Comprehensive Annual Financial Report

Oregon Public Employees Retirement System

An Agency of the State of Oregon

For the Fiscal Year Ended June 30, 2010

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Paul R. Cleary
Executive Director

Jon E. DuFrene
Chief Financial Officer

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

PERS Oregon Public Employees Retirement System

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Introductory Section

Oregon

Theodore R. Kulongoski, Governor

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

December 21, 2010

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, 2010. 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, 2010, PERS provided services to 897 employers and to more than 325,000 members, retirees, and beneficiaries.

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

The Secretary of State Audits Division has audited the accompanying financial statements in accordance with generally accepted auditing standards, and 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 63 of this report.

Major Initiatives

Information Integrity

Member contributions and service time data must be validated, corrected, and completed for accurate benefit calculations and payments. The goal is to resolve any invalid, incorrect, or incomplete data as early as possible in a member's career, and certainly before the member makes an irrevocable retirement decision. Resolving information integrity issues is also crucial for the agency to meet its Key Performance Measures on timely retirement benefit payment inceptions. Although statute allows 92 days to begin the first retirement payment, PERS is working to begin the first payment within 45 days of the member's retirement date on at least 80 percent of new retirements. This goal will be supported by continuing two initiatives: (1) strengthen the data validation process at the point of data entry and (2) resolve key data exceptions and issues by exposing data to members and employers on a regular basis.

Customer Satisfaction Survey

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

Oregon Retirement Information On-line Network (ORION)

PERS staff continued its efforts in a multi-year project to replace the Retirement Information Management System (RIMS). The deadline to convert benefit payment functionality from RIMS to ORION, originally scheduled for summer 2010, was extended to summer 2011 due to significant changes adopted by the Oregon Legislature in the 2009 and 2010 sessions.

Senate Bill 897

Senate Bill 897 was adopted during the February 2010 Oregon legislative special session. Among other things, the bill sets up a process where members within two years of their earliest retirement age can request PERS to verify four data elements—account balance, creditable service (i.e., eligible years and months of PERS-covered employment), final average salary, and amount of reported unused sick leave. This process does not become available until July 1, 2011, for the first three elements and not until July 1, 2012, for the fourth element. Implementation of the data verification process began soon after adoption, however, as PERS has to adopt rules, policies, and procedures; hire staff; and amend our systems to support the process. Senate Bill 897 also allows OPSRP Pension Program retired members, their spouses, and eligible dependents to participate in the PERS Health Insurance Program.

Online Member Services

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

Financial Information

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

Internal Controls

Management is responsible for establishing and maintaining a system of internal controls to protect PERS' assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. This internal control system provides reasonable, but not absolute, assurance that these objectives are met.

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions have been established by actuarial valuations conducted biennially in odd-numbered calendar years. PERS' funding objective is to meet long-term benefit promises through contributions that fund benefits as they accrue. An adequate contribution level, when combined with investment earnings, will result in the full funding of benefits as they come due. If the level of funding is adequate, the ratio of assets accumulated to total liabilities will increase, and more income will be available for investment. Prudent investment of assets and returns on those investments should increase the funding base and allow for a more stable employer contribution rate. As of the December 31, 2009 actuarial valuation, PERS has a funded ratio of 85.8 percent for the defined benefit plan it administers (see page 49).

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, 2010, is 46 percent public equity, 16 percent private equity, 27 percent debt securities, and 11 percent real estate. In addition to approved asset classes, target asset allocation ranges, and rebalancing policies, other safeguards on investments include the use of an independent custodian, defined limits of delegated authority, and independent audits. The System's long-term investment outlook allows the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. The OIC primarily uses external portfolio managers, employing both passive (indexed) and active strategies. The portfolio is broadly diversified among equities, debt securities, real estate, and private equities, with additional diversification achieved through domestic and international investing. PERS securities are held by a custodian, State Street Bank and Trust Company.

PERS' Regular investment portfolio exhibited high returns in fiscal year 2010 with a rate of return of 17.0 percent. This compares with a loss of (22.2) percent for fiscal year 2009. The fund's trailing five-year return was 3.6 percent, 4.4 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 60 through 66.

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, 2009. 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 19 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 2010 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 eighth year the PPCC has offered the award to public retirement systems and the seventh consecutive year PERS has applied for and received the award.

Acknowledgments

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

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

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

Respectfully submitted,

Paul R. Cleary
Executive Director

Jon E. DuFrene
Chief Financial Officer

Public Employees Retirement Board

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

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

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

As of December 2010, the three Board members representing business management, pension management, or investing are James Dalton, Eva Kripalani, and Michael Pittman. Pat West was appointed to represent public employees and retirees, and Laurie Warner was appointed to represent public employers. Dalton is Board chair.

Terms for each member begin and expire with staggered dates.

James Dalton (chair)

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

Eva Kripalani

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

Michael Pittman

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

Laurie Warner

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

Pat West

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

Public Employees Retirement System Organizational Chart

Public Employees Retirement Board

- **Paul R. Cleary**
  Executive Director
  - Internal Auditor
  - Human Resources
  - Executive Support
  - **Steven P. Rodeman**
    Deputy Director
    - Social Security
    - **Yvette S. Elledge**
      Administrator, Customer Service Division
      - Customer Service Center
      - Publications and Communications
      - Membership/Employer Relations
      - Information Services
    - **Jeffrey M. Marecic**
      Administrator, Information Services Division
      - Business Information and Technical Services
      - Enterprise Application
      - Technical Operations
      - Project Management Office
    - **Susan M. Riswick**
      Administrator, Policy, Planning, and Legislative Analysis Division
      - Legislative Issues
      - Research and Risk Management
      - Contested Case Hearings
      - Administrative Rules
    - **Brian C. Harrington**
      Administrator, Benefit Payments Division
      - Retirement Services
      - Benefit Application and Intake
      - Specialty Services
    - **Jon E. DuFrene**
      Administrator, Fiscal Services Division
      - Financial Reporting
      - Actuarial Analysis
      - Business Operations
      - Contributions and Banking
      - Facilities Services
      - Deferred Compensation
      - Health Insurance

Public Employees Retirement System Consultants

Actuary
Mercer Human Resource Consulting LLC

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

Insurance Consultant
Butler Partners & Associates LLC

Medical Advisor
F. William Miller, MD

Technology
HP Enterprise Services
Provaliant, Inc.

Auditor
Oregon Secretary of State Audits Division

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Public Employees Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2010

Presented to

Oregon Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Financial Section

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

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

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

The Honorable Theodore R. Kulongoski
Governor of Oregon

Public Employees Retirement Board
Oregon Public Employees Retirement System

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Oregon Public Employees Retirement System (system), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the system's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4, the basic financial statements of the system are intended to present the financial position, and changes in the financial position of only the system. They do not purport to, and do not, present fairly the financial position of the State of Oregon as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the system as of June 30, 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2D, the financial statements include investments valued at $15.6 billion (30.2 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. These investments consist of 100 percent of private equity, 100 percent of opportunity portfolio, and 77 percent of real estate reported investment balances. Management's estimates are based on information provided by the general partners or fund managers. Our opinion is not qualified with respect to this matter.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2010 on our consideration of the system's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is separately presented in the other reports section as listed in the table of contents.

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

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

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

December 21, 2010

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, 2010. Please read it in conjunction with the transmittal letter on pages 2 through 4 and the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

1. **Basic Financial Information**
   The System presents financial statements as of June 30, 2010, prepared on a full accrual basis. They are:
   a. Statements of Fiduciary Net Assets for Pension and Other Postemployment Benefits,
   b. Statements of Changes in Fiduciary Net Assets for Pension and Other Postemployment Benefits, and
   c. Notes to the Financial Statements.
2. **Required Supplementary Information**
   The required supplementary information consists of:
   a. Schedules of Funding Progress for Pension and Other Postemployment Benefits,
   b. Schedules of Employer Contributions for Pension and Other Postemployment Benefits, and
   c. Notes to the Required Supplementary Information.
3. **Other Supplementary Schedules**
   The other supplementary schedules consist of:
   a. Combining schedules showing the detailed components of the Defined Benefit Pension Plan, and
   b. Schedules that include detailed information on administrative expenses incurred by the System and a summary of investment fees, commissions, and expenses.

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

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

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

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

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

- The Schedules of Funding Progress, page 49, contain actuarial information about the status of the plan from an ongoing, long-term perspective, showing whether there are sufficient assets to pay pension and postemployment benefits when due. Valuation Assets in excess of Actuarial Liabilities indicate that sufficient assets have been accumulated as of the valuation date to fund the future benefits of current members and retirees.
- The Schedules of Employer Contributions, page 50, contain historical trend information regarding the value of the total annual contributions employers must pay and the actual contributions made to meet this requirement.
- The Notes to the Required Supplementary Information, page 51, provide background information and explanatory detail to help understand the required supplementary schedules.
- The Schedule of Plan Net Assets and Schedule of Changes in Plan Net Assets, pages 52 through 53, display the components of the defined benefit pension plan.

- The Schedule of Administrative Expenses and Schedule of Payments to Consultants and Contractors on page 54 show the costs of managing the System. The Summary of Investment Fees, Commissions, and Expenses on page 55 provides the detail of investment-related expenses included in the line item Investment Expense reported in the Statements of Changes in Fiduciary Net Assets.

FINANCIAL HIGHLIGHTS

- PERS' assets exceed its liabilities at the close of fiscal year 2010, with $51,747.9 million held in trust for pension, Oregon Public Service Retirement Plan Individual Account Program (IAP), other postemployment benefits, other benefits, and deferred compensation benefits.
- Fiduciary net assets increased by $5,704.5 million, or 12.4 percent, during the fiscal year as financial markets rebounded from last year's recession.
- PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2009, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 85.8 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $0.86 of net assets available for payment.
- Revenues (additions to fiduciary net assets) for fiscal year 2010 rose 172.9 percent to $8,960.4 million, which includes member and employer contributions of $1,170.3 million and net income from investment activities totaling $7,765.8 million.
- Expenses (deductions from fiduciary net assets) increased slightly to $3,255.9 million, or 5.1 percent, during the fiscal year from $3,097.1 million in fiscal year 2009.

FIDUCIARY NET ASSETS

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

- Improving financial markets produced positive returns on PERS investments for the first time in three years. The net assets of the defined benefit pension plan increased approximately $4,757.0 million, or 11.1 percent, during the year ended June 30, 2010.
- The net assets of the OPSRP IAP increased approximately $819.1 million, or 38.8 percent, during the year ended June 30, 2010, due to increases in member contributions and investment returns.
- The net assets of the deferred compensation plan increased approximately $104.3 million, or 12.9 percent, during the year ended June 30, 2010, primarily due to positive investment returns.
- The net assets of the Retirement Health Insurance Account increased approximately $23.7 million, or 12.8 percent, during the year ended June 30, 2010, as increases in investment income more than offset decreases in employer contributions.
- The net assets of the Retiree Health Insurance Premium Account were flat during the year ended June 30, 2010, as increases in investment income were offset by increases in healthcare premium subsidies and decreases in employer contributions.
- The net assets of the Standard Retiree Health Insurance Account increased approximately $0.4 million, or 5.1 percent, during the year ended June 30, 2010, due to increases in member contributions.

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

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2010	2009	2010	2009	2010	2009
Cash and Receivables	$ 2,914,057	$ 3,777,334	$ 231,213	$ 235,977	$ 66,309	$ 101,851
Investments at Fair Value	45,758,544	40,847,781	2,746,989	1,945,769	846,529	706,520
Securities Lending Collateral	3,748,495	4,366,169	231,368	214,644	94	121
Other	43,710	45,265	938	997	—	—
Total Assets	52,464,806	49,036,549	3,210,508	2,397,387	912,932	808,492
Investment Purchases	969,552	1,541,843	44,704	62,939	253	214
Securities Lending Payable	3,748,495	4,366,169	231,368	214,644	94	121
Other Payables	61,744	200,508	6,229	10,695	644	551
Total Liabilities	4,779,791	6,108,520	282,301	288,278	991	886
Total Net Assets	$ 47,685,015	$ 42,928,029	$ 2,928,207	$ 2,109,109	$ 911,941	$ 807,606

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account		Standard Retiree Health Insurance Account	
	2010	2009	2010	2009	2010	2009
Cash and Receivables	$ 15,079	$ 18,939	$ 517	$ 673	$ 8,336	$ 7,936
Investments at Fair Value	196,821	172,070	5,322	5,240	—	—
Securities Lending Collateral	16,513	18,883	452	583	437	551
Other	37	49	1	1	—	—
Total Assets	228,450	209,941	6,292	6,497	8,773	8,487
Investment Purchases	3,172	5,539	86	169	3	—
Securities Lending Payable	16,513	18,883	452	583	437	551
Other Payables	19	473	9	26	42	50
Total Liabilities	19,704	24,895	547	778	482	601
Total Net Assets	$ 208,746	$ 185,046	$ 5,745	$ 5,719	$ 8,291	$ 7,886

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 $5.1 million, or 60.9 percent, from fiscal year 2009 to fiscal year 2010, due to increases in service credit purchases and contributions attributable to prior years.
- Member contributions to the IAP increased $10.0 million, or 2.0 percent, due to employee salary increases and an increase in eligible employees during the year.
- Member contributions to the Standard Retiree Health Insurance Account increased 10.0 percent from $115.4 million in fiscal year 2009 to $126.9 million in fiscal year 2010, due to increases in healthcare costs.
- Member contributions to the deferred compensation plan were unchanged in fiscal year 2010. Active membership decreased slightly from 19,579 to 19,483 during the year; however, participants increased voluntary contributions, mirroring the national trend of increased savings.
- Employer contributions to the defined benefit pension plan decreased $216.4 million, or 33.3 percent, in fiscal year 2010 due to decreases in employer contribution rates.
- Employer contributions to the Retirement Health Insurance Account decreased $6.5 million, or 22.4 percent, compared to fiscal year 2009 due to decreases in employer contribution rates.
- Employer contributions to the Retiree Health Insurance Premium Account decreased $0.5 million, or 25.4 percent, compared to fiscal year 2009 due to decreases in employer contribution rates.
- Net investment and other income in the defined benefit pension plan was $7,279.9 million, a $20,183.1 million, or 156.4 percent, increase over the fiscal year 2009 loss of ($12,903.2) million, due to a significant rise in financial markets.
- Net investment and other income in the IAP was $393.7 million in fiscal year 2010, a 171.2 percent increase over the fiscal year 2009 loss of ($553.1) million. Strong investment returns were responsible for the significant increase.
- Net investment and other income in the Retirement Health Insurance Account was $31.1 million, an $83.4 million, or 159.6 percent, increase from the fiscal year 2009 loss of ($52.3) million, due to improved market performance.
- Net investment and other income in the Retiree Health Insurance Premium Account was $0.9 million, a $2.5 million, or 159.5 percent, increase over fiscal year 2009 loss of ($1.6) million, due to investment gains.
- Net investment and other income in the Standard Retiree Health Insurance Account was $0.1 million, a $0.2 million, or 60.2 percent, decrease over fiscal year 2009 income of $0.3 million, due to falling interest rates.

