,762,684	-	1,422,508,919
Qatar riyal	-	-	2,573,871	-	-	2,573,871
Singapore dollar	254,940	-	86,914,347	22,987,505	-	110,156,792
South African rand	235,041	-	190,977,660	-	-	191,212,701
South Korean won	1,022,275	-	300,272,555	-	-	301,294,830
Swedish krona	97,807	-	148,452,223	5,514,283	-	154,064,313
Swiss franc	913,284	-	368,437,028	6,408,816	-	375,759,128
Taiwan dollar	1,804,441	-	117,172,826	-	-	118,977,267
Thai baht	831,539	-	103,041,880	1,483,871	-	105,357,290
Turkish lira	260,949	1,280,929	62,674,613	307,438	-	64,523,929
Venezuelan fuerte	6,234	-	11	-	-	6,245
Total Subject to Foreign Currency Risk	**$ 85,873,730**	**$ 434,780,166**	**$ 7,696,320,523**	**$ 400,838,479**	**$ 380,294,537**	**$ 8,998,107,345**

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, 2012. 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, 2012, is effectively one day. On June 30, 2012, PERF had no credit risk exposure to borrowers because the amounts PERF owes borrowers exceed the amounts borrowers owe PERF.

On June 30, 2012, the fair value of cash collateral received and invested cash collateral were $2,444.1 million and $2,429.1 million, respectively. The cumulative unrealized loss in invested cash collateral of $15.1 million has been recognized in securities lending income in the Statements of Changes in Fiduciary Net Assets in the period in which the gains or losses occurred. For the fiscal year ended June 30, 2012, total income from securities lending activity was $26.4 million, and total expenses for the period were $6.1 million for a net gain of $20.3 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, 2012, PERF’s allocated portion of cash collateral received and invested cash collateral were $16.9 million and $16.9 million, respectively.

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

Table 13 on page 41 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, 2012, is shown in Table 14 on page 41. Securities lending collateral subject to interest rate risk at June 30, 2012, is shown in Table 15 on page 41.

TABLE 13

Securities Lending as of June 30, 2012

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury Securities	$ 481,539,512	$ 496,057,704	$ 284,041,969
U.S. Agency Securities	6,754,480	6,877,084	6,834,604
Domestic Equity Securities	1,079,924,336	1,079,227,522	1,048,053,301
Domestic Debt Securities	424,264,942	432,697,248	430,024,490
International Equity Securities	1,066,291,540	1,089,973,111	565,465,740
International Debt Securities	93,071,468	95,157,641	94,569,856
Allocation from Oregon Short Term Fund	16,540,338	16,903,692	16,903,692
Total	**$ 3,168,386,616**	**$ 3,216,894,002**	**$ 2,445,893,652**

TABLE 14

Securities Lending Invested Cash Collateral Subject to Credit Risk at June 30, 2012

Quality Rating	Fair Value
AAA	$ 109,616,110
AA [1]	919,892,188
A [1]	634,792,138
BBB	456,049,358
BB&B	8,640,166
Unrated	300,000,000
Total Subject to Credit Risk	**2,428,989,960**
Allocation from Oregon Short Term Fund	16,903,692
Total Securities Lending Invested Cash Collateral	**$ 2,445,893,652**

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

TABLE 15

Securities Lending Invested Cash Collateral Subject to Interest Risk at June 30, 2012

Security Type	Fair Value	Effective Weighted Average Duration (in days) [1]
Asset-Backed Securities	$ 248,777,059	33
Bank Notes	39,022,350	20
Certificates of Deposit	50,978,475	81
Commercial Paper	668,822,764	46
Corporate Notes	125,470,454	49
U.S. Agency Discount Notes	49,995,858	65
Repurchase Agreements	1,245,923,000	3
Total Subject to Interest Rate Risk	**$ 2,428,989,960**	**23**
Allocation from Oregon Short Term Fund	16,903,692	
Total Securities Lending Invested Cash Collateral	**$ 2,445,893,652**	

[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 16 through 23 are not the same as amounts reported as investments in the financial statements because derivatives with net loss positions have been reclassified as Investment Purchases and Accrued Expenses. The fair value of futures reported in Table 17 is $0.

TABLE 16

Foreign Currency Exchange Contracts as of June 30, 2012

Description	Delivery Dates	Notional Value	Fair Value
Foreign currency exchange contracts purchased:			
Australian dollar	8/14/2012 - 9/19/2012	$ 122,559,609	$ 3,074,415
Brazilian real	7/3/2012 - 9/5/2012	38,941,721	551,640
Canadian dollar	8/14/2012 - 9/20/2012	153,540,964	1,363,966
Chinese yuan	7/20/2012 - 9/8/2015	13,431,388	(395,397)
Columbian peso	9/19/2012	21,231	(19)
Danish krone	9/19/2012	2,532,397	32,145
Euro	7/3/2012 - 9/19/2012	313,707,223	4,271,449
Hong Kong dollar	7/3/2012 - 9/19/2012	45,276,891	11,587
Israeli shekel	9/19/2012	6,983,404	(13,136)
Japanese yen	8/14/2012 - 9/19/2012	191,053,298	(1,729,702)
Malaysian ringgit	9/19/2012	176,352	(831)
Mexican peso	7/26/2012 - 9/19/2012	23,751,191	999,712
New Zealand dollar	8/14/2012 - 9/19/2012	96,616,581	2,285,397
Norwegian krone	7/27/2012 - 9/19/2012	202,268,957	1,381,314
Philippine peso	10/31/2012	1,283,513	38,203
Pound sterling	7/3/2012 - 9/24/2012	271,589,821	1,257,928
Singapore dollar	8/3/2012 - 9/19/2012	44,856,163	497,397
South Korean won	7/12/2012 - 9/28/2012	2,797,235	(4,233)
Swedish krona	8/14/2012 - 9/19/2012	222,561,122	4,825,380
Swiss franc	9/19/2012	33,349,111	519,076
Thai baht	9/19/2012	350,750	(2,933)
Total foreign currency exchange contracts purchased		**1,787,648,922**	**18,963,358**
Foreign currency exchange contracts sold:			
Australian dollar	7/18/2012 - 3/20/2013	248,284,912	(4,189,267)
Brazilian real	7/3/2012 - 9/5/2012	59,085,092	(396,479)
Canadian dollar	7/18/2012 - 9/19/2012	107,820,466	(441,826)
Chinese yuan	7/20/2012 - 10/15/2012	1,981,065	29,530
Columbian peso	9/19/2012	1,284,624	(1,855)
Danish krone	9/19/2012	5,966,739	(160,775)
Euro	7/3/2012 - 3/29/2013	694,895,420	1,984,056
Hong Kong dollar	9/19/2012	37,196,110	(11,651)
Israeli shekel	9/19/2012	237,983	2,160
Japanese yen	7/18/2012 - 9/19/2012	329,763,497	3,382,080
Mexican peso	7/26/2012 - 9/20/2012	26,065,914	(147,430)
New Zealand dollar	8/14/2012 - 9/19/2012	76,504,477	(4,712,588)
Norwegian krone	8/14/2012 - 9/19/2012	83,225,680	(2,013,116)
Peruvian nouveau sol	9/19/2012	96,769	(252)
Pound sterling	7/3/2012 - 11/29/2013	237,685,754	(807,571)
Singapore dollar	9/19/2012	22,199,457	(320,805)
South Korean won	7/12/2012 - 9/19/2012	1,562,837	(15,023)
Swedish krona	8/14/2012 - 9/19/2012	27,828,451	(840,837)
Swiss franc	8/14/2012 - 12/19/2012	129,259,982	(928,011)
Turkish lira	7/20/2012	1,284,393	(1,247)
Total foreign currency exchange contracts sold		**2,092,229,622**	**(9,590,907)**
Total foreign currency exchange contracts subject to foreign currency risk		**$ 3,879,878,544**	**$ 9,372,451**

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 $26.6 million for the fiscal year ended June 30, 2012. Table 16 on page 42 presents currency forward balances at June 30, 2012.

Futures & Forwards

Futures and forward contracts represent commitments to buy or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are exchanged-traded. Forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. The counterparty credit risk for futures is generally less than privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-trade future, daily settles the net change in the futures contract's value in cash with the broker. In the PERS portfolio futures and forward contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, equity indexes, and other market conditions. PERS bears the market risk that arises from changes in the value of these instruments and the imperfect correlation between movements in the price of the futures and forward contracts and movements in the price of the securities hedged or used for cover. The change in fair value resulting from futures contract settlements totaled $84.6 million for the fiscal year ended June 30, 2012. The change in fair value resulting from forward contract settlements totaled $3.4 million for the fiscal year ended June 30, 2012. Table 17 on page 44 presents futures contracts balances, and Table 18 on page 45 presents forwards contracts balances at June 30, 2012.

TABLE 17

Futures Contracts as of June 30, 2012

	Expiration Date	Number of Contracts	Notional Value
Fixed Income			
Long cash and cash equivalents:			
90 Day Euro	3/18/2013 - 3/16/2015	375	$ 93,244,863
Total Long cash and cash equivalents			93,244,863
Short cash and cash equivalents:			
90 Day Euro	3/17/2014	361	(89,681,425)
Total Short cash and cash equivalents			(89,681,425)
Long fixed income:			
30 year U.S. Treasury Bonds	9/19/2012	723	106,981,406
10 year U.S. Treasury Notes	9/19/2012	907	120,971,125
5 year U.S. Treasury Notes	9/28/2012	4,620	572,735,625
2 year U.S. Treasury Notes	9/28/2012	2,158	475,164,625
Ultra Long U.S. Treasury Bonds	9/19/2012	960	160,170,000
UK Long Gilt Bond	9/26/2012	153	28,583,172
Total Long Fixed Income			1,464,605,953
Short Fixed Income			
30 year U.S. Treasury Bonds	9/19/2012	1,096	(162,173,750)
10 year Australian Treasury Bonds	9/17/2012	247	(24,551,582)
10 year U.S. Treasury Notes	9/19/2012	4,268	(569,244,500)
2 year U.S. Treasury Notes	9/28/2012	311	(68,478,313)
Total Short Fixed Income			(824,448,145)
Total Fixed Income			**643,721,246**
Indexes			
Long purchased indexes:			
AEX	7/20/2012	39	3,041,342
ASX SPI 200	9/20/2012	92	9,564,846
CAC 40	7/20/2012	1,755	71,091,675
DAX	9/21/2012	174	35,393,837
DJ Euro STOXX 50	9/21/2012	423	12,105,024
FTSE 100	9/21/2012	1,184	102,564,604
FTSE MIB	9/21/2012	101	9,161,881
Hang Seng	7/30/2012	33	4,137,098
IBEX 35	7/20/2012	315	27,926,188
OMX 30	7/20/2012	630	9,389,669
Russell 1000 Mini	9/21/2012	751	56,152,270
Russell 2000 Mini	9/21/2012	1,831	145,637,740
S&P 500 E Mini	9/21/2012	2,661	180,469,020
S&P 500	9/20/2012	80	27,128,000
S&P Midcap 400 E Mini	9/21/2012	95	8,925,250
S&P TSE 60	9/20/2012	118	15,311,236
SGX MSCI Singapore	7/30/2012	38	1,992,390
Swiss Market	9/21/2012	507	32,455,499
TOPIX	9/14/2012	515	49,634,665
Total Long purchased indexes			802,082,234
Short purchased indexes:			
AEX	7/20/2012	58	(4,523,021)
ASX SPI 200	9/20/2012	615	(63,938,914)
Hang Seng	7/30/2012	55	(6,895,164)
S&P 500 E MINI	9/21/2012	772	(52,357,040)
S&P TSE 60	9/20/2012	323	(41,911,266)
Total Short purchased indexes			(169,625,405)
Total Indexes			**632,456,829**
Total Futures			**$ 1,276,178,075**

TABLE 18

Forwards as of June 30, 2012

	Expiration Date	Notional Value	Fair Value
Assets:			
U.S. Treasury Notes	2/15/2022	$ 53,900,000	$ 55,636,722
U.S. Treasury - Strips	1/15/2022	16,018,251	16,967,331
Total Forward Assets		69,918,251	72,604,053
Liabilities:			
U.S. Treasury - TIPS	1/15/2022	(67,500,045)	(71,499,419)
Total Forward Liabilities		(67,500,045)	(71,499,419)
Total Forwards		**$ 2,418,206**	**$ 1,104,634**

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 pri-

TABLE 19

Swaps as of June 30, 2012

Description	PERS Receives	PERS Pays	Maturity date	Notional Value	Fair Value
Interest Rate Swaps - Pay Fixed Liability	3 Month LIBOR	0.99-4.28%	6/20/2016 - 4/19/2041	$ 200,230,000	$ (5,907,508)
Interest Rate Swaps - Receive Fixed Asset	0.54 - 10.58%	See note[1]	1/2/2014 - 5/24/2042	135,580,000	3,956,754
Interest Rate Swaps - Receive Fixed Liability	0.54 %	3 Month LIBOR	6/26/2014	156,400,000	(33,341)
Credit Default Swaps - Pay Fixed Assets	Credit Default Protection[2]	0.00 - 5.00%	9/20/2012 - 2/17/2052	357,257,576	23,726,923
Credit Default Swaps - Pay Fixed Liabilities	Credit Default Protection[2]	0.00 - 5.00%	9/20/2012 - 3/20/2019	91,605,000	(1,286,096)
Credit Default Swaps - Receive Fixed Assets	0.25 - 4.42%	Credit Default Protection[2]	9/20/2012 - 6/25/2036	21,965,810	720,690
Credit Default Swaps - Receive Fixed Liabilities	0.08 - 5.00%	Credit Default Protection[2]	9/20/2012 - 10/12/2052	294,645,863	(22,907,459)
Total Equity Return Swaps	Equity Position	3 Month LIBOR	5/15/2012	120,878	9,913,987
Total Swaps				**$ 1,257,805,127**	**$ 8,183,950**

[1] PERS pays/receives counterparty based on 1-Month Mexican TIIE, 3-Month CDOR, 3-Month LIBOR, 12-Month Brazilian CETIP Interbank rate, 12-Month BRDCI.