- Net investment and other income in the deferred compensation plan was $84.4 million, a $226.5 million, or 159.4 percent, increase over the fiscal year 2009 loss of ($142.1) million. Steep increases in investment market valuation caused the increase.

Expenses – Deductions from Fiduciary Net Assets

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

- Pension benefit and other payments from the defined benefit pension plan increased by $116.8 million, or 4.1 percent. An increase in service retirements during the year offset by lower administrative expenses due to a prior period adjustment related to capitalization of internally generated software produced a slight net increase in deductions.
- IAP benefit and other payments increased $22.5 million, or 38.9 percent. Accounts withdrawn were higher due to positive earnings for the year.
- Deferred compensation benefits and other expenses increased from $39.7 million in fiscal year 2009 to $46.8 million, or 17.9 percent, in fiscal year 2010. Benefit payments were higher due to investment gains and increased retirement activity.
- Retirement Health Insurance Account benefit and other payments increased $0.5 million, or 1.97 percent, from prior year expenses as a result of increases in premium payments due to additional retirements.
- Retiree Health Insurance Premium Account benefit payments increased $0.4 million, or 18.1 percent, from prior year expenses as a result of increases in premium payments due to additional retirements.
- Standard Retiree Health Insurance Account healthcare and other payments increased $11.4 million, or 9.9 percent, over prior year payments due to increases in healthcare costs.

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

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

	Defined Benefit Pension Plan		Individual Account Program		Deferred Compensation Plan	
	2010	2009	2010	2009	2010	2009
Additions:						
Member Contributions	$ 13,600	$ 8,452	$ 505,922	$ 495,934	$ 66,709	$ 66,728
Employer Contributions	433,269	649,707	—	—	—	—
Net Investment and Other Income (Loss)	7,279,891	(12,903,221)	393,652	(553,147)	84,417	(142,100)
Total Additions	$ 7,726,760	(12,245,062)	899,574	(57,213)	151,126	(75,372)
Deductions:						
Pension Benefits	2,912,154	2,787,049	72,802	49,535	45,901	38,858
Other	57,620	65,914	7,674	8,413	890	816
Total Deductions	2,969,774	2,852,963	80,476	57,948	46,791	39,674
Net Increase (Decrease)	$ 4,756,986	$ (15,098,025)	$ 819,098	$ (115,161)	$ 104,335	$ (115,046)

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

	Retirement Heath Insurance Account		Retiree Heath Insurance Premium Account		Standard Retiree Health Insurance Account	
	2010	2009	2010	2009	2010	2009
Additions:						
Member Contributions	$ –	$ –	$ –	$ –	$ 126,929	$ 115,386
Employer Contributions	22,351	28,813	1,497	2,005	–	–
Net Investment and Other Income (Loss)	31,146	(52,279)	939	(1,578)	123	308
Total Additions	53,497	(23,466)	2,436	427	127,052	115,694
Deductions:						
OPEB Benefits	28,822	28,263	2,307	1,926	124,449	113,075
Other	975	958	104	116	2,198	2,150
Total Deductions	29,797	29,221	2,411	2,042	126,647	115,225
Net Increase (Decrease)	$ 23,700	$ (52,687)	$ 25	$ (1,615)	$ 405	$ 469

PLAN MEMBERSHIP

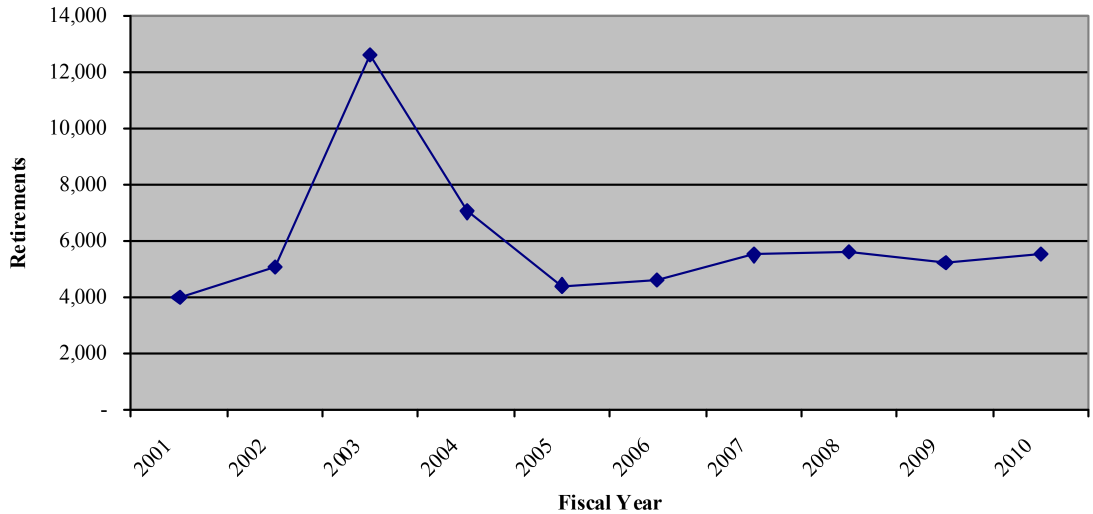
The table below reflects the defined benefit pension plan membership as of the beginning and end of the fiscal year.

TABLE 5
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2010	2009	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	101,795	100,060	1.7 %
Police and Fire	8,847	7,876	12.3
Total	110,642	107,936	2.5
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	192,068	190,211	1.0
Police and Fire	16,199	14,101	14.9
Nonvested:			
General	5,859	9,834	(40.4)
Police and Fire	248	319	(22.3)
Total	214,374	214,465	0.0 %

Service retirements increased for the first time in two years. Service retirements in fiscal year 2010 were 5,512 compared to 5,214 in fiscal year 2009, an increase of 5.7 percent. Although the number of members eligible to retire is increasing, many are cautious about retiring in an uncertain economy.

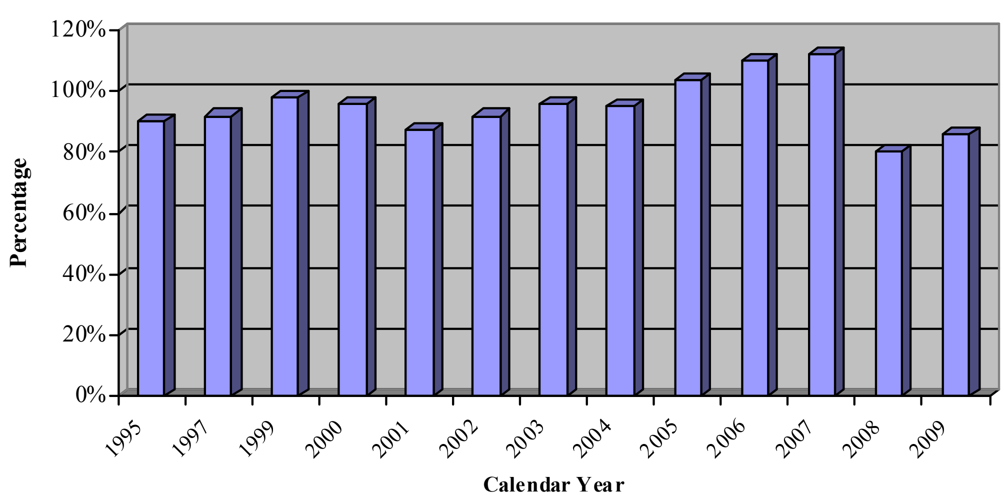
TABLE 6
SERVICE RETIREMENTS
By Fiscal Year



FUNDING STATUS

The System's Unfunded Actuarial Liability (UAL) for pension and other postemployment benefits decreased by $2,668.0 million, going from $11,064.7 million in 2008 to $8,396.7 million as of December 31, 2009. The System's UAL was derived using the projected unit credit method. Investment gains through December 31, 2009, led to the improved funding status.

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



INVESTMENT ACTIVITIES

During fiscal year 2010 investments increased 13.5 percent over the prior fiscal year as the economy began recovering from the recession. Investment returns for all major asset classes except real estate were positive, and the public equity and fixed income asset classes outperformed benchmarks. Domestic and international equities increased approximately $1,973.7 million. Investments in debt securities increased $1,101.4 million as a result of purchases made in accordance with the Oregon Investment Council's asset allocation policy. Private equity investments were up approximately $2,766.1 million for the year, and the four-year-old Opportunity Portfolio increased approximately $90.6 million during the fiscal year. The fair value of real estate investments decreased by $54.9 million as the housing market continued to slump. One-year returns on asset classes and comparative benchmarks are presented in the table below.

EFFECT OF ECONOMIC FACTORS

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

Benefit payments increased slightly in fiscal year 2010 due to an increase in the number of retirees. The majority of retirees retiring elected to transfer out of the variable account at retirement. Retirees who elected to continue participating in the variable account after retirement experienced an increase in related benefits of approximately 15.4 percent, effective February 1, 2010, compared to a decrease of 48.2 percent effective February 1, 2009. This increase in benefits was due to investment gains in the variable account for the period of November 1, 2008, through October 31, 2009.

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.

TABLE 8
INVESTMENT RETURN
Periods Ending June 30:

	2010	2009
Total Portfolio, Excluding Variable	17.0%	(22.2)%
Policy Benchmark	15.5	(18.8)
Variable Account	13.2	(28.8)
Variable Account Blended Index	13.1	(28.9)
Domestic Stocks	16.8	(28.0)
Benchmark: Russell 3000 Index	15.7	(26.6)
International Stocks	12.5	(29.1)
Benchmark: Custom Index[1]	11.5	(30.5)
Fixed Income Segment	18.5	2.1
Benchmark: Custom Index[2]	10.0	5.3
Real Estate[3]	(0.7)	(27.7)
Benchmark: NCREIF	(9.6)	(14.7)
NAREIT Equity REIT Index	53.9	(43.3)
Private Equity[4]	28.3	(25.8)
Benchmark: Russell 3000 + 300 bps	56.1	(33.7)

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

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Statements of Fiduciary Net Assets
Pension and Other Postemployment Plans
As of June 30, 2010

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Defined Benefit OPEB Plans: Retirement Health Insurance Account	Defined Benefit OPEB Plans: Retiree Health Insurance Premium Account
Assets:				
Cash and Cash Equivalents	$ 2,155,996,485	$ 176,883,746	$ 11,395,311	$ 420,520
Receivables:				
Employer	16,451,913	—	666,062	14,675
Plan Member	—	12,196,275	—	—
Interest and Dividends	320,577,239	19,591,473	1,403,726	37,959
Member Loans	—	—	—	—
Investment Sales and Other Receivables	419,981,707	22,536,309	1,613,958	43,644
Total Receivables	757,010,859	54,324,057	3,683,746	96,278
Due from Other Funds	1,049,403	5,253	226	14
Investments:				
Debt Securities	12,380,796,430	756,629,009	54,212,339	1,465,973
Public Equity	17,702,647,414	1,032,405,646	73,971,688	2,000,292
Real Estate	4,446,783,421	271,756,777	19,471,327	526,530
Private Equity	10,242,743,176	625,965,919	44,850,351	1,212,812
Opportunity Portfolio	985,574,153	60,231,505	4,315,577	116,699
Total Investments	45,758,544,594	2,746,988,856	196,821,282	5,322,306
Securities Lending Cash Collateral	3,748,495,230	231,367,499	16,512,467	452,309
Prepaid Expenses and Deferred Charges	9,126,048	516,029	36,973	1,000
Capital Assets at Cost, Net of Accumulated Depreciation	34,583,609	422,415	—	—
Total Assets	**52,464,806,228**	**3,210,507,855**	**228,450,005**	**6,292,427**
Liabilities:				
Investment Purchases and Accrued Expenses	969,552,289	44,704,596	3,171,631	85,766
Deposits and Other Liabilities	57,266,281	5,342,837	7,235	829
Due Other Funds	5,494	886,191	12,894	8,970
COPs Payable	4,111,603	—	—	—
Deferred Revenue	360,744	—	—	—
Obligations Under Reverse Repurchase Agreements	—	—	—	—
Securities Lending Collateral Due Borrowers	3,748,495,230	231,367,499	16,512,467	452,309
Total Liabilities	**4,779,791,641**	**282,301,123**	**19,704,227**	**547,874**
Net Assets Held in Trust for Benefits	**$ 47,685,014,587**	**$ 2,928,206,732**	**$ 208,745,778**	**$ 5,744,553**

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

Employee Benefit Plan Standard Retiree Health Insurance Account	Deferred Compensation Plan	2010	2009
$ 8,230,286	$ 58,703,642	$ 2,411,629,990	$ 3,240,699,637
—	—	17,132,650	26,123,844
105,313	—	12,301,588	14,968,987
—	300,944	341,911,341	274,686,133
—	7,238,479	7,238,479	5,079,857
—	65,849	444,241,467	579,686,364
105,313	7,605,272	822,825,525	900,545,185
—	—	1,054,896	1,465,467
—	240,373,017	13,433,476,768	12,332,112,775
—	606,156,145	19,417,181,185	17,443,513,318
—	—	4,738,538,055	4,793,460,071
—	—	10,914,772,258	8,148,656,702
—	—	1,050,237,934	959,636,941
—	846,529,162	49,554,206,200	43,677,379,807
437,355	93,918	3,997,358,778	4,600,950,697
—	—	9,680,050	12,291,460
—	—	35,006,024	34,019,966
8,772,954	**912,931,994**	**56,831,761,463**	**52,467,352,219**
2,814	253,358	1,017,770,454	1,610,703,270
16,220	6,131	62,639,533	95,462,495
25,205	116,142	1,054,896	1,465,467
—	—	4,111,603	4,577,837
—	521,720	882,464	797,739
—	—	—	110,000,000
437,355	93,918	3,997,358,778	4,600,950,697
481,594	**991,269**	**5,083,817,728**	**6,423,957,505**
$ 8,291,360	**$ 911,940,725**	**$ 51,747,943,735**	**$ 46,043,394,714**

Statements of Changes in Fiduciary Net Assets
Pension and Other Postemployment Plans
For the Year Ended June 30, 2010

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Defined Benefit OPEB Plans: Retirement Health Insurance Account	Defined Benefit OPEB Plans: Retiree Health Insurance Premium Account
Additions:				
Contributions:				
Employer	$ 433,268,434	$ —	$ 22,351,240	$ 1,496,640
Plan Member	13,600,476	505,922,492	—	—
Total Contributions	446,868,910	505,922,492	22,351,240	1,496,640
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	6,024,087,664	319,045,681	25,649,939	779,849
Interest, Dividends, and Other Investment Income	1,536,770,453	90,411,164	6,721,168	194,508
Total Investment Income	7,560,858,117	409,456,845	32,371,107	974,357
Less Investment Expense	303,180,396	16,965,316	1,316,656	37,717
Net Investment Income	7,257,677,721	392,491,529	31,054,451	936,640
Securities Lending Income:				
Securities Lending Income	31,022,372	1,715,175	135,274	3,926
Less Securities Lending Expense	10,132,657	563,334	44,307	1,292
Net Securities Lending Income	20,889,715	1,151,841	90,967	2,634
Other Income	1,323,228	7,992	—	—
Total Additions	7,726,759,574	899,573,854	53,496,658	2,435,914
Deductions:				
Benefits	2,912,153,841	72,802,216	—	—
Death Benefits	3,414,960	—	—	—
Refunds of Contributions	25,692,404	—	—	—
Administrative Expense	28,512,343	7,673,682	974,988	103,645
Healthcare Premium Subsidies	—	—	28,821,538	2,307,059
Retiree Healthcare Expense	—	—	—	—
Total Deductions	2,969,773,548	80,475,898	29,796,526	2,410,704
Net Increase (Decrease)	**4,756,986,026**	**819,097,956**	**23,700,132**	**25,210**
Prior Period Adjustment				
Net Assets Held in Trust for Benefits				
Beginning of Year, Restated	42,928,028,561	2,109,108,776	185,045,646	5,719,343
End of Year	**$ 47,685,014,587**	**$ 2,928,206,732**	**$ 208,745,778**	**$ 5,744,553**

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

Employee Benefit Plan Standard Retiree Health Insurance Account	Deferred Compensation Plan	2010	2009
$ —	$ —	$ 457,116,314	$ 680,524,769
126,929,401	66,708,970	713,161,339	686,500,358
126,929,401	66,708,970	1,170,277,653	1,367,025,127
—	84,847,119	6,454,410,252	(14,727,130,278)
103,701	1,051,730	1,635,252,724	1,355,984,423
103,701	85,898,849	8,089,662,976	(13,371,145,855)
—	2,321,317	323,821,402	335,469,317
103,701	83,577,532	7,765,841,574	(13,706,615,172)
799	172	32,877,718	99,394,837
799	172	10,742,561	46,303,969
—	—	22,135,157	53,090,868
18,858	839,669	2,189,747	1,507,133
127,051,960	151,126,171	8,960,444,131	(12,284,992,044)
—	45,901,913	3,030,857,970	2,875,442,130
—	—	3,414,960	3,169,092
—	—	25,692,404	36,548,963
2,197,540	889,647	40,351,845	38,648,977
—	—	31,128,597	30,188,816
124,449,334	—	124,449,334	113,074,954
126,646,874	46,791,560	3,255,895,110	3,097,072,932
405,086	**104,334,611**	**5,704,549,021**	**(15,382,064,976)**
			15,761,557
7,886,274	807,606,114	46,043,394,714	61,409,698,133
$ 8,291,360	**$ 911,940,725**	**$ 51,747,943,735**	**$ 46,043,394,714**

Notes to the Financial Statements
June 30, 2010

(1) Description of Plan

A. Plan Membership

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

TABLE 1

Employee and Retiree Members	
Retirees and beneficiaries currently receiving benefits:	
	6/30/2010
General	101,795
Police and fire	8,847
Total	**110,642**
Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	192,068
Police and Fire	16,199
Nonvested:	
General	5,859
Police and Fire	248
Total	**214,374**

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, 2010, there were 54,477 active and 21,054 inactive for a total of 75,531 Tier One members and 53,046 active and 14,967 inactive for a total of 68,013 Tier Two members in the System.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Membership includes public employees hired on or after August 29, 2003. As of June 30, 2010, there were 69,227 active and 1,603 inactive members for a total of 70,830 OPSRP Pension Program members.

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

B. Plan Benefits

a. PERS Pension (Chapter 238)

1. Pension Benefits

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

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

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

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

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

2. Death Benefits

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

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

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

3. Disability Benefits

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

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

4. Benefit Changes After Retirement

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

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 238.410 established the Standard Retiree Health Insurance Account (SRHIA), an employee benefit plan. The Board contracts for medical and hospital insurance on behalf of retired members. Members and their dependents are eligible for PERS healthcare coverage if the member is receiving a retirement allowance or benefit under the System. A surviving spouse or dependent of a PERS retiree is eligible to participate if he or she was covered under the health plan at the time of the retiree's death.

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to $60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing, multiple-employer defined benefit OPEB plan for 897 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, 2010, PERS employers contributed 0.10 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.19 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2007 actuarial valuation. This is included in the employer contribution rates listed in Table 3 on page 29.

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 39,652 for the fiscal year ended June 30, 2010. As of December 31, 2009, there were 93,974 active and 13,660 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, 2010, state agencies contributed 0.06 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIPA benefits. State agencies contributed 0.02 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. These rates were based on the December 31, 2007 actuarial valuation. This is included in the employer contribution rates listed in Table 3 on page 29.

The number of active plan RHIPA participants was 830 for the fiscal year ended June 30, 2010. As of December 31, 2009, there were 25,166 active members who meet the requirements to receive RHIPA benefits when they retire. Inactive members are not eligible for these benefits.

All subsidy payments from the RHIA, the RHIPA, and contributions from retired members are deposited in the SRHIA. Payments for medical and hospital insurance contracted for on behalf of retired members are made from SRHIA.

(2) Summary of Significant Accounting Policies

A. Basis of Presentation

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

PERS' activities are accounted for in two trust funds:

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

B. Basis of Accounting

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

C. Budgetary Data

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

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

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

TABLE 2

	Legislatively Approved Budget	Actual	Unobligated Balance at June 30, 2010
2009-2011 Biennium:			
Personal Services	$ 52,751,494	$ 24,638,228	$ 28,113,266
Services and Supplies	40,664,534	15,090,222	25,574,312
Capital Outlay	593,588	111,813	481,775
Special Payments	6,466,138,000	3,017,107,214	3,449,030,786
Debt Service	1,423,075	708,875	714,200
Total	$ 6,561,570,691	$ 3,057,656,352	$ 3,503,914,339

Total Deductions July 1, 2009 - June 30, 2010	
Budgetary Basis (non-GAAP)	$ 3,057,656,352
Add:	
Depreciation Expense	1,835,890
Adjustment for Net OPEB Obligation	51,780
Increase in Compensated Absences	68,412
Decrease in Travel Advances	6,653
COP Amortization	6,918
Expenses Reflected in Prior Biennium	224,765,367
Deduct:	
Retirement Benefits Attributable to Allocated Annuity Contracts	19,029,976
Decrease in Accrued Benefits and Special Payments	5,132,176
Increase in Prepaid Expenses	363,706
Capital Outlay	2,821,948
Principal Payment Portion of Debt Service	470,000
Decrease in Accrued Expenses	678,456
Statements of Changes in Fiduciary Net Assets	**$3,255,895,110**

Table 2 reconciles deductions on the budgetary basis to deductions presented in the Statements of Changes in Fiduciary Net Assets. The legislatively approved budget includes increases approved by the Legislative Emergency Board through June 30, 2010.

D. Valuation of Investments

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

The fair value of publicly traded debt and equity securities in active markets is determined by the custodial agent using nationally recognized pricing services. The custodial agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodial agent or the investment manager. For example, a similar benchmark security may be used to 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 custodial agency using recognized pricing services. Publicly traded REIT securities account for 20 percent of the real estate asset class as of June 30, 2010.

Investments in private equities are recorded at fair value determined by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner 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 determined in good faith by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the opportunity portfolio are recorded at fair value by the respective general partner or account manager. Certain opportunity portfolio investments, accounting for 52 percent of the year-end opportunity portfolio, are June 30, 2010 values. The remaining 48 percent of the year-end opportunity portfolio are March 31, 2010 values that are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. Investments in the opportunity portfolio representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation, and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets); (2) the income approach (e.g. the discounted cash flow method).

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

E. 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.

(3) Contributions and Reserves

A. Contributions

a. Member Contributions

Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP), an IRC 401(a) defined contribution plan. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 to 7.0 percent of salary and are remitted by participating employers, who may agree to make member contributions on the member's behalf. The contributions are either deducted from member salaries or paid by the employers. The Member Reserve, described in Note (3) C.1., represents accumulated member contributions and earnings allocations made prior to January 1, 2004, and subsequent earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities. The IAP member accounts represent member contributions

TABLE 3

Contribution Rate Summary [1]	Defined Benefit Pension							Postemployment Healthcare	
	PERS Defined Benefit Plan					OPSRP Pension Program		RHIA	RHIPA
	Pooled Employers			Non-Pooled Employers		All Employers		All Employers	State Only
	State Agencies [2]	State and Local Government Rate Pool [3]	School Pool [3]	Political Subdivisions [3,4]	Judiciary	General Service	Police and Fire		
Employee IAP	6.00%	6.00%	6.00%	6.00%	0.00%	6.00%	6.00%	0.00%	0.00%
Employee Normal Cost	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.00
Employer Normal Cost	6.09	6.31	5.19	7.92	23.80	5.81	8.52	0.10	0.06
Unfunded Actuarial Liability	(3.10)	4.84	8.82	2.57	(9.22)	(0.08)	(0.08)	0.19	0.02
Total Employer Contributions	2.99	11.15	14.01	10.49	14.58	5.73	8.44	0.29	0.08

[1] Group average rates shown were effective as of July 1, 2009.
[2] A subcomponent of the State and Local Government Rate Pool; includes UAL payment rate offset.
[3] Does not include UAL payment rate offsets.
[4] Non-pooled Political Subdivisions are valued separately for the Defined Benefit Plan.

made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

b. Employer Contributions

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

Employer contribution rates during the period were based on the December 31, 2007 actuarial valuation, which became effective July 1, 2009. The state of Oregon and certain schools, community colleges, and political subdivisions have made UAL payments, and their rates have been reduced. (See Table 3.)

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

Pension rates for the State and Local Government Rate Pool were 11.15 percent, schools 14.01 percent, and judiciary 14.58 percent of PERS-covered salaries, effective July 1, 2009. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension rate of 10.49 percent.

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

Based on the actuarial valuation as of December 31, 2007, judiciary, state agencies, schools, and certain political subdivisions had a decrease in employer contribution rates. Political subdivisions experienced an increase in their employer contribution rates. These rate changes are measured against the actual average rates paid since July 1, 2007. The Board practice is to implement new employer contribution rates July 1 of each odd-numbered year based on the valuation of the previous odd-numbered year.

2. OPSRP Pension Program Contributions (ORS 238A)

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

B. Actuarial Cost Method and Assumptions

The employer contribution rates effective July 1, 2009, through June 30, 2011, were set using the projected unit credit (PUC) actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which have the following amortization periods: a three-year rolling amortization period for the increase in liabilities due to the change of actuarial valuation methods in 2004 from entry age PUC with the remainder being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years, and (3) an actuarially determined amount for funding postemployment healthcare subsidies. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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

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

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members as of the December 31, 2009 valuation.

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

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

C. Reserves and Designations

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

1. Member Reserve

The Member Reserve of $8,166.4 million as of June 30, 2010, 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 $20,475.4 million as of June 30, 2010, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

3. Benefit Reserve

The Benefit Reserve of $18,756.2 million as of June 30, 2010, is the amount set aside to pay future benefits. It includes funds transferred from the individual member and

TABLE 4 (dollar amounts in millions)

Funding 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)
Pension						
12/31/2009	$48,729.2	$56,810.6	$8,081.4	85.8%	$8,512.2	94.9%
RHIA						
12/31/2009	214.1	511.2	297.1	41.9	8,512.2	3.5
RHIPA						
12/31/2009	6.4	24.5	18.2	25.9	2,371.8	0.8

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

TABLE 5

Actuarial Methods and Assumptions

	Pension	RHIA	RHIPA
Valuation date	December 31, 2009	December 31, 2009	December 31, 2009
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 2010 to 4.5 percent in 2029.

employer accounts and earnings allocations less amounts paid for retirements and disabilities.