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

vately 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-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, 2012, was ($17.0) million. Table 19 on page 45 presents swaps balances at June 30, 2012. The counterparties' credit ratings for swaps at June 30, 2012, are shown on Table 20 below.

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

TABLE 20

Swaps at June 30, 2012

Counterparty	Ratings[1]	Credit Default Swaps	Interest Rate Swaps	Total Return Swaps	Total
Bank of America Merrill Lynch	A-/A/Baa2	$ 448,721	$ -	$ 9,913,987	$ 10,362,708
Barclay's Bank	A+/A/A2	1,935,570	-	-	1,935,570
BNP PARIBAS S.A.	AA-/A+/A2	(21,543)	-	-	(21,543)
Citibank	A/A/A3	(72,269)	-	-	(72,269)
Citigroup Global Markets	A-/A/Baa2	2,621,180	-	-	2,621,180
CME Group	AA-/Aa3/NR	361,879	1,355,215	-	1,717,094
Credit Suisse	A+/A/A1	1,865,729	-	-	1,865,729
Deutsche Bank	A+/A+/A2	(1,224,667)	34,845	-	(1,189,822)
Goldman Sachs	A-/A/A3	(1,927,903)	(3,399,723)	-	(5,327,626)
HBSC Bank	N/A	(3,942)	-	-	(3,942)
JP Morgan Chase	A/A+/A2	(720,950)	(566,940)	-	(1,287,890)
Morgan Stanley	A-/A/Baa1	213,682	132,245	-	345,927
Royal Bank of Scotland	A/A/A3	64,174	-	-	64,174
Socíeté Générale	A/A+/A2	33	-	-	33
UBS AG Stamford	A/A/A2	(3,285,636)	460,263	-	(2,825,373)
Total Swaps Subject to Credit Risk		**$ 254,058**	**$ (1,984,095)**	**$ 9,913,987**	**$ 8,183,950**

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

or hedge against the effects of fluctuations in interest rates, currency exchange rates, bond markets, equity markets, and other market conditions.

In writing an option, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written option. Exercise of an option written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Options and European options may be subject to interest rate risk, general market risk, liquidity risk, credit risk, foreign currency risk, and, for non-exchange traded options, the risk of the counterparty's ability to perform. The change in fair value from PERS' options contracts for the year ended June 30, 2012, was $0.8 million. Table 21 below presents options balances at June 30, 2012.

TABLE 21

Options as of June 30, 2012

Description	Expiration Date	Contracts	Units	Fair Value
Fixed Income:				
Calls				
Purchased				
FVA USD 3M30Y S ATM	9/19/2012 - 12/10/2012	2,200,000	$ 2,200,000	$ 174,508
Total Calls Purchased			2,200,000	174,508
Written				
INF CAP USD CPURNSA	3/4/2015	1,800,000	(1,800,000)	(6,541)
IRO USD 2Y 1.0562 MYC	10/11/2012	30,600,000	(30,600,000)	(291,710)
IRO USD 2Y 0.915 MYC	11/14/2012	8,800,000	(8,800,000)	(59,636)
IRO USD 5Y 1.4 C BRC	3/18/2013	25,000,000	(25,000,000)	(393,533)
IRO USD 5Y C 1.7000	3/18/2013	14,900,000	(14,900,000)	(409,647)
IRO USD 5Y C 1.7 CBK	3/18/2013	3,300,000	(3,300,000)	(90,727)
Total Calls Written			(84,400,000)	(1,251,794)
Puts				
Written				
INF Floor USD CPURNS	3/14/2015	1,800,000	(1,800,000)	(5,966)
INF Floor USD CPURNSA	10/13/2020	800,000	(800,000)	(2,115)
IRO USD 2Y 1.0562 MYC	10/11/2012	30,600,000	(30,600,000)	(3,562)
IRO USD 2Y 0.915 MYC	11/14/2012	8,800,000	(8,800,000)	(3,249)
IRO USD 5Y 1.4 P BRC	3/18/2013	25,000,000	(25,000,000)	(155,955)
IRO USD 5Y P 1.7000	3/18/2013	14,900,000	(14,900,000)	(50,849)
IRO USD 5Y P 1.7 CBK	3/18/2013	3,300,000	(3,300,000)	(11,262)
Total Puts Written			(85,200,000)	(232,958)
Total Fixed Income			**(167,400,000)**	**(1,310,244)**
Option Futures:				
Calls				
Written				
10 Year Treasury Note	8/24/2012	294	(294,000)	(156,188)
Total Calls Written			(294,000)	(156,188)
Puts				
Purchased				
10 Year Treasury Note	7/27/2012	451	451,000	49,328
2 Year Euro Midcurve	9/14/2012 - 12/14/2012	1,252	3,130,000	112,550
3 Year Euro Midcurve	12/14/2012	1,448	3,620,000	185,525
Total Puts Purchased			7,201,000	347,403
Written				
10 Year Treasury Note	7/27/2012 - 8/24/2012	446	(446,000)	(81,656)
2 Year Euro Midcurve	9/14/2012 - 12/14/2012	1,252	(3,130,000)	(42,206)
3 Year Euro Midcurve	12/14/2012	1,448	(3,620,000)	(135,750)
Total Puts Written			(7,196,000)	(259,612)
Total Option Future Puts			5,000	87,791
Total Option Futures			$ **(289,000)**	$ **(68,397)**

Swaption

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

In writing a swaption, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written swaption. Exercise of a swaption written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing a swaption is that the Fund pays a premium whether or not the option to enter a swap is exercised. Swaptions may be subject to interest rate risk, liquidity risk, and the risk of the counterparty's ability to perform. The change in fair value from PERS' swaptions contracts for the year ended June 30, 2012, was ($1.7) million. Table 22 on page 48 presents swaptions balances at June 30, 2012.

TABLE 22

Swaptions as of June 30, 2012

Description	Expiration Date	Contracts		Units		Fair Value
Calls						
Purchased						
10 Year RTR	12/17/2012 - 4/5/2013	110,700	$	110,700,000	$	5,124,229
Total Calls Purchased				110,700,000		5,124,229
Written						
5 Year RTR	5/8/2014 - 3/20/2017	103,500		(103,500,000)		(3,756,471)
30 Year RTR	12/17/2012	21,100		(21,100,000)		(974,430)
Total Calls Written				(124,600,000)		(4,730,901)
Total Calls				(13,900,000)		393,328
Puts						
Purchased						
30 Year RTP	5/2/2012 - 11/11/2013	76,600,000		76,600,000		339,643
30 Year RTP	9/16/2013	17,000,000		17,000,000		72,540
10 Year RTP	4/5/2013 - 3/16/2017	115,900,000		115,900,000		1,415,159
Pound sterling	12/15/2015	2,800,000		2,800,000		193,112
IRO Pound sterling	12/15/2015	6,300,000		6,300,000		434,502
Payer 0.92	9/19/2012 - 9/20/2012	4,920,000		4,920,000		69,685
Payer 0.93	7/18/2012 - 9/19/2012	31,860,000		31,860,000		89,437
Total Puts Purchased				255,380,000		2,614,078
Written						
10 Year RTP	3/16/2017	54,000,000		(54,000,000)		(703,516)
IRO Euro	7/1/2014	2,500,000		(2,500,000)		(201)
Swaption 317U153B3	7/10/2012	3,800,000		(3,800,000)		-
5 Year RTP	5/8/2014 -3/20/2017	103,500,000		(103,500,000)		(1,625,028)
Payer 0.87	9/19/2012	4,920,000		(4,920,000)		(26,327)
Payer 0.88	7/18/2012 -9/19/2012	31,860,000		(31,860,000)		(10,409)
Total Puts Written				(200,580,000)		(2,365,481)
Total Puts				54,800,000		248,597
Total Swaptions			$	**40,900,000**	$	**641,925**

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, 2012, was ($3.8) million. The fair value of PERS' rights and warrants at June 30, 2012, are shown in Table 23 on page 48.

TABLE 23

Rights and Warrants as of June 30, 2012

	Expiration Date	Related Number of Shares	Fair Value
Rights	7/10/2012 - 7/20/2012	158,491	$ 75,915
Warrants	10/31/2012 - 1/19/2021	1,352,725	6,951,643
Total Rights and Warrants		**1,511,216**	**$ 7,027,558**

Note 7 - Long-Term Debt

In 1997 PERS completed construction on its retirement system headquarters building in Tigard, Oregon. The construction was financed by the sale of certificates of participation (COP), Series A. In March 2002, a new COP, Series B, was issued and used to finance the original Series A COP. In April 2012, an XI-Q general obligation bond, 2012 Series K, was issued to refund the 2002 Series B COP. The Series K bond amount oustanding at June 30, 2012, is $2,845,000 and has a final repayment due May 1, 2017.

Table 24 on page 48 summarizes all future PERS building bond payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2017. The current portion of the PERS building debt is $535,000.

Table 25 on page 49 summarizes the changes in long-term debt for the year ended June 30, 2012.

TABLE 24

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "B" Principal	Interest	Total
2013	$ 535,000	$ 115,300	$ 650,300
2014	545,000	104,600	649,600
2015	565,000	88,250	653,250
2016	585,000	60,000	645,000
2017	615,000	30,750	645,750
Total	**$ 2,845,000**	**$ 398,900**	**$ 3,243,900**

TABLE 25

Long-Term Debt Activity

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
PERS Building Principal	$ 3,580,000	$ 2,845,000	$ (3,580,000)	$ 2,845,000	$ 535,000
Plus: Premium (Net)	147,487	318,715	(163,451)	303,751	62,780
Less: Deferred Gain (Net)	(113,119)	(80,326)	116,890	(76,555)	(15,822)
Total COPs/ Bonds Payable	**$ 3,615,368**	**$ 3,083,389**	**$ (3,626,561)**	**$ 3,072,196**	**$ 581,958**

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. On December 30, 2011, the Court issued its decision, affirming the trial court's judgment in favor of PERS on all issues except the transfer of $61 million from the Contingency Reserve to the prevailing employers' reserves. That issue was remanded back to the Circuit Court to address questions of fact regarding whether the amount of the transfer was proper. Judge Kantor will set a trial date, probably in March 2013.

B. 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.

C. 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.

D. 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 issued a Final Order on Remand on March 3, 2011, directing staff to recalculate the balance in Mr. Murray's Variable Annuity Account in accordance with the reallocation of administrative expenses to his Variable Account for 2001 and 2002. On April 27, 2011, counsel for Mr. Murray requested reconsideration of PERS' Final Order on Remand, contending that the original appeal was not only on Mr. Murray's behalf, but also for all of the participants in the variable account who were adversely impacted by the Board's original decision. Counsel's petition was considered at the Board's May 26, 2011, meeting and, on June 9, 2011, PERS issued an Order on Reconsideration denying the petition. On August 4, 2011, Mr. Murray filed a petition for judicial review of that Order on Reconsideration. Mr. Murray's attorney filed the opening brief on May 30, 2012. PERS' respondent's brief was due September 5, 2012, was extended until November 7, 2012, and is now due on January 2, 2013. Legal counsel is unable to provide an opinion as to the outcome.