4. Tier One Rate Guarantee Reserve

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

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

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

(b) the reserve has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years. As of June 30, 2010, the balance of this reserve was ($441.7) million.

5. Board Actions Affecting Reserves

As part of its December 31, 2009 earnings crediting decision, the Board decided not to make any changes to the Contingency Reserve.

6. Contingency Reserve

The Contingency Reserve is to be maintained and used by the Board to prevent any deficit of moneys available for the payment of retirement allowances due to interest fluctuations, changes in mortality rates, or other unforeseen contingency. As of June 30, 2010, the balance of this reserve was $628.1 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, 2010, the reserve had a balance of $25.0 million.

8. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2010, 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, 2010, the balance of this designation was ($433.2) million.

10. OPSRP Defined Benefit Program

OPSRP Defined Benefit plan net assets balance represents the program's accumulation of employer contributions and investment earnings less benefits and administrative expenses. As of June 30, 2010, the balance of this account was $508.9 million.

<u>Other Postemployment Benefits Plans</u>

11. Retirement Health Insurance Account (RHIA)

The RHIA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2010, the balance of this account was $208.7 million.

12. Retiree Health Insurance Premium Account (RHIPA)

The RHIPA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2010, the balance of this account was $5.7 million.

<u>Employee Benefit Plan</u>

13. Standard Retiree Health Insurance Account (SRHIA)

The SRHIA plan net assets balance represents the program's accumulation of retiree contributions and interest earnings less premiums and administrative expenses. As of June 30, 2010, the balance of this account was $8.3 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.

(4) Reporting Entity

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

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

(5) Receivables and Payables

A. Receivables

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

Accounts receivable for Strunk and Eugene Payment Adjustments (from prior litigation) resulted from recalculating benefits for recipients who received lump-sum payments.

Collection of these receivables has been put on hold pending a final court decision (a subsequent related litigation–see note 11B) and is not expected to occur within one year.

TABLE 6

Accounts Receivable	June 30, 2010
Broker Receivable	$ 392,772,585
Strunk/Eugene Payment Adjustments	51,260,798
Other	208,084
Total	**$ 444,241,467**

B. Payables

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

TABLE 7

Accounts Payable	June 30, 2010
Broker Payable	$ 745,800,560
Pension Roll	236,288,933
Investment Fees	26,176,745
Death Benefits	5,945,333
Compensated Absences	1,390,679
Services and Supplies	1,025,295
Other	1,142,909
Total	**$ 1,017,770,454**

(6) 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 8.)

(7) Deposits and Investments

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

TABLE 8

Schedule of Capital Assets	Beginning of Year	Increases	Decreases	End of Year
Capital Assets				
Furniture and Equipment	$ 882,052	$ 63,200	$ (52,809)	$ 892,443
Data Processing Software[1]	30,568,956	2,710,135	—	33,279,091
Data Processing Hardware	3,774,072	48,613	(2,207,269)	1,615,416
Building and Building Improvements	7,436,081	—	—	7,436,081
Land	944,463	—	—	944,463
Total Capital Assets	43,605,624	2,821,948	(2,260,078)	44,167,494
Less Accumulated Depreciation				
Furniture and Equipment	(779,415)	(87,888)	52,809	(814,494)
Data Processing Software	(3,307,293)	(1,377,633)	—	(4,684,926)
Data Processing Hardware	(3,283,649)	(183,356)	2,207,269	(1,259,736)
Building and Building Improvements	(2,215,301)	(187,013)	—	(2,402,314)
Total Accumulated Depreciation	(9,585,658)	(1,835,890)	2,260,078	(9,161,470)
Capital Assets, Net	**$ 34,019,966**	**$ 986,058**	**$ —**	**$ 35,006,024**

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	$ 1,813,658
Oregon Public Service Retirement Plan	
Individual Account Program Depreciation	22,232[2]
Total Depreciation Expense	**$ 1,835,890**

[1]Beginning balance restated by $23,219,417 due to prior period adjustment.

2 Amortization of the jClarety software was changed to a 20-year life span.

A. Deposits

PERS cash and cash equivalents consist of cash on hand, deposits in the Oregon Short Term Fund (OSTF), and moneys held by external investment managers. OSTF is a cash and investment pool that operates as a demand deposit account and is required for use by all state funds. (See Table 9.)

TABLE 9

Depository Account	Bank Balance
Insured	$ 117,137,270
Collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon	1,179
Oregon Short Term Fund	979,300,000
Uninsured and uncollateralized	1,320,647,891
Total deposits	**$ 2,417,086,340**

1. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, PERS' deposits may not be recovered. OSTF is separately audited by the Oregon Audits Division. The audited financial statements can be viewed at http://www.ost.state.or.us/About/OSTF/Statements/OSTF-6-30-2010.pdf. Custodial credit risk of OSTF is addressed in the notes to those financial statements.

Cash and cash equivalents in OSTF are held in demand deposit accounts and time certificates of deposit. These deposits are insured by FDIC coverage and are also collateralized to a minimum of 25 percent in accordance with ORS 295.015. Balances in excess of the FDIC insurance plus 25 percent are considered exposed to custodial credit risk. The balance in the OSTF is fully insured and not exposed to custodial credit risk. As of June 30, 2010, the carrying amount of PERS' deposits in OSTF totaled $973.8 million, and the corresponding bank balance was $979.3 million.

Deposits of cash and cash equivalents in the certificates of participation reserve account, totaling $1,179 at June 30, 2010, are collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon.

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. As of June 30, 2010, there was $1,437.8 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers, of which $1,320.6 million was exposed to custodial credit risk.

2. Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the fair value of the deposits. Foreign currency risk is controlled via contractual agreements with the investment managers. As of June 30, 2010, $85.3 million in cash and cash equivalents was exposed to foreign currency risk. The U.S. dollar balances of these deposits, organized by currency denomination, are presented in Table 13 on page 35.

3. Restricted Cash Equivalents

PERS' cash and cash equivalents at June 30, 2010, include futures and swap collateral of $136.4 million held by investment managers. This amount is restricted and is not available to pay current liabilities.

B. Investments

Table 10 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2010.

TABLE 10

Investments at June 30, 2010	Fair Value
Repurchase Agreements	$ 13,236,000
U.S. Treasury Obligations	1,526,798,135
U.S. Federal Agency Mortgage Securities	757,508,290
U.S. Federal Agency Debt	136,486,003
U.S. Federal Agency Strips	42,969,662
U.S. Treasury Obligations – Strips	47,769,852
U.S. Treasury Obligations – TIPS	101,469,446
International Debt Securities	2,041,007,547
Corporate Bonds	3,591,725,779
Bank Loans	2,011,998,083
Municipal Bonds	113,859,860
Collateralized Mortgage Obligations	1,095,532,089
Asset-Backed Securities	483,844,491
Mutual Funds – Domestic Fixed Income	1,427,848,680
Mutual Funds – International Fixed Income	41,422,851
Total Debt Securities	13,433,476,768
Derivatives	39,849,290
Domestic Equity Securities	5,418,007,263
International Equity Securities	8,642,890,317
Mutual Funds – Domestic Equity	1,967,485,510
Mutual Funds – Global Equity	861,464,072
Mutual Funds – International Equity	2,282,393,009
Mutual Funds – Target Date	205,091,724
Limited Partnerships and Leveraged Buyouts	10,914,772,258
Real Estate and Real Estate Investment Trusts	4,738,538,055
Opportunity Portfolio	1,050,237,934
Total PERS Investments	**$ 49,554,206,200**

TABLE 11

Debt Securities at June 30, 2010	Fair Value
Quality Rating	
AAA	$ 2,082,855,624
AA	665,532,904
A	1,126,715,401
BBB	1,539,099,902
BB	617,169,547
B	738,185,411
CCC	632,430,933
CC	46,146,884
C	17,867,597
D	22,799,207
Unrated	5,198,111,124
Total Subject to Credit Risk	**$ 12,686,914,534**
U.S. Government Guaranteed Debt	1,845,553,855
Less Amounts Recorded as Cash and Cash Equivalents	(1,098,991,621)
Total Debt Securities	**$ 13,433,476,768**

1. Credit Risk Debt Securities

It is OIC's policy that no more than 30 percent of the fixed income manager positions be below investment grade. Securities with a quality rating of below BBB- are considered below investment grade. Policies also require that the minimum aggregate credit quality be A+ as measured by the weighted average of the portfolio. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2010, the fair value of below grade investments, excluding unrated securities, is $2,074.6 million, or 27.7 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 $2,012.0 million in bank loans, $1,469.3 million in mutual funds, and $1,097.4 million in short term investments.

Table 11 on page 33 shows the quality ratings for credit risk debt securities as of June 30, 2010.

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, 2010, no investments were exposed to custodial credit risk.

3. Concentrations of Credit Risk

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

OIC provides the following limitations for fixed income manager positions:

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

As of June 30, 2010, there were no single issuer debt investments that exceeded the above guidelines nor were there investments in any one issuer that represent 5 percent or more of total investments.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 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, 2010, the weighted average duration of PERS' fixed income portfolio was 4.32 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

TABLE 12

Schedule of Interest Rate Risk — Effective Duration at June 30, 2010

	Fair Value	Effective Weighted Duration Rate (in years)
Repurchase Agreements	$ 13,236,000	1.69
U.S. Treasury Obligations	1,526,798,135	8.01
U.S. Federal Agency Mortgage Securities	757,508,290	1.63
U.S. Federal Agency Debt	136,486,003	7.20
U.S. Federal Agency Strips	42,969,662	8.68
U.S. Treasury Obligations – Strips	47,769,852	14.96
U.S. Treasury Obligations – TIPS	101,469,446	4.08
International Debt Securities	2,041,007,547	5.43
Corporate Bonds	3,591,725,779	5.07
Bank Loans	2,011,998,083	2.76
Municipal Bonds	113,859,860	8.84
Collateralized Mortgage Obligations	1,095,532,089	4.13
Asset-Backed Securities	483,844,491	2.15
Mutual Funds – Domestic Fixed Income	1,427,848,680	3.67
Mutual Funds – International Fixed Income	41,422,851	6.64
Total Debt Securities	**13,433,476,768**	
Cash Equivalent - Government Mutual Funds	56,914,037	0.08
Cash Equivalent - Short Term Investment Funds	1,040,509,598	0.08
Cash Equivalent - Repurchase Agreements and Treasury Bills	1,567,986	0.01
Total Subject to Interest Rate Risk	**$ 14,532,468,389**	

TABLE 13

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2010

Currency	Cash and Cash Equivalents	Equity	Debt	Total
Argentine peso	$ 84,794	$ —	$ —	$ 84,794
Australian dollar	3,314,361	327,526,732	94,643,003	425,484,096
Brazilian real	3,809,872	198,725,710	33,170,179	235,705,761
Canadian dollar	787,839	320,057,861	25,515,099	346,360,799
Cayman Islands dollar	48	—	—	48
Chilean peso	1,080,830	4,065,666	—	5,146,496
Chinese yuan	29,791	—	—	29,791
Colombian peso	—	3,809,609	824,345	4,633,954
Czech koruna	143,214	7,066,627	—	7,209,841
Danish krone	594,738	95,547,329	913,259	97,055,326
Egyptian pound	102,971	18,507,229	—	18,610,200
Euro	31,409,183	2,264,237,618	322,625,186	2,618,271,987
Hong Kong dollar	2,217,741	532,630,281	—	534,848,022
Hungarian forint	14,255	12,727,026	100,473	12,841,754
Indonesian rupiah	69,991	63,452,340	—	63,522,331
Israeli shekel	274,013	17,541,400	—	17,815,413
Japanese yen	12,636,643	1,580,006,958	169,977,600	1,762,621,201
Jordanian dinar	1	—	—	1
Malaysian ringgit	51,835	44,763,183	—	44,815,018
Mexican peso	243,486	46,460,061	173,489	46,877,036
New Taiwan dollar	1,590,988	171,772,452	—	173,363,440
New Zealand dollar	1,087,495	9,187,010	—	10,274,505
Norwegian krone	817,600	53,123,175	283,195	54,223,970
Pakistan rupee	57,270	3,842,272	—	3,899,542
Peruvian nuevo sol	34	813,339	—	813,373
Philippine peso	32,417	2,654,117	—	2,686,534
Polish zloty	111,216	13,860,007	971,834	14,943,057
Pound sterling	17,568,196	1,274,900,429	69,913,196	1,362,381,821
Russian ruble	26,894	—	490,213	517,107
Singaporan dollar	1,906,761	146,678,690	1,677,396	150,262,847
South African rand	526,467	167,838,383	—	168,364,850
South Korean won	476,353	286,762,264	—	287,238,617
Sri Lankan rupee	—	123	—	123
Swedish krona	1,006,068	167,037,164	1,541,257	169,584,489
Swiss franc	1,776,498	364,939,464	—	366,715,962
Thai baht	316,765	55,225,815	—	55,542,580
Turkish lira	1,103,413	130,427,296	—	131,530,709
Venezuelan fuerte	6,229	4	—	6,233
Total Subject to Foreign Currency Risk	**$ 85,276,270**	**$ 8,386,187,634**	**$ 722,819,724**	**$ 9,194,283,628**

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, 2010. Table 12 on page 34 shows the investments by type, amount, and effective weighted duration.

At June 30, 2010, PERS held approximately $1,910.1 million in debt instruments backed by pooled mortgages, Collateralized Mortgage Obligations (CMOs), or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exits and collateral held may potentially be insufficient to cover the principal due. An additional $553.4 million of debt instruments are asset-backed securities backed primarily by automobile, equipment lease, and student loan receivables. PERS also held $101.5 million in Treasury Inflation Protected Securities (TIPS), the face value of which changes with the consumer price index.