E. Re v. PERS

On May 13, 2011, Daniel Re filed a Petition for Judicial Review in the Court of Appeals seeking judicial review of three Oregon Administrative Rules (OARs) related to PERS. Petitioner's attorney indicated in a letter accompanying the petition that the intent of the action is to "…challenge the resort to the rule of necessity when judges have an interest in the outcome of an action." To this end, on July 8, 2011, petitioner filed a Motion to Disqualify Judges Interested in the Outcome and for Appointment of Judges not Interested in the Outcome. The court denied petitioner's motion and, on September 16, 2011, petitioner filed for a writ of mandamus for the recusal of judges with the Oregon Supreme Court. On October 24, 2011, PERS received notice that the Oregon Supreme Court denied petitioner's request. The opening brief in the appellate court was due September 13, 2011, but was not filed until December 1, 2011. PERS respondent brief was timely filed on January 19, 2012 and a reply brief was filed February 13, 2012. Oral arguments were held on August 23, 2012. PERS filed a Supplemental Memorandum on September 6, 2012. Legal counsel is unable to provide an opinion as to the outcome.

F. Sundermier v. PERS

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

G. Forest v. Wheeler, et al.

Michael Forest and Davis Dyer, active members of PERS, filed a Complaint in Multnomah County claiming breach of fiduciary duty, securities fraud, aiding and abetting securities fraud, breach of contract, and a Petition for Declaratory Judgment for breach of trust. The Complaint names numerous defendants, including the Oregon State Treasurer, individual members of the PERS Board (both past and present), PERS' Executive Director, and the Oregon Investment Council, among others, and seeks $1 billion in damages. Legal counsel is unable to provide an opinion as to the outcome.

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

The Standard Retiree Health Insurance Account (SRHIA) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been "incurred but not reported" (IBNR). The estimated claims liability was calculated by Milliman, PERS' actuary, at June 30, 2012, using a variety of actuarial and statistical techniques and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $14.0 million is carried at its face amount, and no interest discount is assumed. The IBNR portion represents an estimate for claims that have been incurred prior to June 30, 2012, but have not been reported to the SRHIA. Table 26 on page 51 shows the changes in the aggregated estimated claims liabilities as of June 30, 2012.

TABLE 26

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

	2012	2011
Total Estimated Claims at Beginning of Fiscal Year	$ 23,492,372	$ 21,362,157
Insured Claims and Claim Adjustment Expenses		
Provision for Insured Events of Current Fiscal Year	163,099,600	163,104,506
Decrease in Provision for Insured Events of Prior Years	(12,480,317)	(10,551,825)
Total Incurred Claims and Claim Adjustment Expenses	150,619,283	152,552,681
Payments		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	149,140,600	139,612,134
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	11,012,055	10,810,332
Total Payments	160,152,655	150,422,466
Total Estimated Claims at End of Fiscal Year	**$ 13,959,000**	**$ 23,492,372**

Note 10 - Violation of Legal Provision

PERS is in violation of ORS 238.660 which requires that all moneys paid to PERS "shall be deposited with the State Treasurer." Monthly premiums paid by PERS Health Insurance Program participants as well as Early Retiree Reinsurance Program funds have been transferred to insurance carriers for payment of claims. Amounts transferred exceed claims by approximately $75.0 million at June 30, 2012. PERS is determining the most effective method of redirecting these moneys to the State Treasurer.

Note 11 - Subsequent Event

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

Key changes include:

- Incorporating *ad hoc* cost-of-living adjustments and other *ad hoc* postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA- or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

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

Required Supplementary Information
Schedules of Funding Progress
(dollar amounts in millions)[11]

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll[2] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pensions – Tier One/Tier Two and OPSRP[1]						
12/31/2002[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
12/31/2011[10]	50,168.2	61,198.4	11,030.2	82.0	8,550.5	129.0
Postemployment Healthcare Benefits – Retirement Health Insurance Account						
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
12/31/2011	239.6	461.1	221.5	52.0	8,550.5	2.6
Postemployment Healthcare Benefits – Retiree Health Insurance Premium Account						
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
12/31/2011	4.5	34.4	29.9	13.2	2,376.9	1.3

1 Includes UAAL for Multnomah Fire District ($162 million as of December 31, 2011); assets in the December 2011 amount excludes $535.3 million of Contingency Reserve assets.

2 Annual Active Member Payroll excludes the member pick-up, if any.

3 Figures through December 31, 2003, do not reflect the impact of PERS Reform Legislation enacted in 2003.

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

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

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

Actuarial Valuation Date	Annual Required Contribution [1, 2, 3]	Percentage Contributed [2, 7]
Defined Benefit Pension Plan		
12/31/2011	$ 779.1	83%[4]
12/31/2010	472.4	100[4]
12/31/2009	630.8	100[4]
12/31/2008	707.4	100[4]
12/31/2007	805.7	74
12/31/2006	938.6	63
Postemployment Healthcare Plan - Retirement Health Insurance Account[5]		
12/31/2011	$ 37.0	88%
12/31/2010	26.5	83
12/31/2009	29.8	87
12/31/2008	33.0	85
12/31/2007	38.8	91
12/31/2006	44.3	89
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[6]		
12/31/2011	$ 2.8	83%
12/31/2010	2.3	64
12/31/2009	2.6	68
12/31/2008	2.9	63
12/31/2007	2.7	79
12/31/2006	2.5	90

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

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

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

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

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

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

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

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

	2011	2012
1. Net earned required contributions and investment revenues	$ 174.19	$ 188.99
2. Unallocated expenses	20.01	22.15
3. Estimated incurred claims and expense, end of policy year	152.55	150.62
4. Paid (cumulative) as of:		
End of policy year	150.42	160.15
One year later	161.43	
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:		
End of policy year	152.55	150.62
One year later	163.56	
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	11.01	

Other Supplementary Information
Schedule of Plan Net Assets
Defined Benefit Pension Plan
As of June 30, 2012

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Total
Assets:				
Cash and Cash Equivalents	$ 1,590,784,370	$ 49,943,767	$ 8,564,978	$ 1,649,293,115
Receivables:				
Employer	22,917,170	4,756,114	—	27,673,284
Interest and Dividends	303,341,324	5,703,252	—	309,044,576
Investment Sales and Other Receivables	1,188,893,848	20,228,305	—	1,209,122,153
Total Receivables	1,515,152,342	30,687,671	—	1,545,840,013
Interaccount Receivables and Payables	1,930,174	1,844,778	(3,774,952)	—
Due from Other Funds	1,673,822	—	—	1,673,822
Investments:				
Debt Securities	12,983,120,052	244,101,281	—	13,227,221,333
Public Equity	17,477,424,991	328,600,660	755,730,716	18,561,756,367
Real Estate	6,101,604,610	114,718,919	—	6,216,323,529
Private Equity	13,126,364,227	246,794,477	—	13,373,158,704
Alternative Equity	370,262,495	6,961,466	—	377,223,961
Opportunity Portfolio	842,850,949	15,846,807	—	858,697,756
Total Investments	50,901,627,324	957,023,610	755,730,716	52,614,381,650
Securities Lending Collateral	2,204,950,930	41,996,684	297,464	2,247,245,078
Prepaid Expenses and Deferred Charges	6,876,736	108,808	—	6,985,544
Capital Assets at Cost, Net	36,524,300	3,057,959	—	39,582,259
Total Assets	**56,259,519,998**	**1,084,663,277**	**760,818,206**	**58,105,001,481**
Liabilities:				
Investment Purchases and Accrued Expenses	2,034,100,245	38,056,187	120,111	2,072,276,543
Deposits and Other Liabilities	102,417,320	72,481	15,706	102,505,507
Due to Other Funds	6,297,579	—	—	6,297,579
Bonds/COPs Payable	3,072,196	—	—	3,072,196
Deferred Revenue	299,322	—	—	299,322
Securities Lending Cash Collateral Due Borrowers	2,218,576,437	42,252,863	297,464	2,261,126,764
Total Liabilities	**4,364,763,099**	**80,381,531**	**433,281**	**4,445,577,911**
Net Assets Held in Trust for Pension Benefits	**$ 51,894,756,899**	**$ 1,004,281,746**	**$ 760,384,925**	**$ 53,659,423,570**

Other Supplementary Information
Schedule of Changes in Plan Net Assets
Defined Benefit Pension Plan
For the Year Ended June 30, 2012

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Total
Additions:				
Contributions:				
Employer	$ 632,563,375	$ 197,560,030	$ —	$ 830,123,405
Plan Member	16,364,277	—	170,373	16,534,650
Total Contributions	648,927,652	197,560,030	170,373	846,658,055
Investment Income:				
Net Depreciation in Fair Value of Investments	(720,420,926)	(3,235,478)	(62,995,846)	(786,652,250)
Interest, Dividends, and Other Investment Income	1,415,357,244	33,408,212	109,277	1,448,874,733
Total Investment Income	694,936,318	30,172,734	(62,886,569)	662,222,483
Less Investment Expense	294,984,352	7,038,409	667,908	302,690,669
Net Investment Income	399,951,966	23,134,325	(63,554,477)	359,531,814
Securities Lending Income:				
Securities Lending Income	24,180,045	340,387	3,574	24,524,006
Less Securities Lending Expense	(5,469,756)	(97,678)	(3,574)	(5,571,008)
Net Securities Lending Expense	18,710,289	242,709	—	18,952,998
Other Income	728,442	5,531	1,530,970	2,264,943
Total Additions	1,068,318,349	220,942,595	(61,853,134)	1,227,407,810
Deductions:				
Benefits	3,252,835,597	5,111,981	33,844,072	3,291,791,650
Death Benefits	3,918,168	—	—	3,918,168
Refunds of Contributions	33,215,426	—	805,024	34,020,450
Administrative Expense	24,384,455	7,681,744	1,036,468	33,102,667
Interaccount Transfers	(81,657,362)	—	81,657,362	—
Total Deductions	3,232,696,284	12,793,725	117,342,926	3,362,832,935
Net Increase (Decrease)	**(2,164,377,935)**	**208,148,870**	**(179,196,060)**	**(2,135,425,125)**
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	54,059,134,834	796,132,876	939,580,985	55,794,848,695
End of Year	**$ 51,894,756,899**	**$ 1,004,281,746**	**$ 760,384,925**	**$ 53,659,423,570**

Other Supplementary Information
Schedule of Administrative Expenses - All Funds
For the Year Ended June 30, 2012

Personal Services:	
Staff Salaries	$ 17,412,385
Social Security	1,304,733
Retirement	3,504,042
Insurance	4,936,249
Assessments	119,479
Total Personal Services	27,276,888
Professional Services:	
Actuarial	526,636
Data Processing	16,973
Audit	279,441
Legal Counsel	531,303
Medical Consultants	140,340
Training and Recruitment	122,209
Contract Services	5,205,671
Healthcare Fees	22,886,344
Total Professional Services	29,708,917
Communications:	
Printing	159,012
Telephone	358,553
Postage	564,968
Travel	153,964
Total Communications	1,236,497
Rentals:	
Office Space	525,078
Equipment	108,260
Total Rentals	633,338
Miscellaneous:	
Central Government Charges	678,199
Supplies	932,505
Maintenance	1,379,229
Non-Capitalized Equipment	163,296
Depreciation	2,321,512
COP and Bond Amortization	78,387
Total Miscellaneous	5,553,128
Total Administrative Expenses	**$ 64,408,768**

Other Supplementary Information
Schedule of Payments to Consultants and Contractors
For the Year Ended June 30, 2012

Individual or Firm	Commission/Fees	Nature of Service
Mercer Human Resources Consulting LLC	$ 367,717	Actuarial
Milliman, Inc.	158,919	Actuarial
Oregon Audits Division	6,709	Audit
Macias Gini & O'Connell LLP	272,732	Audit
CEM Benchmarking Inc.	35,000	Benchmarking
BenefitHelp Solutions	3,248,762	Health Insurance
The ODS Companies	19,623,846	Health Insurance
Butler Partners & Associates LLC	78,090	Health Insurance
ING	2,207,786	IAP Administration
Orrick, Herrington & Sutcliffe LLP	56,297	Legal
Ice Miller LLP	6,880	Legal
Oregon Department of Justice	390,249	Legal
Harrang Long Gary Rudnick PC	24,910	Legal
Trucker Huss	16,096	Legal
Ronald N Turco, MD	10,035	Medical
Frederick William Miller, MD	62,250	Medical
Mass Ingenuity	119,565	Strategig and Organizational Planning
MMC Systems Inc	340,532	Technology
HP Enterprise Services	2,182,017	Technology
Provaliant, Inc.	102,300	Technology
nextSource Inc.	57,397	Technology
U Work Com Inc	100,150	Technology
TriTek Solutions Inc.	36,368	Technology
Info Risk	4,700	Technology
Oregon Department of Administrative Services	35,548	Technology

Other Supplementary Information
Summary of Investment Fees, Commissions, and Expenses
For the Year Ended June 30, 2012