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, 2010, approximately 5.4 percent of the debt investment portfolio was invested in non-dollar denominated securities. (See Table 13.)

6. Unfunded Commitments

OIC has entered into agreements that commit PERF, upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2010, the PERF had $8,456.3 million in commitments to purchase private equity investments, $2,142.0 million in commitments to purchase real estate investments, and $375.4 million in commitments to purchase opportunity portfolio investments. These amounts are unfunded and are not recorded in the Statements of Fiduciary Net Assets.

C. Securities Lending

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

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

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2010, is effectively one day. On June 30, 2010, PERF had no credit risk exposure to borrowers because the amounts PERF owes borrowers exceed the amounts borrowers owe PERF. The fair value of invested cash collateral as of June 30, 2010, including accrued income, was $3,955.3 million. For the fiscal year ended June 30, 2010, total income from securities lending activity was $32.8 million, and total expenses for the period were $10.7 million for net income of $22.1 million.

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

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'

TABLE 14

Securities Lending as of June 30, 2010

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury Securities	$ 790,225,373	$ 804,652,338	$ 794,544,766
U.S. Agency Securities	375,754,780	384,735,702	380,667,457
Domestic Equity Securities	1,498,802,582	1,557,196,070	1,488,344,649
Domestic Debt Securities	649,733,006	663,166,082	650,161,219
International Equity Securities	1,155,781,655	1,213,946,381	578,258,695
International Debt Securities	27,503,215	27,986,863	16,072,963
Allocation from Oregon Short Term Fund	46,285,209	47,247,058	47,238,097
Total	**$ 4,544,085,820**	**$ 4,698,930,494**	**$ 3,955,287,846**

derivative investments is reported in the Investment Sales and Other Receivables, Investment Purchases and Accrued Expenses, and the Public Equity lines of the Statements of Fiduciary Net Assets – Pension and Other Postemployment Plans on pages 20 and 21 and the Schedule of Plan Net Assets – Defined Benefit Pension Plan on page 52. Changes in fair value during the fiscal year are reported in the Net Appreciation (Depreciation) in Fair Value of Investments line of the Statements of Changes in Fiduciary Net Assets – Pension and Other Postemployment Plans on pages 22 and 23 and the Schedule of Changes in Plan Net Assets – Defined Benefit Pension Plan on page 53. The fair values reported in Tables 17 through 22 are not the same as amounts reported as investments in the financial statements because derivatives with net loss positions have been reclassified as liabilities. The fair value of futures reported in Table 16 is $0.

Currency Forwards

A 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 $104.1 million for the fiscal year ended June 30, 2010. Table 15 presents currency forwards balances at June 30, 2010.

TABLE 15

Foreign Currency Exchange Contracts as of June 30, 2010

Description	Delivery Dates	Notional Value	Fair Value
Foreign currency exchange contracts purchased:			
Australian dollar	7/30/2010 - 9/15/2010	$ 233,274,268	$ (172,046)
Brazilian real	9/15/2010	96,712	(1,278)
Canadian dollar	7/2/2010 - 9/15/2010	232,664,366	(3,243,379)
Chinese yuan	9/28/2010 - 5/14/2013	15,791,430	(233,126)
Columbian peso	7/30/2010	689,015	(3,519)
Czech koruna	9/15/2010	190,160	222
Danish krone	7/2/2010 - 9/15/2010	31,467,134	277,794
Euro	7/1/2010 - 9/15/2010	470,281,356	6,174,730
Hong Kong dollar	7/2/2010 - 6/12/2012	33,522,636	9,358
Hungarian forint	9/15/2010	23,754,757	591,507
Indian rupee	7/30/2010	99,848	(871)
Indonesian rupiah	7/30/2010	284,498	1,656
Insrali shekel	7/26/2010 - 9/15/2010	5,359,878	(45,802)
Japanese yen	7/1/2010 - 9/15/2010	355,674,433	10,112,522
Kazakhstan tenge	7/12/2010 - 3/10/2011	702,051	(12,634)
Malaysian ringgit	9/15/2010 - 10/12/2010	1,081,922	10,658
Mexican peso	7/2/2010 - 9/15/2010	33,031,691	(164,635)
New Taiwan dollar	7/30/2010	671,680	(1,196)
New Zealand dollar	8/16/2010 - 9/15/2010	66,393,305	(1,575,369)
Norwegian krone	7/2/2010 - 6/12/2012	165,791,411	(3,933,738)
Peruvian nouveau sol	10/14/2010	284,910	615
Philippine peso	7/30/2010 - 11/15/2010	1,807,457	(23,980)
Polish zloty	9/15/2010	51,502	1,537
Pound sterling	7/1/2010 - 9/15/2010	261,495,424	6,864,248
Russian ruble	7/30/2010	639	-
Singapore dollar	9/15/2010	29,156,151	435,777
South African rand	7/1/2010 - 9/15/2010	118,268	(796)
South Korean won	7/28/2010 - 11/12/2010	32,316,257	175,954
Swedish krona	7/1/2010 - 9/15/2010	151,034,832	202,320
Swiss franc	7/1/2010 - 9/15/2010	129,713,628	5,653,148
Turkish lira	9/15/2010	65,441	91
Ukraine hryvna	7/22/2010	178,307	46,907
Total foreign currency exchange contracts purchased		**2,277,045,367**	**21,146,675**
Foreign currency exchange contracts sold:			
Argentine peso	5/17/2011	250,113	(2,445)
Australian dollar	7/1/2010 - 9/15/2010	189,367,568	4,219,904
Brazilian real	7/1/2010 - 9/15/2010	22,115,263	(296,685)
Canadian dollar	7/1/2010 - 9/15/2010	100,673,856	2,557,459
Chilean peso	7/30/2010	675,169	10,807
Chinese yuan	11/17/2010 - 7/20/2012	3,271,284	26,607
Colombian peso	7/30/2010	1,540,539	17,596
Czech koruna	9/15/2010	24,771,611	(614,625)
Danish krone	7/28/2010 - 9/15/2010	37,976,746	2,312,821
Euro	7/1/2010 - 10/25/2010	906,743,917	13,145,141
Hong Kong dollar	7/2/2010 - 9/15/2010	35,602,964	(62,534)
Hungarian forint	9/15/2010	99,883	(2,487)
Indian rupee	7/30/2010	98,399	(557)
Japanese yen	7/1/2010 - 7/1/2011	386,405,672	(12,074,406)
Malaysian ringgit	7/1/2010 - 10/12/2010	832,551	(13,756)
Mexican peso	7/1/2010 - 9/15/2010	7,150,128	171,165
New Zealand dollar	9/15/2010	15,061,601	93,977
Norwegian krone	7/1/2010 - 9/15/2010	53,173,692	813,722
Peruvian nouveau sol	10/14/2010	283,713	(1,813)
Philippine peso	11/15/2010	1,477,032	(7,495)
Polish zloty	9/15/2010	1,035,974	(31,291)
Pound sterling	7/1/2010 - 9/30/2010	221,154,489	(1,837,059)
Singapore dollar	7/2/2010 - 9/15/2010	29,619,545	(440,034)
South African rand	9/15/2010	65,007	(684)
South Korean won	7/28/2010 - 11/12/2010	12,769,062	346,880
Swedish krona	7/1/2010 - 9/15/2010	115,944,280	(3,524,954)
Swiss franc	7/1/2010 - 10/25/2010	41,257,529	(1,983,358)
Turkish lira	7/1/2010 - 9/15/2010	66,346	814
Ukraine hryvna	7/22/2010	176,183	(49,031)
Total foreign currency exchange contracts sold		**2,209,660,116**	**2,773,679**
Total foreign currency exchange contracts subject to foreign currency risk		**$ 4,486,705,483**	**$ 23,920,354**

TABLE 16

Futures Contracts as of June 30, 2010

	Expiration Date	Number of Contracts	Notional Value
Fixed Income			
Long cash and cash equivalents:			
90 Day Eurodollar	9/13/2010 - 6/13/2011	4,626	$ 1,147,944,763
Total Long cash and cash equivalents			1,147,944,763
Short cash and cash equivalents:			
90 Day Eurodollar	6/13/2011 - 6/15/2015	1,951	(477,122,213)
Total Short cash and cash equivalents			(477,122,213)
Long fixed income:			
30 Year US Treasury Bonds	9/21/2010	442	56,355,000
10 Year US Treasury Notes	9/21/2010	2,071	253,794,578
5 Year US Treasury Notes	9/30/2010	3,861	456,955,385
3 Year Australian T-bonds	9/15/2010	80	6,449,074
2 Year US Treasury Notes	7/1/2010 - 9/30/2010	3,499	766,171,518
Ultra Long U S Treasury Bonds	9/21/2010	506	68,721,125
German Euro BOBL	9/8/2010	190	28,139,511
German Euro Bund	9/8/2010	22	3,486,777
German Euro Schatz	9/8/2010	6	804,980
UK Long Gilt Bond	9/28/2010	97	17,566,969
Total Long Fixed Income			1,658,444,917
Short Fixed Income			
30 Year US Treasury Bonds	9/1/2010	678	(86,445,000)
10 Year Japan govt bonds	9/9/2010	46	(73,639,514)
10 Year Australian T-bonds	9/15/2010	939	(75,263,746)
10 Year US Treasury Notes	9/21/2010	5,570	(682,586,094)
2 Year US Treasury Notes	9/30/2010	309	(67,617,891)
5 Year US Treasury Notes	9/30/2010	329	(38,937,664)
Euro BTP Italian Govt Bond Futures	9/8/2010	4	(559,192)
German Euro BUND	9/8/2010	18	(2,852,817)
German Euro BUXL	9/8/2010	14	(1,922,358)
Ultra Long US Treasury Bonds	9/21/2010	114	(15,482,625)
Total Short Fixed Income			(1,045,306,901)
Total Fixed Income			**1,283,960,566**
Indexes			
Long purchased indexes:			
AEX	7/16/2010	501	38,845,630
ASX SPI 200	9/16/2010	382	34,379,038
CAC 40	7/16/2010	886	37,354,705
DAX	9/17/2010	120	21,906,729
DJ Euro STOXX 50	9/17/2010	5,601	176,181,912
FTSE 100	9/17/2010	1,915	139,827,762
FTSE MIB	9/17/2010	226	26,777,520
Hang Seng	7/29/2010	108	13,923,785
IBEX 35	7/16/2010	99	11,160,030
Russell 1000 Mini	9/17/2010	385	21,756,350
Russell 2000 Mini	9/17/2010	1,474	89,589,720
S&P 500 E Mini	9/17/2010	4,362	223,901,460
S&P 500	9/16/2010	1,062	272,562,300
S&P Midcap 400 E Mini	9/17/2010	77	5,467,000
S&P TSE 60	9/16/2010	400	49,626,876
SGX MSCI Singapore	7/29/2010	16	770,375
Swiss Market	9/17/2010	8	452,246
Topix	9/10/2010	115	105,653,464
Total Long purchased indexes			1,270,136,902
Short purchased indexes:			
ASX SPI 200	9/16/2010	539	(48,508,643)
Hang Seng	7/29/2010	160	(20,627,829)
OMX 30	7/16/2010	11	(142,483)
S&P 500 E MINI	9/17/2010	549	(28,180,170)
S&P TSE 60	9/16/2010	78	(9,677,241)
TOPIX	9/10/2010	99	(9,380,891)
Total Short purchased indexes			(116,517,257)
Total Indexes			**1,153,619,645**
Total Futures			**$ 2,437,580,211**

Futures & Forwards

Futures and forward contracts represent commitments to buy or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are exchanged-traded. Forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. The counterparty credit risk for futures is generally less than privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-trade future, daily settles the net change in the futures contract's value in cash with the broker. In the PERS portfolio futures and forward contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, equity indexes, and other market conditions. The Fund bears the market risk that arises from changes in the value of these instruments and the imperfect correlation between movements in the price of the futures and forward contracts and movements in the price of the securities hedged or used for cover. The change in fair value resulting from futures contract settlements totaled $408.3 million for the fiscal year ended June 30, 2010. The change in fair value resulting from forwards contract settlements totaled $2.9 million for the fiscal year ended June 30, 2010. Table 16 on page 38 presents futures contracts balances, and Table 17 below presents forwards contracts balances at June 30, 2010.

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

TABLE 17

Forwards as of June 30, 2010

	Expiration Date	Notional Value	Fair Value
Assets:			
JB 298	12/20/2018	$ 916,180	$ 38,674
OAT	10/25/2019	2,792,074	55,609
JB 308	6/20/2020	430,397	18,037
UK Gilt	1/22/2015 - 9/7/2039	2,999,479	115,431
Can	3/1/2012	1,146,798	(33,377)
USTN	2/15/2019 - 11/15/2039	2,236,134	144,413
US TIPS	7/15/2017	42,998,649	(60,643)
DBR	1/4/2019	4,082,155	16,457
Total Forward Assets		57,601,866	294,601
Liabilities:			
JB 298	12/20/2018	(1,805,397)	(127,939)
OAT	10/25/2019 - 10/25/2038	(4,738,441)	63,108
JB 288	9/20/2017	(596,260)	(22,014)
DBR	1/4/2037 - 7/4/2040	(1,603,857)	(26,226)
Austria	7/15/2020	(3,099,978)	13,062
BGB	3/28/2019	(1,318,927)	(49)
Total Forward Liabilities		(13,162,860)	(100,058)
Total Forwards		**$ 44,439,006**	**$ 194,543**

to a notional principal amount. In return the seller of protection agrees to pay the notional amount of the underlying instrument, less its distressed value, if a credit event occurs during the term of the swap. Credit default swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, credit default swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in specific investments, bond markets, and other market conditions. Credit default swaps are subject to general market risk, liquidity risk, credit risk, and the risk that the counterparty fails to perform.