		2012
International Equity Fund Managers		
Acadian Asset Management, Inc.	$	2,442,878
AllianceBernstein International		3,286,588
AQR Capital Management		3,271,771
Arrowstreet Capital, LP		5,936,248
Brandes Investment Partners LLC		2,530,525
Dimensional Fund Advisors		1,192,017
Genesis Investment Management, Ltd.		3,384,473
Harris Associates		1,819,904
Pyramis Global Investors		5,535,372
TT International Co., Ltd.		1,842,066
UBS Global Asset Management Americas		1,132,107
Victory Capital Management		1,389,635
Walter Scott & Partners Limited		2,344,053
Other International Equity Fund Managers		5,150,196
Domestic Equity Fund Managers		
AQR Capital Management		1,214,258
Aronson+Johnson+Oritz		1,591,931
The Boston Company Asset Management, LLC		1,419,052
Delaware Capital Management		1,903,074
MFS Institutional Advisors, Inc.		2,241,289
Next Century Growth Investors		1,890,489
Northern Trust Company		1,183,476
PIMCO		1,619,264
Pyramis Global Advisors		1,006,948
Wanger Asset Management, LP		2,502,285
Wellington Management Company, LLP		2,079,250
Wells Capital Management		1,749,958
Other Domestic Equity Fund Managers		3,710,790
Debt Securities Managers		
Alliance Capital Management		2,729,411
BlackRock Asset Management		3,100,638
KKR Financial Credit Portfolio		10,799,776
Oak Hill Advisors		4,694,508
Wellington Management Company, LLP		3,115,842
Western Asset Management Company		1,974,752
Other Debt Securities Managers		18,632
Alternative Equity Managers		4,828,781
Opportunity Portfolio Managers		2,448,181
Custodian		
State Street Bank		131,517
Private Equity Managers		
Apollo Management		3,676,300
Aquiline Capital Partners		3,708,014
Baring Private Equity Asia		1,600,000
Black Diamond Capital Management		3,550,173
Capital International Private Equity Funds		1,658,216
CCMP Capital Advisors, LLC		3,761,361
CVC Capital Partners		2,738,470
Centerbridge Partners, L.P.		1,663,755
Coller Capital		3,655,310
Endeavour Capital		2,786,474
First Reserve Corporation		2,562,692
Fisher Lynch Capital		4,993,135
Grove Street Advisors		3,441,046
Kohlberg Kravis Roberts & Co.		12,988,331
KSL Capital Partners		2,186,916
Lion Capital		4,555,965
Littlejohn & Co., LLC		1,729,883
Oak Hill Capital Partners		5,489,647
Pathway Private Management, LLC		3,794,439
Providence Equity Partners		3,658,000
TPG Capital		10,839,281
Vista Equity Partners		2,763,575
Warburg Pincus		2,713,726
Wellspring Capital Management LLC		2,244,755
Other Private Equity Fees		28,204,502
Real Estate Fees and Expenses		27,507,647
State Treasury Fees		8,274,960
Brokerage Commissions		21,864,495
Other Investment Fees and Expenses		54,771,105
Deferred Compensation Investment Fees and Expenses		2,569,620
Total Investment Fees, Commissions, and Expenses	$	335,163,728

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Investment Section

Investment Officer's Report

MICHAEL MUELLER
INTERIM CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION

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STATE OF OREGON
OREGON STATE TREASURY
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896

October 18, 2012

Dear PERS Members:

This letter will address the macroeconomic investment environment over the past fiscal year, as well as the underlying performance of the Oregon Public Employees Retirement Fund.

While there were periods of positive sentiment in the U.S. stock market during the last twelve months, fears about the faltering global recovery and the heightening Eurozone crisis drove market volatility to elevated levels. All told, the Russell 3000 finished the year ended June 30 with a 3.8 percent gain. The returns varied widely across the last four quarters, with the market losing 15.3 in the third quarter of 2011, followed by gains of 12.1 percent and 12.9 percent in fourth quarter and first quarter, respectively, capped by a 3.1 percent loss in the final quarter. On a cumulative basis, the market is up 120 percent since the March 2009 low.

Across size segments, large cap outperformed small cap by 6.5 percent during the past twelve months. Drilling down into the large cap segment, large cap growth bested large cap value by 2.8 percent. On a sector basis, the defensive and yield-oriented sectors of Consumer Staples, Telecommunication Services, and Utilities were the best performing groups, with each posting a total return above 13 percent. Relatedly, the more cyclical and economically-sensitive sectors lagged during the year, with the Energy and Materials sectors performing the worst, with returns of -9.5 percent and -7.3 percent, respectively.

While the U.S. markets were able to finish the period with positive returns, international stock markets fell sharply as economic data weakened and European debt fears increased. After elections and debt progress, investor sentiment did improve in June, but it was not enough to recoup losses from the prior periods. For the year, the developed markets (as measured by the MSCI EAFE index) returned -13.8 percent. Emerging markets (as measured by the MSCI Emerging Markets index) pulled back in similar fashion, falling by 16.0 percent. On a sector basis, across developed and emerging markets, the negative market returns created conditions favoring defensive sectors such as Consumer Staples (up 3.0 percent) and Health Care (up 1.0 percent). Leading the declines were the Materials (down -26.7 percent) and Financials (down -17.6 percent) sectors.

In U.S. Fixed Income, investors moved to the safety of Treasuries, sending yields broadly lower for the year. The yield on a ten-year Treasury bond ended June at 1.67 percent versus 1.89 percent on December 31, 2011 and 3.16 percent on June 30, 2011. Spreads on non-Treasury securities widened, although stronger balance sheets and attractive lending rates buoyed performance of investment-grade corporate bonds. The fiscal turmoil in Europe and economic slowdowns in large emerging markets, such as China, continued to weigh on global bond markets. For the year, the Barclays Capital Aggregate Bond index returned 7.5 percent.

With respect to performance of the pension fund, OPERF ended the fiscal year up just 1.6 percent, but up over 13.2 percent, on average, for the prior three years. Public equity markets, around the globe, continued to be stifled by the dismal macroeconomic picture, both home and abroad, as mentioned earlier. OPERF public equities declined 7.1 percent for the fiscal year, reflective of the domestic portfolio returning approximately 1.9 percent and the non-US and emerging markets losing 13.4 percent. OPERF was helped by a strong year in fixed income, with that portion of the fund delivering 7.4 percent, ahead of the custom benchmark return of 6.9 percent. Real estate and private equity provided positive contributions as well, returning 8.7 percent and 6.7 percent, respectively, for the year.

Longer term, the total fund has somewhat mixed results, slightly lagging the benchmark over the most recent five year period and beating the benchmark over ten years. Relative to other large state funds, OPERF continues to perform well. Total fund performance for the year ended June 2012 was in the top 29th percentile of large public funds while the ten year rank was 6th percentile (that is, better performance than 94 percent of the peer funds).

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

Michael Mueller, CFA, CPA
Interim 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, 2012		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	1.6%	13.3%	1.8%
Policy Benchmark	2.6	12.6	2.4
Variable Account	(6.4)	11.6	(3.2)
Variable Account Blended Index	(6.9)	11.3	(2.4)
Domestic Stocks	1.9	16.8	0.1
Benchmark: Russell 3000 Index	3.8	16.7	0.4
International Stocks	(13.4)	8.5	(3.2)
Benchmark: Custom Index[1]	(14.8)	7.4	(4.2)
Fixed Income Segment	7.4	11.5	7.8
Benchmark: Custom Index[2]	6.9	7.0	6.5
Real Estate[3]	8.7	9.3	(1.1)
Benchmarks: NCREIF Property Index	13.4	6.0	2.9
NCREIF Equity REIT Share Price Index	12.5	32.4	2.6
Private Equity[4]	6.7	18.5	5.8
Russell 3000 +300 bps	10.4	27.7	6.1

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.

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

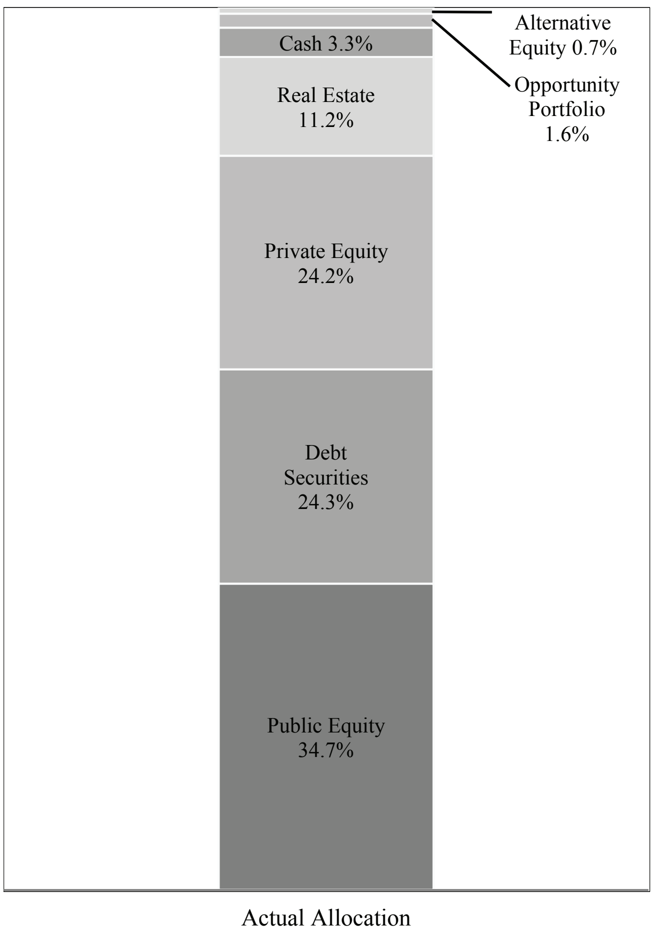
OIC Target and Actual Investment Allocations as of June 30, 2012*

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

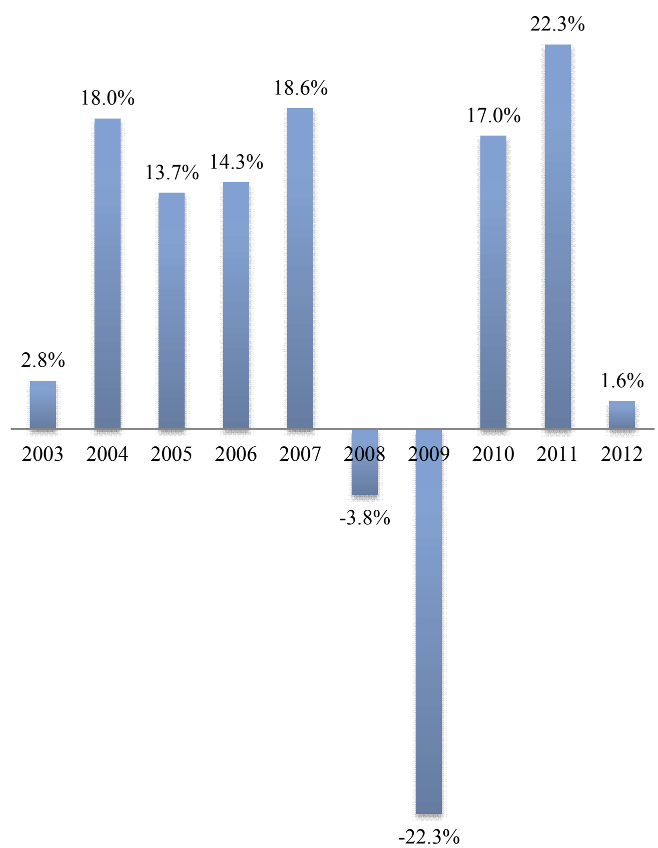
Asset Class/ Strategy	Actual Allocation
Cash	3.3%
Debt Securities	24.3
Public Equity	34.7
Private Equity	24.2
Real Estate	11.2
Alternative Equity	0.7
Opportunity Portfolio	1.6
Total	100.0%

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

Investment Mix by Asset Class/Strategy



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



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

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2012

Description	Shares	Fair Value
Apple Inc.	348,725	$ 203,655,400
Exxon Mobil Corporation	1,733,393	148,326,439
Pfizer Inc.	4,811,044	110,654,012
Chevron Corporation	872,053	92,001,592
JPMorgan Chase & Co.	2,572,528	91,916,425
China Mobile Limited	7,444,432	81,336,575
Samsung Electronics Co. Limited	75,734	79,413,746
BP Plc	11,528,957	76,299,515
Nestle SA	1,265,541	75,611,562
Novo Nordisk A/S	505,265	73,182,437

Largest Bond Holdings (by Fair Value)
June 30, 2012

Description	Par Value	Fair Value
FNMA TBA 30 Year Single Family 3.5% Due December 1, 2099	115,575,000	$ 121,479,727
US Treasury Notes 1% Due August 31, 2016	115,378,400	117,197,930
US Treasury Notes 1.25% Due April 30, 2019	103,065,000	104,211,050
US Treasury Notes 3.125% Due November 15, 2041	85,350,000	91,694,065
FNMA Pool AJ7689 4% Due December 1, 2041	78,624,096	83,749,555
Brambles Payment In-Kind Senior Subordinated Notes 12% Due July 18, 2014	82,557,708	82,298,584
FNMA TBA 30 Year Single Family 4% Due December 1, 2099	77,300,000	82,264,206
Russian Foreign Bond Senior Unsecured 7.5% Due March 31, 2030	65,721,000	78,903,975
US Treasury Notes 4.5% Due May 15, 2038	57,070,000	77,158,638
US Treasury Notes 4.625% Due February 15, 2040	54,920,000	75,923,606

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, 2012

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$ 14,641,988,707	$ 26,433,559	0.180533
Public Equity Managers	20,918,981,564	65,786,882	0.314484
Real Estate Managers	6,760,574,023	27,507,647	0.406883
Private Equity Managers (Limited Partnerships)	14,544,003,207	120,963,966	0.831710
Alternative Equity Managers	410,250,609	4,828,781	1.177032
Opportunity Portfolio Managers	933,878,315	2,448,181	0.262152
Total Assets Under Management	**$ 58,209,676,425**		
Other Investment Service Fees:			
Investment Consultants		1,952,850	
Commissions and Other Fees		85,241,862	
Total Investment Service and Managers' Fees		**$ 335,163,728**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2012

Broker's Name	Commission	Shares / Par	Commission Per Share
Goldman, Sachs & Co.	$ 1,849,118	138,090,682	$ 0.0134
Credit Suisse First Boston Corporation	1,447,242	272,897,445	0.0053
J.P. Morgan	1,444,658	258,090,968	0.0056
Merrill Lynch, Pierce, Fenner & Smith, Inc.	1,366,012	208,031,423	0.0066
Citigroup Global Markets Inc.	1,177,391	189,015,163	0.0062
UBS Securities Inc.	1,142,515	118,471,599	0.0096
Morgan Stanley & Co., Incorporated	1,114,100	148,893,385	0.0075
Deutsche Bank	1,024,604	320,269,489	0.0032
Barclays Capital	864,888	29,354,600	0.0295
Instinet Corporation	774,601	194,619,019	0.0040
Investment Technology Group Inc.	744,820	158,987,592	0.0047
Société Générale	499,917	152,253,634	0.0033
MacQuarie Securities	454,406	161,532,927	0.0028
Nomura Securities International, Inc.	442,506	77,628,561	0.0057
Liquidnet, Inc.	414,777	30,312,639	0.0137
Jefferies & Company	331,567	24,167,242	0.0137
Sanford C. Bernsterin LTD	281,511	75,610,614	0.0037
Royal Bank of Canada	246,177	12,652,794	0.0195
BNP Paribas Securities	219,528	43,200,450	0.0051
HSBC Bank Plc	211,793	62,616,359	0.0034

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, 2012	Percent of Total Fair Value*
Debt Securities		
U.S. Government Securities	$ 1,377,179,970	2.37%
U.S. Agency Securities	2,366,197,576	4.06
Corporate Bonds	5,076,035,544	8.71
Asset-Backed Securities	1,556,754,637	2.67
International Debt Securities	2,261,725,563	3.89
Mutual Funds - Domestic Fixed Income	1,523,285,754	2.62
Mutual Funds - International Fixed Income	480,809,663	0.83
Total Debt Securities	**14,641,988,707**	**25.15**
Public Equity		
Domestic Equity Securities	7,098,777,497	12.20
International Equity Securities	8,660,292,506	14.88
Mutual Funds - Domestic Equity	1,946,539,771	3.34
Mutual Funds - Global Equity	757,914,949	1.30
Mutual Funds - International Equity	2,161,639,370	3.71
Mutual Funds - Target Date	293,817,471	0.51
Total Public Equity	**20,918,981,564**	**35.94**
Real Estate	**6,760,574,023**	**11.61**
Private Equity	**14,544,003,207**	**24.99**
Alternative Equity	**410,250,609**	**0.71**
Opportunity Portfolio	**933,878,315**	**1.60**
Total Fair Value	**$ 58,209,676,425**	**100.00%**

*These percentages do not include cash and cash equivalents.

Actuarial Section

Milliman

50 CELEBRATING Years of Service in Portland

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October 30, 2012

Retirement Board
Oregon Public Employees Retirement System

Re: Actuarial Valuation as of December 31, 2011

Dear Members of the Board,

As part of our engagement with the Board, we performed an actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. Our findings are set forth in our system-wide December 31, 2011 Actuarial Valuation Report, issued October 26, 2012. That report reflects the benefit provisions in effect as of December 31, 2011.

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

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

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation. The actuarial assumptions and methods used in the 2011 actuarial valuation were adopted by the Board based upon the results of the experience study conducted by Mercer 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.

Milliman prepared the following information that is presented in the Actuarial Section of the 2012 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2011 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, 2011, actuarial valuation report.

All members hired prior to August 29, 2003, are covered under Chapter 238. These benefits are administered using some cost-sharing pools and some independent employer valuations. All school districts share costs through the school district pool. Some local governments have joined the State and Local Government Rate Pool (SLGRP) to share costs. There are also 132 independent employers who do not share costs with the other employers except through the Benefits in Force Reserve that pools the experience of those in pay status across all employers and all other pooling arrangements.

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

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

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

Actuarial Basis

In preparing the valuation report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated herein on July 29, 2011.

Some of the actuarial computations presented in the valuation report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 25 and 27, 43 and 45 are for purposes of assisting the System and participating employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions as summarized in the report, and of GASB Statements No. 25 and 27, 43 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA, MAAA	Scott D. Preppernau, FSA, EA, MAAA
Consulting Actuary	Consulting Actuary

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

Actuarial Assumptions and Methods

Tier One/Tier Two

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, 2011, four years of contributions will have been collected toward the three-year amortization base. Consequently, the PUC change amortization was eliminated from the December 31, 2009 valuation so it will not be included in contribution rates that become effective July 1, 2011.
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 Milliman by PERS. It is our understanding that select real estate and private equity investments are reported on a three-month lag basis. This valuation report does not attempt to quantify any 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. The trend rates shown below do not attempt to incorporate any potential impact of the excise tax associated with the Patient Protection and Affordable Care Act.

Year [1]	Rate	Year	Rate
2012	6.9%	2021	6.0
2013	6.9	2022	5.8
2014	6.9	2023	5.6
2015	6.9	2024	5.4
2016	6.8	2025	5.2
2017	6.8	2026	5.0
2018	6.6	2027	4.9
2019	6.4	2028	4.7
2020	6.2	2029+	4.5

[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	3.0	7.5	16.5	2.0	8.0	2.5	12.0	21.0
60	3.0	7.5	16.5	4.0	8.0	3.5	12.0	21.0
61	3.0	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:	4.5% for 2012, declining by 0.5% per year until reaching 0.0%
No Lump Sum:	89.5% in 2012, 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

Salary Increase Assumptions

The salary increase assumptions reflected in the actuarial valuation include:

- Merit scale increases in addition to the payroll growth increase
- Unused Sick Leave adjustments
- Vacation pay adjustments

Merit Increases

Merit increases are based on duration of service for the following groups with sample rates shown in the following table. The 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

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

A summary of key changes implemented since the December 31, 2010 valuation are described briefly 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

There were no changes to actuarial methods since the December 31, 2010 actuarial valuation.

Changes in Economic and Demographic Assumptions

There were no changes to assumptions since the December 31, 2010 actuarial valuation.

Actuarial Schedules

Schedule of Active Member Valuation Data

Valuation Date	Count	Annual Payroll in Thousands[1]	Average Annual Pay	% Increase in Average Pay	Number of Participating Employers[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[4]	193,569	8,750,064	45,204	(5.2)	787
12/31/2011	170,972	8,550,511	50,011	10.6%	791

1 The annual payroll excludes the member pick-up, if any.
2 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.
3 Effective with the 12/31/2005 valuation, OPSRP members and payroll are included.
4 In the December 31, 2010 valuation only approximately 16,000 active records with very low annual pay (average <$5,000) were reported. The inclusion of those records for a single valuation did not significantly affect plan liabilities, but it did affect the per-participant pay averages and the year-to-year changes to those averages for 2010 and 2011.

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

(Annual Allowances are shown in thousands)[5]

	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
12/31/2002					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	5,060	151,240	3,263	39,735	104,720	2,378,704	4.9	22,715
12/31/2007[2]	5,385	183,232	3,304	40,590	106,801	2,521,345	6.0	23,608
12/31/2008[2]	5,963	171,484	3,626	47,062	109,138	2,645,767	4.9	24,242
12/31/2009[2]	6,377	226,713	3,374	46,228	112,141	2,826,252	6.8	25,203
12/31/2010	6,359	217,424	3,512	51,627	114,988	2,992,048	5.9	26,021
12/31/2011	8,715	282,098[3]	3,679	55,633	120,024[4]	3,218,514	7.6	26,816

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 The amount shown as "added to rolls" in annual allowances includes the value of COLA increases to continuing retirees.
4 For the purposes of this exhibit, a retired members who is also a surviving beneficiary of a deceased retiree is counted twice.
5 Discrepencies contained in this table are the result of rounding differences.

Schedules of Funding Progress by Rate Pool

(dollar amounts in millions) [8]

Actuarial Valuation Date	Actuarial Value of Assets[1,2] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL)[2] (b-a)	Funded Ratio (a/b)	Covered Payroll[3] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Tier One/Tier Two State and Local Government Rate Pool						
12/31/2005[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
12/31/2011	25,679.2	31,109.1	5,429.9	82.5	3,179.3	170.8
Tier One/Tier Two School District Rate Pool						
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
12/31/2011	19,668.2	23,973.7	4,305.5	82.0	1,880.7	228.9
Tier One/Tier Two Independent Employers and Judiciary						
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
12/31/2011	4,083.2	5,069.8	986.6	80.5	547.9	180.1
OPSRP Rate Pool						
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
12/31/2011	840.5	986.4	145.9	85.2	2,942.6	5.0
Postemployment Healthcare Benefits - Retirement Health Insurance Account						
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
12/31/2011	239.6	461.1	221.5	52.0	5,607.9	3.9
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account						
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
12/31/2011	4.5	34.4	29.9	13.2	1,539.5	1.9

Notes:

1 Side account assets are included with Tier One/Tier Two assets.
2 Excludes $162 million for Multnomah Fire District UAAL; 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 Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.
8 Discrepancies contained in this table are the result of rounding differences.

Actuarial Schedules

Analysis of Financial Experience

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

(dollar amounts in millions) [1]

	$ Gain/(Loss) for Year	
Pension and Retiree Healthcare Plans	2011	2010
Type of Activity		
Retirements from Active Status	$ (68.2)	$ (134.0)
Active Mortality and Withdrawal	19.1	(37.4)
Pay Increases	130.7	121.4
Contributions	(37.9)	26.1
Interest Crediting Experience	171.9	(70.0)
Investment Income	(2,372.9)	1,455.9
Retirement, Mortality, and Lump Sums from Dormant Status	38.3	98.1
Retiree and Beneficiary Mortality	(110.0)	(127.6)
Data Corrections	27.7	(5.2)
COLA Experience	54.0	29.3
New Entrants	(21.8)	(43.4)
Other	(0.5)	(60.1)
Gain/(Loss) During Year From Financial Experience	**$ (2,169.6)**	**$ 1,253.1**
Non-Recurring Items		
Assumption Changes	—	(243.3)
Plan Changes	—	—
Composite Gain/(Loss) During Year	$ **(2,169.6)**	$ **1,009.8**

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

Solvency Test

Defined Benefit Pension and Retiree Healthcare Plans

(dollar amounts in millions)[12]

	Actuarial Accrued Liability[1]						
Valuation Date[2]	Active Member Contributions (1)	Retired Members and Beneficiaries (2)	Other Members (3)	Valuation Assets [1,3]	Portion of Actuarial Accrued Liabilities Covered by Assets (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
12/31/2011[11]	7,779.7	37,362.4	16,551.8	50,412.4	100	100	32

[1] Includes effect of Multnomah Fire District (net UAAL of $162 million as of 12/31/2011); assets in December 31, 2011 amount excludes $535.3 million of Contigency Reserve assets.
[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] Reflects the transfer in assets and liabilities for new employers that joined the SLGRP effective January 1, 2012.
[12] 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.
	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.
	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.

Full Formula:

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

Formula Plus Annuity:

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

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. Effective for retirements January 1, 2012, and later, HB3349 will only apply for members who maintain residence in Oregon.