Interest rate swaps represent agreements between two parties to exchange cash flows or the net value of cash flows based on a notional amount and an underlying interest rate. Interest rate swaps are privately negotiated contracts with customized terms and are transacted in over-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' swaps contracts for the year ended June 30, 2010, was ($21.1) million. Table 18 presents swaps balances at June 30, 2010. The counterparties' credit ratings for swaps at June 30, 2010, are shown on Table 19 on page 41.

TABLE 18

Swaps as of June 30, 2010

Description	PERS Receives	PERS Pays	Maturity date	Notional Value	Fair Value
Interest Rate Swaps - Pay Fixed Asset	See note *	0% - 5.425%	2/14/2013 - 2/15/2025	$ 35,000,000	$ 2,096,500
Interest Rate Swaps - Pay Fixed Liability	See note *	0% - 5.425%	5/21/2011 - 4/22/2040	859,342,128	(40,137,080)
Interest Rate Swaps - Receive Fixed Asset	0% - 11.57%	See note *	2/11/2011 - 5/4/2040	701,385,000	16,782,534
Credit Default Swaps - Pay Fixed Assets	Credit default protection	0% - 5.0%	6/20/2011 - 2/17/2051	288,270,387	10,628,233
Credit Default Swaps - Pay Fixed Liabilities	Credit default protection	0% - 5.0%	12/20/2012 - 3/20/2019	217,943,288	(15,106,234)
Credit Default Swaps - Receive Fixed Assets	0.8% - 7.7%	Credit default protection	3/20/2011 - 6/25/2036	99,036,655	2,500,594
Credit Default Swaps - Receive Fixed Liabilities	0.8% - 7.7%	Credit default protection	12/20/2010 - 10/12/2052	423,567,953	(21,442,667)
Total Return Swaps - Receive set Reference Asset	CMBS	CMBS reset	10/1/2010	8,950,000	180,884
Total Return Swaps - Pay set Reference Liability	3 Month LIBOR	Russell 100 Index	5/13/2011	120,878	(279,129)
Total Swaps				**$ 2,633,616,289**	**$ (44,776,365)**

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

TABLE 19

Swaps at June 30, 2010

Counterparty Information	Ratings**	Credit Default Swaps	Interest Rate Swaps	Total Return Swaps	Total
Bank of America	A+/A+/Aa3	$ 572,715	$ (5,666,804)	$	$ (5,094,089)
Barclay's Bank	AA-/AA-/Aa3	(2,706,300)	(4,430,087)		(7,136,387)
BNP PARIBAS S.A.	NR/A+/NR	(2,335)			(2,335)
Citibank	A+/A+/A1	1,179,531			1,179,531
Credit Suisse	A+/AA-/Aa1	(3,727,003)		(279,128)	(4,006,131)
Deutsche Bank	A+/AA-/Aa3	(3,722,397)	(6,041,646)		(9,764,043)
Goldman Sachs	A/A+/A1	(6,630,333)	(453,669)	69,021	(7,014,981)
JP Morgan Chase	AA-/AA-/Aa1	384,329	335,910		720,239
JP Morgan Securities	A+/AA-/Aa3	(1,335,554)	(2,816,121)		(4,151,675)
Merrill Lynch	A/A+/A2	(382,012)	33,752		(348,260)
Morgan Stanley	A/A/A2	(3,416,981)	(1,697,456)		(5,114,437)
Royal Bank of Canada	AA-/AA/Aaa		142,345		142,345
Royal Bank of Scotland	A+/A+/Aa3	(121,747)	(673,713)	111,863	(683,597)
UBS AG Stamford	A+/A+/Aa3	(3,511,987)	9,442		(3,502,545)
Total Swaps Subject to Credit Risk		**$ (23,420,074)**	**$ (21,258,047)**	**$ (98,244)**	**$ (44,776,365)**

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

Options

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

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, 2010, was $1.9 million. Table 20 presents options balances at June 30, 2010.

TABLE 20

Options as of June 30, 2010

Description	Expiration Date	Contracts	Units	Fair Value
Fixed Income:				
Written Calls				
INF CAP USD CPURNSA	12/7/2010 - 3/4/2015	3,300,000	(3,300,000)	$ (25,942)
10 Year IRO USD	8/31/2010 - 10/29/2010	12,400,000	(12,400,000)	(310,016)
Total Written Calls			(15,700,000)	(335,958)
Written Puts				
INF Floor USD CPURNSA	3/4/2015	1,800,000	(1,800,000)	(27,108)
10 Year IRO USD	10/29/2010	9,600,000	(9,600,000)	(1,108)
Total Written Puts			(11,400,000)	(28,216)
Total Fixed Income			**(27,100,000)**	**$ (364,174)**
Option Futures				
Calls				
Purchased				
10 Year Treasury Note	8/27/2010	318	318,000	814,063
Written				
30 Year Treasury Note	7/23/2010	261	(261,000)	(322,172)
10 Year Treasury Note	8/27/2010	266	(266,000)	(819,140)
Eurodollar	9/13/2010 - 3/14/2011	711	(1,777,500)	(662,956)
S & P 500 Index	7/16/2010	29	(7,250)	(3,263)
Total Calls Written			(2,311,750)	(1,807,531)
Total Option Future Calls			(1,993,750)	$ (993,468)
Puts				
Purchased				
Eurodollar	9/13/2010	447	1,117,500	81,019
1 Year Eurodollar Midcurve	9/10/2010	329	822,500	63,744
Total Puts Purchased			1,940,000	144,763
Written				
Eurodollar	9/13/2010 - 3/14/2011	810	(2,025,000)	(137,606)
1 Year Eurodollar Midcurve	3/14/2011	329	(822,500)	(30,844)
S & P 500 Index	7/16/2010	29	(7,250)	(224,750)
Total Puts Written			(2,854,750)	(393,200)
Total Option Future Puts			(914,750)	(248,437)
Total Option Futures			**(2,908,500)**	**$ (1,241,905)**

Swaption

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

In writing a swaption, the Fund bears the market risk of an unfavorable change in the price of the underlying investment of the written swaption. Exercise of a swaption written by the Fund could result in the Fund selling or buying an asset at a price different from the current market value. The risk associated with purchasing a swaption is that the Fund pays a premium whether or not the option to enter a swap is exercised. Swaptions may be subject to interest rate risk, liquidity risk, and the risk of the counterparty's ability to perform. The change in fair value from PERS' swaptions contracts for the year ended June 30, 2010, was $5.2 million. Table 21 presents swaptions balances at June 30, 2010.

TBAs

To Be Announced (TBA) contracts represent commitments to buy or sell a mortgage-backed security at a future

TABLE 21

Swaptions as of June 30, 2010

Description	Expiration Date	Contracts	Units	Fair Value
Calls				
Purchased				
10 Yr RTR	3/3/2011	20,000,000	20,000,000	$ -
OTC	9/1/2010 - 9/3/2010	8,700,000	8,700,000	-
Total Calls Purchased			28,700,000	-
Written				
10 Yr RTR	3/3/2011	20,000,000	(20,000,000)	-
OTC	9/1/2010 - 9/3/2010	5,500,000	(5,500,000)	(11,694)
10 Year US Dollar	8/31/2010	3,500,000	(3,500,000)	(80,849)
Total Calls Written			(29,000,000)	(92,543)
Puts				
Purchased				
10 Yr RTP	3/3/2011	20,000,000	20,000,000	-
Great Britain Pound	12/15/2015	2,800,000	2,800,000	384,870
IRO Great Britain Pound	12/15/2015	6,300,000	6,300,000	865,959
Total Puts Purchased			29,100,000	1,250,829
Written				
10 Year RTP	3/3/2011	20,000,000	(20,000,000)	-
IRO Eurodollar	7/1/2014	2,500,000	(2,500,000)	(2,405)
IRO US Dollar	8/31/2010	14,700,000	(14,700,000)	(2)
10 Year US Dollar	8/31/2010	3,500,000	(3,500,000)	(35)
IRO 10 Year US Dollar	8/31/2010	23,300,000	(23,300,000)	(30)
Swaption 317U153B3	7/10/2012	3,800,000	(3,800,000)	(1,608)
Total Calls Written			(67,800,000)	(4,080)
Total Swaptions			**(39,000,000)**	**$ 1,154,206**

date and at a specified price. They are traded on organized exchanges and are used to manage interest rate risk. Pass-through securities issued by Freddie Mac, Fannie Mae, and Ginnie Mae trade in the TBA market. The term “TBA” is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are “to be announced” 48 hours prior to the established trade settlement date. In the PERS portfolio TBA securities may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets and other market conditions. TBA securities are subject to interest rate risk and bond market risk. The change in fair value from PERS’ TBA contracts for the year ended June 30, 2010, was ($9.4) million. Table 22 presents TBA contracts balances at June 30, 2010.

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, 2010, was $3.8 million. The fair value of PERS’ rights and warrants at June 30, 2010, are shown in Table 23.

TABLE 22

To Be Announced (TBA) Contracts as of June 30, 2010

	Expiration Date		Face Value		Fair Value
Assets:					
FHLMC	8/30/2010	$	47,100,000	$	(41,843)
FNMA	7/15/2010 - 6/15/2011		355,975,000		1,677,986
GNMA I	7/30/2010 - 8/30/`2010		54,140,000		274,501
GNMA II	8/30/2010 -9/30/2010		65,500,000		366,446
Total Assets			522,715,000		2,277,090
Liabilities:					
FNMA	7/15/2010 - 6/30/2011		(269,950,000)		(2,749,275)
Total Liabilities			(269,950,000)		(2,749,275)
Total TBAs		$	**252,765,000**	$	**(472,185)**

TABLE 23

Rights and Warrants as of June 30, 2010

	Expiration Date	Related Number of Shares		Fair Value
Rights	11/23/2009 -1/1/2014	1,132,425	$	213,670
Warrants	11/1/2010 - 10/13/2014	4,793,521		5,237,216
Total Rights and Warrants		**5,925,946**	$	**5,450,886**

(8) Leases

Operating leases are rental agreements where the payments are chargeable as rent and recorded in the services and supplies expense account. Should the legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses that provide for cancellation of the lease as of the end of a fiscal year. Lease obligations decrease each year because of various lease expirations. It is expected that ongoing leases will be replaced with leases that have higher rental rates due to inflation. Fiscal year 2010 operating lease expenses were $480,142. Table 24 summarizes future lease payments for each fiscal year during the next five-year period and thereafter.

TABLE 24

Future Lease Payments	Operating Leases
2011	$ 490,269
2012	341,663
2013	156,014
2014	8,049
Thereafter	0
Total Future Minimum Lease Payments	**$ 995,995**

(9) Deferred Compensation Plan

Deferred compensation plans are authorized under Internal Revenue Code Section 457. The Oregon Legislature enacted Chapter 179, Oregon Laws 1997 that established the Deferred Compensation Fund. ORS 243.400 to 243.507 established and provided for PERS to administer the state deferred compensation plan, known as the Oregon Savings Growth Plan (OSGP). As of June 30, 2010, the fair value of investments was $846.5 million.

The plan is a benefit available to all state employees. To participate, an employee executes an individual agreement with the state deferring current earnings to be paid at a future date. Participants in the plan are not required to pay federal and state income taxes on the deferred contributions and earnings until the funds are received. Participants or their beneficiaries cannot receive the funds until at least one of the following occurs: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a *de minimis* distribution from inactive accounts valued less than $5,000. A loan program is also available for eligible participants.

PERS contracts with ING to maintain OSGP participant records. The Office of the State Treasurer, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are 18 investment options with varying degrees of market risk. Up to five financial institutions provide investment services in mutual funds for each investment option. A participant receives a blend of these mutual funds within the investment option. Participants direct the selection of investment options and also bear any market risk. The state has no liability for losses under the plan but does have the prudent investor responsibility of due care. Total membership as of June 30, 2010, was 19,483.

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, 2010, averaged 0.25 percent of amounts deferred.

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

(10) Long-Term Debt

In 1997 PERS completed construction on its retirement system headquarters building in Tigard, Oregon. The construction was financed by the sale of certificates of participation (COP), Series A. In March 2002, a new COP, Series B, was issued at a 4.41 percent interest rate and was used to finance the original Series A COP. The Series B COP amount outstanding is $4,080,000 and has a final repayment due May 1, 2017.

Table 25 summarizes all future PERS building COP payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2015, and the remaining period ending June 30, 2017. The current portion of the PERS building debt is $500,000.

TABLE 25

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "B" Principal	Interest	Total Expenses
2011	$ 500,000	$ 214,200	$ 714,200
2012	520,000	187,950	707,950
2013	550,000	160,650	710,650
2014	580,000	131,775	711,775
2015	615,000	101,325	716,325
2016-2017	1,315,000	104,475	1,419,475
Total	**$ 4,080,000**	**$ 900,375**	**$ 4,980,375**

Table 26 summarizes the changes in long-term debt for the year ended June 30, 2010.

TABLE 26

Long-Term Debt Activity

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
PERS Building Principal	$ 4,550,000	$ —	$ 470,000	$ 4,080,000	$ 500,000
Plus: Premium (Net)	198,960	—	25,236	173,724	25,236
Less: Deferred Gain (Net)	(171,123)	—	(29,002)	(142,121)	(29,002)
Total COPs Payable	**$ 4,577,837**	**$ —**	**$ 466,234**	**$ 4,111,603**	**$ 496,234**

11) Litigation

Following is a summary of current PERS-related lawsuits:

A. White, et al. v. PERB

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

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

Briefing in the Oregon Court of Appeals concluded in August 2010, and the case has been set for oral argument on February 24, 2011. Legal counsel is unable to express an opinion as to the outcome of this case on appeal.

B. Arken v. PERB and Robinson v. PERB

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

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

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

Judge Kantor entered the judgment dismissing *Arken* September 15, 2008. Petitioners have appealed to the Oregon Court of Appeals.