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

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

Early Retirement Eligibility

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

Early Retirement Allowance

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

Vesting

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

Termination Benefits

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

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

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

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

Police and Fire Unit Purchases	Police and fire members may purchase 60-month annuity benefits (up to $80 per month) that must be paid out by age 65 and cannot commence prior to the earliest retirement age. The amount purchased by the member is matched by the employer. In certain situations, such as termination of employment prior to retiring or working beyond age 65, the employer's matching purchase is forfeited.	
Postretirement Adjustments	All monthly pension and annuity benefits except unit purchases are eligible for postretirement adjustments.	
	Automatic Adjustments	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)	**Retiree Eligibility**	All of the following must be met: (a) Currently receiving a retirement allowance from the System, (b) Covered for eight years before retirement, (c) Enrolled in a PERS-sponsored health plan, and (d) Enrolled in both Medicare Part A and Part B.
	Surviving Spouse or Dependent Eligibility	A surviving spouse or dependent of a deceased RHIA-eligible retiree is eligible for RHIA benefits if they are enrolled in both Medicare Part A and Part B, and *either* of the following criteria are met: (a) Currently receiving a retirement allowance from the System, or (b) The surviving spouse or dependent was covered under the eligible retiree's PERS-sponsored health insurance at the time of the retiree's death and the deceased retiree retired before May 1, 1991.
	Benefit Amount	A monthly contribution of up to $60 per retiree is applied to PERS-sponsored Medicare supplemental insurance costs.
Retiree Healthcare – Under Age 65 (RHIPA)	**Retiree Eligibility**	Retired PERS members who were state employees at the time of retirement, are enrolled in a PERS-sponsored health plan, and are not eligible for Medicare.
	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)

The maximum monthly subsidy for 2012 is $316 per month.

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	House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

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, 2010 actuarial valuation.	

Statistical Section

Statistical Notes

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

Financial Trends

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

The Schedules of Revenues by Source, Expenses by Type, and Changes in 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 Expenses by Type.

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

Operating Information

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

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

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

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

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

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

The Schedule of Participating Employers lists all employers as of June 30, 2012, to show public employers of the state of Oregon participating in PERS.

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

Defined Benefit Pension Plan[1]

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2012	16,534,650	830,123,405	9.69	380,749,755	1,227,407,810

Oregon Public Service Retirement Plan[2]
Individual Account Program

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

Deferred Compensation Plan

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2012	80,632,698	N/A	N/A	9,841,830	90,474,528

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

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

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

Defined Benefit Pension Plan[1]

Fiscal Year		Benefits		Administrative Expenses[3]		Refunds		Total
2003	$	1,978,887,202	$	16,784,817	$	42,640,295	$	2,038,312,314
2004		2,495,222,891		26,318,257		42,193,518		2,563,734,666
2005		2,340,813,964		34,549,034		60,241,863		2,435,604,861
2006		2,371,628,570		24,350,573		33,172,837		2,429,151,980
2007		2,574,588,942		29,214,866		41,222,535		2,645,026,343
2008		2,768,305,300		27,061,038		50,660,781		2,846,027,119
2009		2,790,218,464		26,195,676		36,548,963		2,852,963,103
2010		2,915,568,801		28,512,343		25,692,404		2,969,773,548
2011		3,203,938,769		29,256,747		26,487,226		3,259,682,742
2012		3,295,709,818		33,102,667		34,020,450		3,362,832,935

Oregon Public Service Retirement Plan[2]
Individual Account Program

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

Deferred Compensation Plan

Fiscal Year		Benefits		Administrative Expenses		Refunds		Total
2003	$	33,596,122	$	660,144	$	N/A	$	34,256,266
2004		40,377,599		759,180		N/A		41,136,779
2005		39,406,579		703,809		N/A		40,110,388
2006		40,544,067		884,438		N/A		41,428,505
2007		49,835,260		606,410		N/A		50,441,670
2008		50,366,273		800,668		N/A		51,166,941
2009		38,858,335		816,033		N/A		39,674,368
2010		45,901,913		889,647		N/A		46,791,560
2011		55,929,452		1,326,224		N/A		57,255,676
2012		61,465,377		417,776		N/A		61,883,153

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

Defined Benefit Pension Plan[1]

				Net Assets	
Fiscal Year	Additions	Deductions	Net Change	Beginning of Year	End of Year
2003	$ 4,445,968,207	$ 2,038,312,314	$ 2,407,655,893	$ 34,608,225,800	$ 37,015,881,693
2004	10,534,385,261	2,563,734,666	7,970,650,595	37,015,881,693	44,986,532,288
2005	6,512,157,647	2,435,604,861	4,076,552,786	44,986,532,288	49,063,085,074
2006	7,712,630,457	2,429,151,980	5,283,478,477	49,063,085,074	54,346,563,551
2007	11,200,177,043	2,645,026,343	8,555,150,700	54,346,563,551	62,901,714,251
2008	(2,029,633,844)	2,846,027,119	(4,875,660,963)	62,901,714,251	58,026,053,288
2009	(12,245,061,624)	2,852,963,103	(15,098,024,727)	58,026,053,288	42,928,028,561
2010	7,726,759,574	2,969,773,548	4,756,986,026	42,928,028,561	47,685,014,587
2011	11,369,516,850	3,259,682,742	8,109,834,108	47,685,014,587	55,794,848,695
2012	1,227,407,810	3,362,832,935	(2,135,425,125)	55,794,848,695	53,659,423,570

Oregon Public Service Retirement Plan[2]
Individual Account Program

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

Deferred Compensation Plan

				Net Assets	
Fiscal Year	Additions	Deductions	Net Change	Beginning of Year	End of Year
2003	$ 66,266,952	$ 34,256,266	$ 32,010,686	$ 546,045,263	$ 578,055,949
2004	136,353,389	41,136,779	95,216,610	578,055,949	673,272,559
2005	110,048,486	40,110,388	69,938,098	673,272,559	743,210,657
2006	130,396,489	41,428,505	88,967,984	743,210,657	832,178,641
2007	195,664,066	50,441,670	145,222,396	832,178,641	977,401,037
2008	(3,581,632)	51,166,941	(54,748,573)	977,401,037	922,652,464
2009	(75,371,982)	39,674,368	(115,046,350)	922,652,464	807,606,114
2010	151,126,171	46,791,560	104,334,611	807,606,114	911,940,725
2011	250,291,207	57,255,676	193,035,531	911,940,725	1,104,976,256
2012	90,474,528	61,883,153	28,591,375	1,104,976,256	1,133,567,631

[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.

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

Retirement Health Insurance Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2012	N/A	46,464,958	0.54	3,023,553	49,488,511

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
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
2012	N/A	3,378,230	0.13	16,723	3,394,953

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

Retirement Health Insurance Account

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2003	$ 23,906,241	$ 724,104	$ N/A	$ 24,630,345
2004	24,632,880	708,696	N/A	25,341,576
2005	25,282,377	777,979	N/A	26,060,356
2006	26,059,316	887,743	N/A	26,947,059
2007	26,887,060	876,363	N/A	27,763,423
2008	27,624,361	899,601	N/A	28,523,962
2009	28,262,580	958,311	N/A	29,220,891
2010	28,821,538	974,988	N/A	29,796,526
2011	29,251,771	1,039,603	N/A	30,291,374
2012	29,935,920	963,843	N/A	30,899,763

Retirement Health Insurance Premium Account

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2003	$ 1,367,993	$ 116,422	$ N/A	$ 1,484,415
2004	1,656,993	62,320	N/A	1,719,313
2005	1,922,701	81,816	N/A	2,004,517
2006	2,120,368	143,252	N/A	2,263,620
2007	2,047,322	119,875	N/A	2,167,197
2008	1,906,431	104,880	N/A	2,011,311
2009	1,926,236	115,770	N/A	2,042,006
2010	2,307,059	103,645	N/A	2,410,704
2011	3,024,382	161,559	N/A	3,185,941
2012	3,885,769	71,981	N/A	3,957,750

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

Retirement Health Insurance Account

Fiscal Year	Additions	Deductions	Net Change	Net Assets: Beginning of Year	Net Assets: End of Year
2003	$ 44,139,119	$ 24,630,345	$ 19,508,774	$ 77,342,137	$ 96,850,911
2004	61,326,771	25,341,576	35,985,195	96,850,911	132,836,106
2005	54,415,045	26,060,356	28,354,689	132,836,106	161,190,795
2006	61,458,331	26,947,059	34,511,272	161,190,795	195,702,067
2007	80,780,983	27,763,423	53,017,560	195,702,067	248,719,627
2008	17,537,036	28,523,962	(10,986,926)	248,719,627	237,732,701
2009	(23,466,163)	29,220,891	(52,687,054)	237,732,701	185,045,647
2010	53,496,658	29,796,527	23,700,131	185,045,647	208,745,778
2011	69,536,625	30,291,374	39,245,251	208,745,778	247,991,029
2012	49,488,511	30,899,763	18,588,748	247,991,029	266,579,777

Retiree Health Insurance Premium Account

Fiscal Year	Additions	Deductions	Net Change	Net Assets: Beginning of Year	Net Assets: End of Year
2003	$ 1,646,030	$ 1,484,415	$ 161,615	$ 2,510,475	$ 2,672,090
2004	3,742,435	1,719,313	2,023,122	2,672,090	4,695,212
2005	2,938,635	2,004,517	934,118	4,695,212	5,629,330
2006	2,968,011	2,263,620	704,391	5,629,330	6,333,721
2007	3,700,892	2,167,197	1,533,695	6,333,721	7,867,416
2008	1,478,454	2,011,311	(532,857)	7,867,416	7,334,559
2009	426,789	2,042,006	(1,615,217)	7,334,559	5,719,342
2010	2,435,914	2,410,703	25,211	5,719,342	5,744,553
2011	2,563,567	3,185,941	(622,374)	5,744,553	5,122,179
2012	3,394,953	3,957,750	(562,797)	5,122,179	4,559,382

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

Defined Benefit Pension Plan[2]

Calendar Year	Member Contributions	Employer Contributions: Dollars[4]	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2011	15,771,376	593,451,757	6.85	1,189,044,156	1,798,267,289

Oregon Public Service Retirement Plan[3]
Individual Account Program

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

Deferred Compensation Plan

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
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
2011	75,619,604	N/A	N/A	35,406,816	111,026,420

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

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

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

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

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

Defined Benefit Pension Plan[2]

Calendar Year		Benefits		Administrative Expenses[3]		Refunds		Total
2002	$	1,746,727,771	$	16,156,679	$	39,767,828	$	1,802,652,278
2003		2,305,913,864		23,026,963		44,485,825		2,373,426,652
2004		2,432,307,750		29,965,677		75,329,010		2,537,602,437
2005		2,372,895,822		30,659,957		42,143,663		2,445,699,442
2006		2,514,479,244		24,438,769		61,059,360		2,599,977,373
2007		2,630,279,015		31,358,911		38,197,392		2,699,835,318
2008		2,784,164,757		24,645,591		27,117,003		2,835,927,351
2009		2,823,723,754		26,011,412		18,269,906		2,868,005,072
2010		3,053,863,566		29,126,521		17,996,148		3,100,986,235
2011		3,351,517,947		29,244,166		38,369,101		3,419,131,214

Oregon Public Service Retirement Plan[4]
Individual Account Program

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

Deferred Compensation Plan

Calendar Year		Benefits		Administrative Expenses		Refunds		Total
2002	$	41,926,056	$	691,968	$	N/A	$	42,618,024
2003		38,162,887		745,559		N/A		38,908,446
2004		41,080,360		748,208		N/A		41,828,568
2005		38,351,898		878,538		N/A		39,230,436
2006		40,706,739		684,991		N/A		41,391,730
2007		50,697,210		763,382		N/A		51,460,592
2008		47,955,641		795,233		N/A		48,750,874
2009		37,366,503		863,699		N/A		38,230,202
2010		46,759,679		804,345		N/A		47,564,024
2011		60,816,774		963,874		N/A		61,780,648

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

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

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

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

Defined Benefit Pension Plan[2]

Calendar Year	Additions	Deductions	Net Change	Net Assets Beginning of Year	Net Assets End of Year
2002	$ (1,350,219,790)	$ 1,802,652,278	$ (3,152,872,068)	$ 36,134,157,306	$ 32,981,285,238
2003	12,973,170,963	2,373,426,652	10,599,744,311	32,981,285,238	43,581,029,549
2004	6,933,335,632	2,537,602,437	4,395,733,195	43,581,029,549	47,976,762,744
2005	7,219,512,181	2,445,699,442	4,773,812,739	47,976,762,744	52,750,575,483
2006	8,537,172,691	2,599,977,373	5,937,195,318	52,750,575,483	58,687,770,801
2007	6,348,084,048	2,699,835,318	3,648,248,730	58,687,770,801	62,336,019,531
2008	(15,837,157,118)	2,835,927,351	(18,673,084,469)	62,336,019,531	43,662,935,062
2009	8,626,823,506	2,868,005,072	5,758,818,434	43,662,935,062	49,421,753,496
2010	6,444,746,801	3,100,986,235	3,343,760,566	49,421,753,496	52,765,514,062
2011	1,798,267,289	3,419,131,214	(1,620,863,925)	52,765,514,062	51,144,650,137

Oregon Public Service Retirement Plan[3]