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

The Court of Appeals heard oral argument in both *Arken* and *Robinson* on September 2, 2010. On October 18, 2010, the Court issued an order certifying both cases to the Supreme Court. On October 25, 2010, the Supreme Court accepted the certified appeals and set oral argument for January 6, 2011.

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

C. Stanton v. PERB

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

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

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

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

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

(12) Prior Period Adjustment

During fiscal year 2010, PERS became aware that software generated internally as part of the Oregon Retirement Information On-line Network (ORION) project had not been reported in accordance with GAAP in prior fiscal years.

The fiscal year 2009 balances in the Statements of Fiduciary Net Assets on page 21 and the Schedule of Plan Net Assets on page 52 were restated as follows: Capital Assets at Cost, Net of Accumulated Depreciation were increased by $23,219,417.

The fiscal year 2009 balances in the Statements of Changes in Fiduciary Net Assets on page 23 and the Schedule of Changes in Plan Net Assets on page 53 were restated as follows: Administrative Expenses were decreased by $7,457,860, and a prior period adjustment increased beginning fund balance by $15,761,557, for a total increase in Net Assets of $23,219,417.

(13) Comparability

In prior years, short-term investments classified as cash equivalents by the PERS custodial agent were reported as debt securities. In fiscal year 2010, the state of Oregon changed its accounting policy related to the definition of cash equivalents, and PERS reported these short-term investments as cash equivalents.

For comparability to fiscal year 2010, fiscal year 2009 balances in the Statements of Fiduciary Net Assets on page 21 were restated as follows: Cash and Cash Equivalents were increased by $1,909.3 million and Debt Securities Investments were reduced by $1,909.3 million.

Fiscal year 2009 balances in the Schedule of Plan Net Assets on page 52 were increased as follows: Cash and Cash Equivalents were increased by $1,723.2 million, and Debt Securities Investments were reduced by $1,723.2 million.

The effect of these adjustments on net assets is zero for the year ended June 30, 2009.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Defined Benefit Pensions – Tier One/Tier Two and OPSRP[1]						
12/31/2001	$ 39,772.7	$ 45,386.1	$ 5,613.4	87.6%	$ 6,254.0[2]	89.8%
12/31/2001[3]	39,772.7	37,258.3	(2,514.4)	106.7	6,254.0	(40.2)
12/31/2002[3]	35,446.9	38,947.0	3,500.1	91.0	6,383.5	54.8
12/31/2003[3]	42,753.3	44,078.1	1,324.8	97.0	6,248.5	21.2
12/31/2004[4,5]	45,581.1	47,398.6	1,817.5	96.2	6,772.4[6]	26.8
12/31/2005[6,7]	51,382.6	49,294.0	(2,088.6)	104.2	6,791.9	(30.8)
12/31/2006	56,616.5	51,252.9	(5,363.5)	110.5	7,326.8	(73.2)
12/31/2007[8]	59,327.8	52,871.2	(6,456.7)	112.2	7,721.8	(83.6)
12/31/2008	43,520.6	54,259.5	10,738.9	80.2	8,130.1	132.1
12/31/2009[9]	48,729.2	56,810.6	8,081.4	85.8	8,512.2	94.9
Postemployment Healthcare Benefits – Retirement Health Insurance Account						
12/31/2001	$ 76.6	$ 532.1	$ 455.5	14.4%	$ 6,254.0[2]	7.3%
12/31/2001[3]	76.6	533.2	456.6	14.4	6,254.0	7.3
12/31/2002[3]	87.4	542.3	454.9	16.1	6,383.5	7.1
12/31/2003[3]	117.1	522.5	405.4	22.4	6,248.5	6.5
12/31/2004[5]	148.0	556.9	408.9	26.6	6,772.4[6]	6.0
12/31/2005	181.0	495.9	314.9	36.5	6,791.9	4.6
12/31/2006	221.3	511.8	290.5	43.2	7,326.8	4.0
12/31/2007	250.8	499.6	248.8	50.2	7,721.8	3.2
12/31/2008	183.8	494.0	310.2	37.2	8,130.1	3.8
12/31/2009	214.1	511.2	297.1	41.9	8,512.2	3.5
Postemployment Healthcare Benefits – Retiree Health Insurance Premium Account						
12/31/2001	$ 3.0	$ 29.5	$ 26.5	10.2%	$ 1,954.1[2]	1.4%
12/31/2001[3]	2.9	29.6	26.7	9.8	1,954.1	1.4
12/31/2002[3]	2.9	30.1	27.2	9.6	1,741.9	1.6
12/31/2003[3]	4.0	25.0	21.0	16.0	1,711.9	1.2
12/31/2004[5]	5.2	28.2	23.0	18.4	1,851.4[6]	1.2
12/31/2005	6.1	27.0	20.9	22.7	1,827.0	1.1
12/31/2006	7.0	23.4	16.4	30.0	1,946.8	0.8
12/31/2007	7.8	23.3	15.5	33.6	2,080.2	0.7
12/31/2008	5.7	21.3	15.6	26.7	2,217.9	0.7
12/31/2009	6.4	24.5	18.2	25.9	2,371.8	0.8

1 Includes UAAL for Multnomah Fire District ($162 million as of December 31, 2009).

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

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

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

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

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

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

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

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

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

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

Actuarial Valuation Date	Annual Required Contribution [1, 2]	Percentage Contributed [2, 7]
Defined Benefit Pension Plan		
12/31/2009	$ 630.8	100%[3]
12/31/2008	707.4	100[3]
12/31/2007	805.7	74
12/31/2006	938.6	63
12/31/2005	488.5	101
12/31/2004	364.8	100[4]
12/31/2003	537.4	100
12/31/2002	665.9	97
12/31/2001	681.5	95
12/31/2000	635.6	95
Postemployment Healthcare Plan - Retirement Health Insurance Account[5]		
12/31/2009	$ 29.8	87%
12/31/2008	33.0	85
12/31/2007	38.8	91
12/31/2006	44.3	89
12/31/2005	39.0	100
12/31/2004	35.7	100
12/31/2003	40.8	100
12/31/2002	41.0	100
12/31/2001	41.7	100
12/31/2000	41.1	100
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[6]		
12/31/2009	$ 2.6	68%
12/31/2008	2.9	63
12/31/2007	2.7	79
12/31/2006	2.5	90
12/31/2005	2.4	100
12/31/2004	2.6	100
12/31/2003	2.2	100
12/31/2002	1.6	100
12/31/2001	1.3	100
12/31/2000	1.1	100

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

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

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

4 OPSRP Pension Program contributions combined with Defined Benefit Pension Plan contributions since 2004.

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.

Notes to Required Supplementary Information

Valuation Date	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	The UAL is amortized as a level percentage of payroll. The Tier One/Tier Two regular UAL and Retiree Healthcare regular UAL as of December 31, 2007, are amortized over a closed period. For the Tier One/Tier Two UAL, this period is 20 years; for Retiree Healthcare it is 10 years. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 years for Retiree Healthcare) from the odd-year valuation in which they are first recognized. Contribution rates effective July 1, 2007, through June 30, 2011, reflect an accelerated amortization of the change in UAL due to the change from Entry Age Normal to Projected Unit Credit on December 31, 2004. Gains and losses for OPSRP benefits are amortized over a closed 16 years from the odd-year valuation in which they are first recognized.

Equivalent Single Amortization Period	
Pension	30 years
RHIA	10 years
RHIPA	10 years

The Equivalent Single Amortization Period (ESAP) calculation is performed with the ARC-setting valuation. This was calculated most recently in the December 31, 2009 actuarial valuation, and the ESAPs for that valuation are shown above. The ARC for the July 2007-June 2009 and July 2009-June 2011 biennia were based on the December 31, 2005 and December 31, 2007 valuations, respectively.

Actuarial Assumptions:	
Investment Rate of Return	8.00 percent
Payroll Growth	3.75 percent
Consumer Price Inflation	2.75 percent
Health Cost Inflation	Graded from 7.0 percent in 2010 to 4.5 percent in 2029.
Cost-of-living Adjustments	2.00 percent
Method used to Value Assets:	The actuarial value of assets equals the fair market value of assets, excluding the Contingency, Capital Preservation and Rate Guarantee Reserves.

Schedule of Plan Net Assets
Defined Benefit Pension Plan
As of June 30, 2010

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2010	Totals 2009
Assets:					
Cash and Cash Equivalents	$ 2,110,540,107	$ 36,534,939	$ 8,921,439	$ 2,155,996,485	$ 2,936,976,548
Receivables:					
Employer	13,431,281	3,020,632	—	16,451,913	25,089,979
Plan Member	—	—	—	—	—
Interest and Dividends	317,245,458	3,331,775	6	320,577,239	260,604,404
Investment Sales and Other Receivables	416,150,614	3,831,093	—	419,981,707	553,211,340
Total Receivables	746,827,353	10,183,500	6	757,010,859	838,905,723
Interaccount Receivables and Payables	8,369,375	(924,883)	(7,444,492)	—	—
Due from Other Funds	1,049,403	—	—	1,049,403	1,452,087
Investments:					
Debt Securities	12,252,122,210	128,674,220	—	12,380,796,430	11,507,476,310
Public Equity	16,717,783,744	175,573,484	809,290,186	17,702,647,414	16,138,492,550
Real Estate	4,400,567,784	46,215,637	—	4,446,783,421	4,552,113,279
Private Equity	10,136,289,847	106,453,329	—	10,242,743,176	7,738,378,505
Opportunity Portfolio	975,331,033	10,243,120	—	985,574,153	911,320,006
Total Investments	44,482,094,618	467,159,790	809,290,186	45,758,544,594	40,847,780,650
Securities Lending Cash Collateral	3,708,356,392	39,671,419	467,419	3,748,495,230	4,366,169,444
Prepaid Expenses and Deferred Charges	9,038,291	87,757	—	9,126,048	11,688,790
Capital Assets at Cost, Net of Accumulated Depreciation	31,165,890	3,417,719	—	34,583,609	33,575,319
Total Assets	**51,097,441,429**	**556,130,241**	**811,234,558**	**52,464,806,228**	**49,036,548,561**
Liabilities:					
Investment Purchases and Accrued Expenses	961,893,785	7,527,795	130,709	969,552,289	1,541,843,224
Deposits and Other Liabilities	57,208,293	46,331	11,657	57,266,281	91,132,776
Due Other Funds	5,494	—	—	5,494	13,380
COPs Payable	4,111,603	—	—	4,111,603	4,577,837
Deferred Revenue	360,744	—	—	360,744	321,749
Obligations Under Reverse Repurchase Agreements	—	—	—	—	104,461,590
Securities Lending Cash Collateral Due Borrowers	3,708,356,392	39,671,419	467,419	3,748,495,230	4,366,169,444
Total Liabilities	**4,731,936,311**	**47,245,545**	**609,785**	**4,779,791,641**	**6,108,520,000**
Net Assets Held in Trust for Pension Benefits	**$ 46,365,505,118**	**$ 508,884,696**	**$ 810,624,773**	**$ 47,685,014,587**	**$ 42,928,028,561**

Schedule of Changes in Plan Net Assets
Defined Benefit Pension Plan
For the Year Ended June 30, 2010

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2010	Totals 2009
Additions:					
Contributions:					
Employer	$ 295,613,521	$ 137,654,913	$ —	$ 433,268,434	$ 649,706,891
Plan Member	13,217,878	—	382,598	13,600,476	8,452,030
Total Contributions	308,831,399	137,654,913	382,598	446,868,910	658,158,921
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	5,855,351,761	52,022,597	116,713,306	6,024,087,664	(13,903,057,279)
Interest, Dividends, and Other Investment Income	1,520,634,215	15,497,448	638,790	1,536,770,453	1,266,202,042
Total Investment Income	7,375,985,976	67,520,045	117,352,096	7,560,858,117	(12,636,855,237)
Less Investment Expense	299,582,568	2,721,737	876,091	303,180,396	317,723,376
Net Investment Income	7,076,403,408	64,798,308	116,476,005	7,257,677,721	(12,954,578,613)
Securities Lending Income:					
Securities Lending Income	30,749,821	271,697	854	31,022,372	94,836,906
Less Securities Lending Expense	10,042,097	89,706	854	10,132,657	44,174,403
Net Securities Lending Income	20,707,724	181,991	—	20,889,715	50,662,503
Other Income	1,321,955	—	1,273	1,323,228	695,565
Total Additions	7,407,264,486	202,635,212	116,859,876	7,726,759,574	(12,245,061,624)
Deductions:					
Benefits	2,881,336,582	944,083	29,873,176	2,912,153,841	2,787,049,372
Death Benefits	3,414,960	—	—	3,414,960	3,169,092
Refunds of Contributions	24,694,655	—	997,749	25,692,404	36,548,963
Administrative Expense	20,896,307	6,225,222	1,390,814	28,512,343	26,195,676
Interaccount Transfers	(81,587,966)	—	81,587,966	—	—
Total Deductions	2,848,754,538	7,169,305	113,849,705	2,969,773,548	2,852,963,103
Net Increase (Decrease)	**4,558,509,948**	**195,465,907**	**3,010,171**	**4,756,986,026**	**(15,098,024,727)**
Prior Period Adjustment					15,761,557
Net Assets Held in Trust for Pension Benefits					
Beginning of Year, Restated	41,806,995,170	313,418,789	807,614,602	42,928,028,561	58,010,291,731
End of Year	**$ 46,365,505,118**	**$ 508,884,696**	**$ 810,624,773**	**$ 47,685,014,587**	**$ 42,928,028,561**