Individual Account Program

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

Deferred Compensation Plan

Calendar Year	Additions	Deductions	Net Change	Net Assets Beginning of Year	Net Assets End of Year
2002	$ 841,027	$ 42,618,024	$ (41,776,997)	$ 572,230,856	$ 530,453,859
2003	149,677,012	38,908,446	110,768,566	530,453,859	641,222,425
2004	128,091,947	41,828,568	86,263,379	641,222,425	727,485,804
2005	106,341,164	39,230,436	67,110,728	727,485,804	794,596,532
2006	153,480,509	41,391,730	112,088,779	794,596,532	906,685,311
2007	133,691,285	51,460,592	82,230,693	906,685,311	988,916,004
2008	(195,994,346)	48,750,874	(244,745,220)	988,916,004	744,170,784
2009	210,761,894	38,230,202	172,531,692	744,170,784	916,702,476
2010	150,806,848	47,564,024	103,242,824	916,702,476	1,019,945,300
2011	111,026,420	61,780,648	49,245,772	1,019,945,300	1,069,191,072

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

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

Retirement Health Insurance Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total
2002	$ N/A	$ 41,355,199	0.67%	$ (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
2011	N/A	32,610,644	0.38	5,474,204	38,084,848

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
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
2011	N/A	2,347,710	0.10	158,742	2,506,452

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

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

Retirement Health Insurance Account

Calendar Year		Benefits		Administrative Expenses		Refunds		Total
2002	$	23,679,226	$	402,662	$	N/A	$	24,081,888
2003		24,236,456		467,080		N/A		24,703,536
2004		24,991,280		712,195		N/A		25,703,475
2005		25,601,296		698,986		N/A		26,300,282
2006		26,552,598		978,785		N/A		27,531,383
2007		27,244,840		888,308		N/A		28,133,148
2008		27,976,500		918,244		N/A		28,894,744
2009		28,537,920		974,580		N/A		29,512,500
2010		29,066,220		973,329		N/A		30,039,549
2011		29,524,122		1,283,144		N/A		30,807,266

Retiree Health Insurance Premium Account

Calendar Year		Benefits		Administrative Expenses		Refunds		Total
2002	$	1,291,244	$	127,636	$	N/A	$	1,418,880
2003		1,519,455		219,529		N/A		1,738,984
2004		1,735,776		63,256		N/A		1,799,032
2005		2,070,218		117,939		N/A		2,188,157
2006		2,158,432		140,794		N/A		2,299,226
2007		1,923,159		111,240		N/A		2,034,399
2008		1,902,292		101,664		N/A		2,003,956
2009		2,020,198		113,096		N/A		2,133,294
2010		2,664,123		106,791		N/A		2,770,914
2011		3,547,400		124,769		N/A		3,672,169

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

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

Retirement Health Insurance Account

Calendar Year	Additions	Deductions	Net Change	Net Assets Beginning of Year	Net Assets End of Year
2002	$ 33,920,510	$ 24,081,888	$ 9,838,622	$ 69,438,794	$ 79,277,416
2003	64,502,910	24,703,536	39,799,374	79,277,416	119,076,790
2004	54,474,154	25,703,475	28,770,679	119,076,790	147,847,469
2005	59,315,273	26,300,282	33,014,991	147,847,469	180,862,460
2006	68,014,485	27,531,383	40,483,102	180,862,460	221,345,562
2007	57,547,544	28,133,148	29,414,396	221,345,562	250,759,958
2008	(38,033,900)	28,894,744	(66,928,644)	250,759,958	183,831,314
2009	59,822,142	29,512,500	30,309,642	183,831,314	214,140,956
2010	48,231,525	30,039,549	18,191,976	214,140,956	232,332,932
2011	38,084,848	30,807,266	7,277,582	232,332,932	239,610,514

Retiree Health Insurance Premium Account

Calendar Year	Additions	Deductions	Net Change	Net Assets Beginning of Year	Net Assets End of Year
2002	$ 1,308,620	$ 1,418,880	$ (110,260)	$ 2,679,437	$ 2,569,177
2003	2,904,350	1,738,984	1,165,366	2,569,177	3,734,543
2004	3,229,239	1,799,032	1,430,207	3,734,543	5,164,750
2005	3,133,735	2,188,157	945,578	5,164,750	6,110,328
2006	3,205,104	2,299,226	905,878	6,110,328	7,016,206
2007	2,837,508	2,034,399	803,109	7,016,206	7,819,315
2008	(137,086)	2,003,956	(2,141,042)	7,819,315	5,678,273
2009	2,813,154	2,133,294	679,860	5,678,273	6,358,133
2010	2,117,899	2,770,914	(653,015)	6,358,133	5,705,118
2011	2,506,452	3,672,169	(1,165,717)	5,705,118	4,539,401

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

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

		Disability Benefits				Refunds[1]		
Fiscal Year	Service Benefits	Duty	Non-Duty	Retirement Benefit Totals	Death Benefits	Normal	Death	Total
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
2012	3,166,918,154	16,449,589	108,423,907	3,291,791,650	3,918,168	27,966,120	6,054,330	3,329,730,268

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		Variable Earnings/ (Loss) Credited	Individual Account Program
		Tier One	Tier Two[2]		
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
2011	2.21	8.00	2.21	(7.80)	2.15

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, 2012:

Years Credited Service	8+
Average Monthly Benefit	$ 60
Final Average Salary	N/A
Number of Active Retirees	41,467

Schedule of Average OPEB Benefits for Retiree Health Insurance Premium Account[1] For the Year Ended June 30, 2012:

	Years Credited Service						
	8 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Average Monthly Benefit	$158	$190	$221	$253	$285	$316	$285
Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Active Retirees	9	51	91	175	265	545	1,136

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, 2002 to June 30, 2012	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
2003 Average Monthly Benefit	$ 803	$ 1,180	$ 1,499	$ 2,083	$ 3,040	$ 4,312	$ 5,118	$ 2,942
Final Average Salary	$ 2,566	$ 2,707	$ 3,245	$ 3,637	$ 4,107	$ 4,667	$ 4,935	$ 3,939
Number of Active Retirees	526	1,244	1,577	1,697	2,372	2,833	1,349	11,598
2004 Average Monthly Benefit	$ 901	$ 1,014	$ 1,332	$ 1,935	$ 2,874	$ 4,099	$ 4,603	$ 2,581
Final Average Salary	$ 2,599	$ 2,928	$ 3,222	$ 3,734	$ 4,276	$ 4,739	$ 5,077	$ 3,953
Number of Active Retirees	255	671	876	919	1,128	1,384	364	5,597
2005 Average Monthly Benefit	$ 774	$ 956	$ 1,395	$ 1,930	$ 2,888	$ 4,123	$ 4,291	$ 2,410
Final Average Salary	$ 2,960	$ 3,054	$ 3,512	$ 3,988	$ 4,441	$ 4,876	$ 4,976	$ 4,033
Number of Active Retirees	207	488	553	559	526	816	122	3,271
2006 Average Monthly Benefit	$ 792	$ 913	$ 1,291	$ 1,874	$ 2,832	$ 4,013	$ 4,120	$ 2,369
Final Average Salary	$ 3,453	$ 3,138	$ 3,640	$ 3,939	$ 4,446	$ 4,997	$ 5,051	$ 4,143
Number of Active Retirees	199	511	638	636	601	853	217	3,655
2007 Average Monthly Benefit	$ 764	$ 968	$ 1,256	$ 1,874	$ 2,649	$ 4,044	$ 4,432	$ 2,423
Final Average Salary	$ 3,289	$ 3,549	$ 3,625	$ 4,183	$ 4,598	$ 5,093	$ 5,352	$ 4,329
Number of Active Retirees	236	604	639	735	589	1,001	330	4,134
2008 Average Monthly Benefit	$ 779	$ 934	$ 1,293	$ 1,722	$ 2,505	$ 3,949	$ 4,680	$ 2,446
Final Average Salary	$ 2,937	$ 3,329	$ 3,795	$ 4,188	$ 4,495	$ 5,127	$ 5,587	$ 4,364
Number of Active Retirees	237	585	656	833	685	1,111	415	4,522
2009 Average Monthly Benefit	$ 829	$ 957	$ 1,289	$ 1,782	$ 2,497	$ 3,837	$ 4,789	$ 2,460
Final Average Salary	$ 3,271	$ 3,501	$ 3,826	$ 4,382	$ 4,673	$ 5,246	$ 5,683	$ 4,512
Number of Active Retirees	245	599	645	765	695	1,004	501	4,454
2010 Average Monthly Benefit	$ 720	$ 1,016	$ 1,248	$ 1,774	$ 2,422	$ 3,779	$ 4,821	$ 2,427
Final Average Salary	$ 2,985	$ 3,747	$ 3,908	$ 4,469	$ 4,965	$ 5,395	$ 5,768	$ 4,667
Number of Active Retirees	259	657	712	913	890	1,133	534	5,098
2011 Average Monthly Benefit	$ 695	$ 949	$ 1,287	$ 1,716	$ 2,434	$ 3,675	$ 4,990	$ 2,403
Final Average Salary	$ 2,886	$ 3,677	$ 4,113	$ 4,564	$ 5,151	$ 5,701	$ 6,076	$ 4,834
Number of Active Retirees	323	799	970	1,064	1,129	1,226	747	6,258
2012 Average Monthly Benefit	$ 627	$ 960	$ 1,299	$ 1,699	$ 2,331	$ 3,508	$ 4,849	$ 2,346
Final Average Salary	$ 3,173	$ 3,642	$ 4,196	$ 4,470	$ 5,067	$ 5,561	$ 6,204	$ 4,849
Number of Active Retirees	310	848	980	1,014	1,162	1,163	821	6,298

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2012

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	19,196	15,300	139	189	3,168	400	2,539	4,787	3,846	1,184	688	3,377	2,231	544
501 - 1000	18,527	15,106	116	725	2,060	520	2,701	5,759	4,835	1,871	799	1,263	997	302
1001 - 1500	14,997	12,366	97	709	1,409	416	1,895	4,460	4,419	1,851	605	800	745	222
1501 - 2000	12,162	10,174	86	646	938	318	1,512	3,437	3,777	1,503	452	633	649	199
2001 - 2500	10,338	8,946	74	468	645	205	1,174	2,848	3,254	1,322	341	530	727	142
2501 - 3000	8,648	7,669	62	330	446	141	1,003	2,401	2,800	1,166	293	388	467	130
3001 - 3500	7,461	6,818	36	206	340	61	839	2,026	2,702	1,102	266	190	265	71
3501 - 4000	6,671	6,215	31	160	236	29	666	1,795	2,673	1,045	216	107	122	47
4001 - 4500	5,852	5,593	21	68	150	20	472	1,516	2,509	968	203	60	90	34
4501 - 5000	4,738	4,500	12	57	160	9	385	1,158	2,110	830	146	24	66	19
5001 - 5500	3,449	3,307	11	24	96	11	266	916	1,522	590	115	12	21	7
5501 - 6000	2,390	2,295	7	25	59	4	169	556	1,110	448	65	16	22	4
6000 plus	4,917	4,720	8	27	158	4	247	1,075	2,410	1,003	109	11	50	12
Totals	**119,346**	**103,009**	**700**	**3,634**	**9,865**	**2,138**	**13,868**	**32,734**	**37,967**	**14,883**	**4,298**	**7,411**	**6,452**	**1,733**

*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:

	2007	2008	2009	2010	2011	2012
State Agencies	42,906	41,872	44,377	46,105	46,739	45,953
School Districts	65,792	69,840	70,946	72,656	75,915	67,172
Political Subdivisions	55,850	55,740	55,745	57,989	60,695	56,656
Inactive Members	52,513	46,356	43,397	37,624	41,832	42,286
Total Non-Retired	217,061	213,808	214,465	214,374	225,181	212,067
Retired Members and Beneficiaries	103,368	105,721	107,936	110,642	114,252	119,346
Total Membership	320,429	319,529	322,401	325,016	339,433	331,413
Administrative Expense[1]	$40,082,947	$38,758,835	$38,648,977	$40,351,845	$ 38,594,620	$42,254,365
Pension Roll (one month)	$216,137,975	$230,863,092	$227,379,725	$236,323,468	$ 270,111,478	$284,236,712

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

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

	2012			2006		
	Number of Current Employees	Rank	Percent of Total System	Number of Current Employees	Rank	Percent of Total System
State of Oregon	45,953	1	27.07%	37,973	1	24.23%
Oregon Health & Science University	5,744	2	3.38	4,988	2	3.18
Portland Public Schools	5,128	3	3.02	4,984	3	3.18
Salem-Keizer Public Schools	4,782	4	2.82	3,948	5	2.52
City of Portland	4,490	5	2.64	3,509	6	2.24
Multnomah County	4,468	6	2.63	4,047	4	2.58
Beaverton School District	4,349	7	2.56	3,488	7	2.23
Hillsboro School District 1J	2,501	8	1.47	1,974	9	1.26
Portland Community College	2,449	9	1.44	2,849	8	1.82
Clackamas County	1,909	10	1.12	-		
Eugene School District 4J	-		-	1,864	10	1.19
All Others*	88,008		51.85	87,074		55.57
Total	169,781		100.00%	156,698		100.00%
* “All Others” consisted of:						
Counties	11,140		6.56%	12,381		7.90%
Municipalities	12,464		7.35	11,410		7.28
School Districts	50,412		29.70	49,710		31.73
Community Colleges	6,060		3.57	6,635		4.23
Other Political Subdivisions	7,932		4.67	6,938		4.43
Total All Others	88,008		51.85%	87,074		55.57%

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

Schedule of Participating Employers (902)

State (113)

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

Political Subdivisions (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 River Fire and Rescue
Columbia River PUD
Community Services Consortium
Condon, City of
Coos Bay, City of
Coos County
Coos County Airport District
Coquille, City of
Corbett Water District
Cornelius, City of
Corvallis, City of
Cottage Grove, City of
Crescent RFPD
Creswell, City of
Crook County
Crook County RFPD 1
Crooked River Ranch RFPD
Crystal Springs Water District
Culver, City of
Curry County
Curry Public Library District
Dallas, City of
Dayton, City of
Depoe Bay, City of
Depoe Bay RFPD
Deschutes County
Deschutes County RFPD 2
Deschutes Public Library District
Deschutes Valley Water District
Dexter RFPD
Douglas County
Douglas County RFPD 2
Douglas County Soil and Water Conservation District
Drain, City of
Dufur, City of
Dundee, City of
Dunes City, City of
Durham, City of
Eagle Point, City of
East Fork Irrigation District
East Umatilla County RFPD
Echo, City of
Elgin, City of
Elkton, City of
Enterprise, City of
Estacada, City of
Estacada Cemetery Maintenance District
Estacada RFD 69
Eugene, City of
Eugene Water and Electric Board
Fairview, City of
Fairview Water District
Falls City, City of
Farmers Irrigation District
Fern Ridge Community Library
Florence, City of
Fossil, City of
Garibaldi, City of
Gaston, City of
Gaston RFPD
Gearhart, City of
Gervais, City of
Gilliam County
Gladstone, City of
Glide RFPD
Gold Beach, City of
Gold Hill, City of
Goshen RFPD
Grant County
Grants Pass, City of
Grants Pass Irrigation District
Greater St. Helens Parks and Recreation District
Green Sanitary District
Gresham, City of
Halsey, City of
Halsey-Shedd RFPD
Happy Valley, City of
Harbor Water PUD
Harney County
Harney Health District
Harrisburg, City of
Harrisburg Fire and Rescue
Helix, City of
Heppner, City of
Hermiston, City of
Hermiston RFPD
High Desert Park and Recreation District
Hillsboro, City of
Hines, City of
Hood River, City of
Hood River County
Hoodland RFD 74
Horsefly Irrigation District
Housing Authority of Clackamas County
Housing Authority of Jackson County
Housing Authority of Portland
Hubbard, City of
Hubbard RFPD
Huntington, City of
Ice Fountain Water District
Illinois Valley RFPD
Imbler, 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
Mosier Fire District
Mt. Angel, City of
Mt. Angel Fire District
Mt. Vernon, City of
Mulino Water District 23
Multnomah County
Multnomah County Drainage District 1
Multnomah County RFPD 14
Myrtle Creek, City of
Myrtle Point, City of
Nehalem Bay Fire and Rescue
Nehalem Bay Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend City Housing Authority
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell 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 Fire and Rescue
Redmond, City of
Reedsport, City of
Riddle, City of
Rockaway Beach, City of
Rockwood Water PUD
Rogue River, City of
Rogue River RFPD
Rogue River Valley Irrigation District
Roseburg, City of
Roseburg Urban Sanitary Authority
Rural Road Assessment District 3
Salem, City of
Salem Housing Authority
Salmon Harbor and Douglas County
Sandy, City of
Sandy RFPD 72
Santa Clara RFPD
Scappoose, City of
Scappoose Public Library District
Scappoose RFPD
Scio RFPD
Seal Rock RFPD
Seal Rock Water District
Shady Cove, City of
Sheridan, City of
Sheridan Fire District
Sherman County
Sherwood, City of
Silver Falls Library District
Silverton, City of
Silverton RFPD 2
Sisters and Camp Sherman RFPD
Sisters, City of
Siuslaw Public Library District
Siuslaw RFPD 1
South Fork Water Board
South Lane County Fire and Rescue
South Suburban Sanitary District
Southwest Polk County RFPD
Southwest Lincoln County Water District
Springfield, City of
Springfield Utility Board
St. Helens, City of
Stanfield, City of
Stanfield Fire District 7-402
Stayton, City of
Stayton RFPD
Sublimity RFPD
Suburban East Salem Water District
Sunrise Water Authority
Sunriver Service District
Sutherlin, City of
Sutherlin Water Control District
Sweet Home, City of
Sweet Home Cemetery Maintenance District
Sweet Home Fire and Ambulance District
Talent, City of
Talent Irrigation District
Tangent RFPD
Tigard, City of
Tillamook, City of
Tillamook County Emergency Communications District
Tillamook County Soil and Water Conservation District
Tillamook Fire District

Tillamook People's Utility District
Toledo, City of
Tri-City Water and Sanitary Authority
Tri-County Cooperative Weed Management Area
Troutdale, City of
Tualatin, City of
Tualatin Valley Fire and Rescue
Tualatin Valley Irrigation District
Tualatin Valley Water District
Turner, City of
Umatilla, City of
Umatilla County
Umatilla County Soil and Water District
Umatilla County Special Library District
Umatilla-Morrow Radio and Data District
Umatilla RFPD 7-405
Vale, City of
Valley View Cemetery Maintenance District
Veneta, City of
Vernonia, City of
Vernonia RFPD
Waldport, City of
Wallowa, City of
Wallowa County
Warrenton, City of
Wasco County
Wasco County Soil and Water Conservation District
Washington County
Washington County Consolidated Communications Agency
Washington County Fire District 2
West Extension Irrigation District
West Linn, City of
West Multnomah Soil and Water Conservation District
West Side Fire District
West Slope Water District
West Valley Fire District
West Valley Housing Authority
Western Lane Ambulance District
Westfir, City of
Weston, City of
Weston Cemetery District
Wheeler, City of
Wickiup Water District
Willamette Valley Fire and Rescue Authority
Willamina, City of
Wilsonville, City of
Winchester Bay Sanitary District
Winston, City of
Winston-Dillard Fire District
Winston-Dillard Water District
Wood Village, City of
Woodburn, City of
Woodburn Fire District
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 (287)

Alliance Charter Academy
Arco Iris Spanish Immersion Charter School
Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Baker Web Academy
Ballston Community School
Beaverton School District 48J
Bennett Pearson Academy Charter School
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Cascade Heights Public Charter School
Center for Advanced Learning
Central Curry School District 1
City View Charter School
Clackamas Charter Alliance 1
Clackamas Charter Alliance 2
Clackamas County ESD
Clackamas CSD 3
Clackamas CSD 7J
Clackamas CSD 12
Clackamas CSD 35
Clackamas CSD 46
Clackamas CSD 53
Clackamas CSD 62
Clackamas CSD 86
Clackamas CSD 108
Clackamas CSD 115
Clatskanie School District 6J
Clatsop CSD 1C
Clatsop CSD 4
Clatsop CSD 8
Clatsop CSD 10
Clatsop CSD 30
Coburg Community Charter School
Columbia CSD 13
Columbia CSD 47 J
Columbia CSD 502
Columbia Gorge Education Service District
Condon Admin. School District 25J
Coos CSD 8
Coos CSD 9
Coos CSD 13
Coos CSD 31
Coos CSD 41
Coos CSD 54
Corbett Charter School
Crook CSD
Curry CSD 2CJ
Curry CSD 17C
Dayton School District 8
Deschutes CSD 1
Deschutes CSD 2J
Deschutes CSD 6
Douglas County ESD
Douglas CSD 1
Douglas CSD 4
Douglas CSD 12
Douglas CSD 15
Douglas CSD 19
Douglas CSD 21
Douglas CSD 22
Douglas CSD 32
Douglas CSD 34
Douglas CSD 70
Douglas CSD 77
Douglas CSD 105
Douglas CSD 116
Douglas CSD 130
EagleRidge High School
Eddyville Charter School
Estacada Web and Early College Academy 1
Forest Grove Community School
Fossil School District 21J
Four Rivers Community School
Gilliam CSD 3
Grant School District 3
Grant County ESD
Grant CSD 4
Grant CSD 8
Grant CSD 16J
Grant CSD 17
Greater Albany Public Schools 8J
Gresham Barlow Web Academy Public Charter School
Harney ESD Region 17
Harney CSD 3
Harney CSD 4
Harney CSD 5
Harney CSD 7
Harney CSD 10
Harney CSD 13
Harney CSD 16
Harney CSD 28
Harney CSD UH1J
Harrisburg School District 7
High Desert Education Service District
Hillsboro School District 1J
Home Scholars Academy of Oakridge and Westfir
HomeSource Family Charter
Hood River CSD
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
Lake County ESD
Lake CSD 7
Lake CSD 11C
Lake CSD 14
Lake CSD 18
Lake CSD 21
Lane County ESD
Lane CSD 1
Lane CSD 4J
Lane CSD 19
Lane CSD 28J
Lane CSD 32
Lane CSD 40
Lane CSD 45J3
Lane CSD 52
Lane CSD 66
Lane CSD 68
Lane CSD 69
Lane CSD 71
Lane CSD 76
Lane CSD 79J
Lane CSD 90
Lane CSD 97J
LEP High
Lewis and Clark Montessori Charter School
Lincoln CSD
Linn CSD 9
Linn CSD 55
Linn CSD 95C
Linn CSD 129J
Linn CSD 552C
Linn Benton Lincoln ESD
Logos Public Charter School
Lourdes Charter School
Luckiamute Valley Charter School
Madrone Trail Public Charter School
Malheur ESD Region 14
Malheur CSD 8C
Malheur CSD 12
Malheur CSD 26C
Malheur CSD 29
Malheur CSD 61
Malheur CSD 66
Malheur CSD 81
Malheur CSD 84
Marion CSD 1
Marion CSD 4J
Marion CSD 5
Marion CSD 14CJ
Marion CSD 15
Marion CSD 24J
Marion CSD 45
Marion CSD 91
Marion CSD 103C
Mastery Learning Institute
Molalla River Academy
Morrow CSD
Mosier Community School
Mosier Middle School
Multisensory Institute Teaching Children
Multisensory Learning Academy
Multnomah County ESD
Multnomah CSD 1
Multnomah CSD 3
Multnomah CSD 7
Multnomah CSD 10
Multnomah CSD 28-302 JT
Multnomah CSD 39
Multnomah CSD 51JT
Multnomah CSD R-40
Nixyaawii Community School
North Central ESD
North Santiam School District 29J
North Powder School District
North Wasco CSD 21
Northwest Regional ESD
Opal School
Oregon Building Congress Academy for Architecture, Construction and Engineering
Oregon Connections Academy
Oregon Virtual Academy
Personalized Learning, Inc.
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Powell Butte Community Charter School
Renaissance Public Academy
Ridgeline Montessori Public Charter School
Rimrock Academy
River's Edge Academy Charter School
Sage Community School
Sand Ridge Charter School
Sauvie Island Academy
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan AllPrep Academy
Sheridan Japanese School Foundation
Sherman CSD
Sherwood Charter School
Siletz Valley Early College Academy
Siletz Valley School
Sisters Web and Early College Academy #3
South Coast ESD Region 7
South Columbia Family School
South Harney School District 33
South Wasco County School District 1
Southwest Charter School
Southern Oregon ESD
Springfield Academy of Arts & Academics
Springwater Environmental Sciences School
Sunny Wolf Charter School
Sweet Home Charter School
The Emerson School
The Ivy School
The Lighthouse School
The Village School
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 56
Tillamook CSD 101
Trillium Charter School
Umatilla County Administrative School District 1R
Umatilla Morrow ESD
Umatilla CSD 2R
Umatilla CSD 5
Umatilla CSD 6R
Umatilla CSD 7
Umatilla CSD 8R
Umatilla CSD 16R
Umatilla CSD 29RJ
Umatilla CSD 61R
Umatilla CSD 80R
Union CSD 1
Union CSD 5
Union CSD 11
Union CSD 15
Union CSD 23
Wallowa County Region 18 ESD
Wallowa CSD 6
Wallowa CSD 12
Wallowa CSD 21
Wallowa CSD 54
Wasco CSD 29
Washington CSD 13
Washington CSD 15
Washington CSD 23J
Washington CSD 88J
Washington CSD 511JT
West Lane Technical Learning Center
Wheeler CSD 1
Wheeler CSD 55U
Willamette ESD
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J

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