Schedule of Administrative Expenses
For the Years Ended June 30, 2010 and 2009

	2010	2009
Personal Services:		
Staff Salaries	$ 16,662,688	$ 16,325,265
Social Security	1,262,338	1,259,100
Retirement	2,291,101	3,067,845
Insurance	4,438,716	4,331,247
Assessments	115,134	114,412
Total Personal Services	24,769,977	25,097,869
Professional Services:		
Actuarial	385,754	460,445
Data Processing	244,256	628,284
Audit	238,958	261,990
Legal Counsel	588,235	745,561
Medical Consultants	123,220	83,455
Training and Recruitment	203,977	192,499
Contract Services	4,399,055	2,160,005
Healthcare Fees	2,861,863	2,728,712
Total Professional Services	9,045,318	7,260,951
Communications:		
Printing	116,548	1,800
Telephone	224,899	209,355
Postage	718,396	722,436
Travel	116,893	96,355
Total Communications	1,176,736	1,029,946
Rentals:		
Office Space	496,330	498,698
Equipment	131,272	165,864
Total Rentals	627,602	664,562
Miscellaneous:		
Central Government Charges	725,284	694,993
Supplies	853,724	971,600
Maintenance	866,990	968,734
Non-Capitalized Equipment	203,470	363,012
Depreciation	1,835,890	1,259,294
COP Amortization	246,854	338,016
Total Miscellaneous	4,732,212	4,595,649
Total Administrative Expenses	**$ 40,351,845**	**$ 38,648,977**

Schedule of Payments to Consultants and Contractors
For the Years Ended June 30, 2010 and 2009

	Commission / Fees		
Individual or Firm	**2010**	**2009**	**Nature of Service**
Orrick, Herrington & Sutcliffe LLP	$ 137,977	$ 349,633	Legal
Ice Miller LLP	82,777	14,101	Legal
Bullivant Houser Bailey PC	—	18,951	Legal
Oregon Department of Justice	322,897	323,834	Legal
HP Enterprise Services	187,108	5,157,860	Technology
Provaliant, Inc.	446,400	837,000	Technology
nextSource Inc	1,060,056	1,792,644	Technology
QA Partners LLC	157,254	186,575	Technology
Tek Tal LLC	103,950	—	Technology
CEM Benchmarking Inc.	35,000	35,000	Benchmarking
Mercer Human Resources Consulting LLC	385,754	460,445	Actuarial
Oregon Secretary of State Audits Division	238,958	261,990	Audit
Benefit Partners & Associates LLP	70,251	76,236	Health Insurance
Fredrick William Miller, MD	46,600	—	Medical
Lawrence Duckler, MD	—	7,219	Medical
Ronald N. Turco, MD	7,900	8,985	Medical
Oregon Medical Evaluations	—	9,800	Medical
ING	2,141,362	2,062,019	IAP Administration
MVM Consulting	—	12,485	Training

Summary of Investment Fees, Commissions, and Expenses
For the Years Ended June 30, 2010 and 2009

	2010	2009
International Equity Fund Managers		
Acadian Asset Management, Inc.	$ 2,596,116	$ 2,397,413
AllianceBernstein International	4,825,905	4,928,489
AQR Capital Management	3,047,916	2,573,076
Arrowstreet Capital, LP	5,253,239	3,471,853
Brandes Investment Partners LLC	3,195,846	2,926,295
Dimensional Fund Advisors	1,187,242	384,105
Fidelity Management Trust Co.	1,731,753	634,153
Genesis Investment Management, Ltd.	3,295,334	2,439,994
Harris Associates	1,633,495	519,567
Pyramis Global Investors	2,135,468	1,714,261
TT International Co., Ltd.	2,109,768	2,053,972
Victory Capital Management	1,167,505	399,877
Walter Scott & Partners Limited	269,774	2,548,550
Other International Equity Fund Managers	6,664,919	9,717,739
Domestic Equity Fund Managers		
Alethia Asset Management	1,517,702	1,056,910
AQR Capital Management	1,012,649	894,851
Aronson+Johnson+Oritz	1,472,755	1,411,328
The Boston Company Asset Management, LLC	1,167,602	1,031,077
Delaware Capital Management	1,414,854	1,197,114
Franklin Asset Management	—	698,973
Mazama Capital Management	—	596,958
MFS Institutional Advisors, Inc.	2,083,289	1,991,990
Northern Trust Company	1,074,190	1,035,887
PIMCO	6,524,247	808,322
Wanger Asset Management, LP	2,206,042	1,758,934
Wellington Management Company, LLP	1,691,128	1,497,852
Wells Capital Management	1,672,883	1,595,598
Other Domestic Equity Fund Managers	4,634,992	3,723,896
Debt Securities Managers		
Alliance Capital Management	1,903,340	2,528,553
BlackRock Asset Management	2,477,996	2,521,905
KKR Financial Credit Portfolio	8,838,128	7,511,046
Oak Hill Advisors	4,701,478	—
Wellington Management Company, LLP	1,712,185	1,858,643
Western Asset Management Company	1,942,401	1,763,973
Other Debt Securities Managers	102,049	3,120,854
Opportunity Portfolio Managers	2,923,985	4,903,073
Custodian		
State Street Bank	154,215	294,926
Private Equity Managers		
Affinity Equity Partners	2,000,000	2,000,000
Apollo Management	3,246,311	3,945,362
Aquiline Capital Partners	1,822,795	4,837,034
Black Diamond Capital Management	1,922,974	2,132,347
CVC Capital Partners	4,639,106	7,087,888
Centerbridge Partners	2,475,297	1,055,965
Coller Capital	2,250,000	1,001,366
Endeavor Capital Partners	1,300,000	2,047,280
First Reserve	4,710,382	4,178,602
Fisher Lynch Capital	2,153,800	2,325,000
Grove Street Advisors, LLC	5,820,140	5,892,768
Kohlberg Kravis Roberts & Co.	18,268,558	23,738,366
Leonard Green and Partners	2,939,102	—
Lion Capital	4,207,594	3,033,292
New Mountain Capital	1,817,206	1,922,427
Oak Hill Capital Partners	5,859,896	4,317,270
Palamon European Equity	1,798,842	1,992,499
Parthenon Capital	681,407	3,069,104
Pathway Private Equity	5,044,439	3,761,123
Providence Equity Partners	2,303,142	6,180,340
Rhone Group LLC	1,958,352	1,792,633
Riverside Co.	2,990,730	2,286,812
Tailwind Capital Partners	1,467,231	5,272,978
TPG Partners	6,476,888	9,598,755
Terra Firma Investments	2,265,406	2,338,254
Unitas Capital	3,000,000	—
Warburg Pincus	2,997,954	—
Other Private Equity Fund Managers	29,733,761	34,093,555
Real Estate Fees and Expenses	25,959,328	41,872,771
State Treasury Fees	7,342,268	5,197,663
Brokerage Commissions	27,778,449	28,277,402
Other Investment Fees and Expenses	43,926,337	37,657,347
Deferred Compensation Investment Fees and Expenses	2,321,317	2,051,107
Total Investment Fees, Commissions, and Expenses	**$ 323,821,402**	**$ 335,469,317**

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

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

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

The Honorable Theodore R. Kulongoski
Governor of Oregon

Public Employees Retirement Board
Oregon Public Employees Retirement System

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

We have audited the basic financial statements of the Oregon Public Employees Retirement System (system) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

December 21, 2010

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Investment Section

Investment Officer's Report

RONALD D. SCHMITZ
DIRECTOR
INVESTMENT DIVISION

PHONE 503 378-4111
FAX 503 378-6772

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

September 22, 2010

Dear PERS Members:

Last year my message discussed the turmoil in the markets in 2007 and 2008 and characterized the stock market decline and the credit market freeze as "The Perfect Storm." This year we can be more positive when looking at investment performance: The hurricane has seemingly passed, yet there are still some clouds on the horizon.

Absolute returns for the twelve-month period ending June 30, 2010, were strong in an absolute return sense. We have not yet recovered all the losses from the historic market meltdown. But the main point is that as of December 31, 2009, the date of the latest actuarial valuation, the pension fund is 86 percent funded—one of the highest ratios in the country for statewide public funds.

For the twelve months of FY 2010, markets steadily rebounded from the depths of March 2009, when governments and central banks coordinated efforts to stimulate the global economy. The U.S. stock market gained 15.7 percent while foreign markets gained a respectable 11.5 percent. U.S. Fixed income gained 10.0 percent for the period. Unemployment remained high, and lenders were still stingy with respect to lending. But considering the status of the financial world early in CY 2009, the national economy is in far better shape than many feared just a year prior.

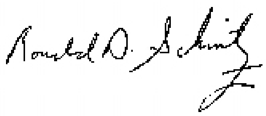
For the year ended June 30, 2010, the Oregon Public Employee Retirement Fund (OPERF) gained 17.0 percent—nicely above its policy benchmark of 15.5 percent. All asset classes except private equity exceeded the policy benchmarks. The lag in private equity performance is expected as private markets tend to show gains or losses more slowly than the public markets. Early in the recovery of 2003, the same dynamic held—only to see private equity meaningfully outperform a couple of years into the bull market.

OPERF is diversified among five major asset classes: domestic stocks, foreign stocks, private equity, real estate, and bonds. The Oregon Investment Council (OIC) is charged with oversight of Treasury staff in managing the portfolio. The OIC policy is 62 percent in equities (U.S. stocks, foreign stocks, and private equity), 27 percent in bonds and 11 percent in real estate. Illiquid holdings (real estate and private equity) are targeted at 27 percent of the total fund. This asset mix diversifies and partially protects against massive downturns such as that experienced in 2009, with the goal of generating the long term returns sufficient to achieve an expected "assumed rate" return of 8 percent.

Actual holdings were within the OIC-mandated target ranges at June 30, 2010. However, within equities, the fund was overweight private equity and was underweight public stocks. This occurred not because of over commitment to private equity, but rather because the public markets declined so dramatically. The OIC and Treasury are managing the private equity exposure down toward the target levels as new commitments have been reduced to a slower pace than in previous years in the asset class.

Interested citizens often ask about OPERF valuation policies and reported returns and market values. To address these questions please allow some technical talk here. Overall performance and asset value reporting is done by a third party for all asset classes. State Street Bank (SSB) is the OPERF custodian and reports performance using a time-weighted return calculation that is in accordance with Global Investment Performance standards. SSB gets assistance from a variety of independent pricing sources for public market assets. Private market assets are valued by the general partners in accordance with Financial Accounting Standards Board parameters. These rules use public market comparisons, private market transaction, replacement cost, and discounted cash flow methods to triangulate on carrying values. These are then used to calculate performance.

As noted, the pension fund has rebounded significantly from the lows of 2009. The Treasury is seeking new opportunities, constantly evaluating the current funds, and subjecting external managers to a high level of scrutiny in order to put the portfolio in the best position to succeed in an ever-changing financial world.



Ron Schmitz
Chief Investment Officer

Description of Investment Policies

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

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

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

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

OIC has approved the following asset classes for the PERF: Short-Term Investing, Fixed Income, Real Estate, and Public and Private Equities. 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 Office of the State Treasurer will hear and consider investment proposals and solicitations from any person, firm, or partnership that submits a proposal or solicitation in good faith. However, under no circumstance does this policy require that the Office of the State Treasurer purchase the proposed investment.

OIC 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 State Treasurer's website at http://www.ost.state.or.us/About/OIC/Governance.Documents.asp

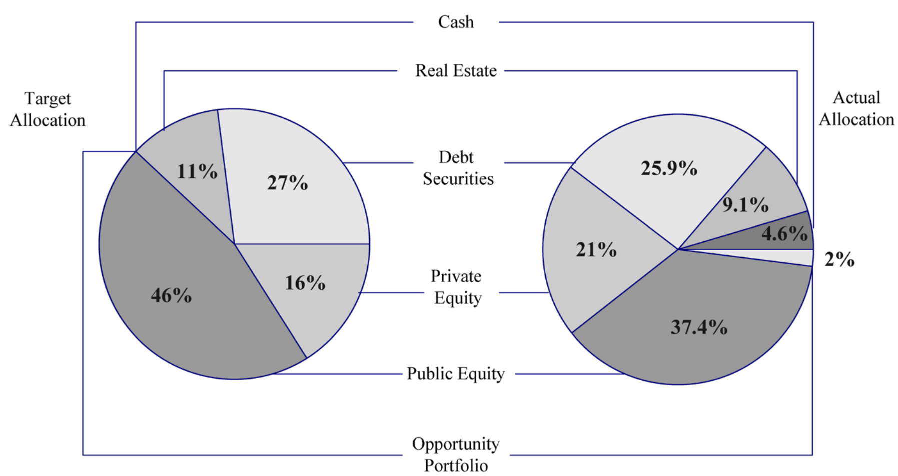
Investment Results*

	Periods Ending June 30, 2010		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	17.0%	(4.2)%	3.6%
Policy Benchmark	15.5	(3.1)	3.7
Variable Account	13.2	(11.6)	(2.0)
Variable Account Blended Index	13.1	(11.1)	(1.5)
Domestic Stocks	16.8	(9.7)	(0.5)
Benchmark: Russell 3000 Index	15.7	(9.5)	(0.5)
International Stocks	12.5	(9.2)	4.9
Benchmark: Custom Index[1]	11.5	(10.1)	4.0
Fixed Income Segment	18.5	7.5	6.1
Benchmark: Custom Index[2]	10.0	7.1	5.5
Real Estate[3]	(0.7)	(10.3)	(2.7)
Benchmarks: NCREIF Index	(9.6)	(4.3)	4.2
NCREIF Equity REIT Index	53.9	(9.0)	0.2
Private Equity[4]	28.3	0.8	10.1
Benchmark: Russell 3000 +300 bps	56.1	0.2	6.2

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

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

OIC Target and Actual Investment Allocations as of June 30, 2010*



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

	Actual Allocation
Cash	4.6%
Debt Investments	25.9
Real Estate	9.1
Public Equity	37.4
Private Equity	21.0
Opportunity Portfolio	2.0
	100.0%

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

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2010

Shares	Description	Fair Value
407,841	Apple Inc.	$ 102,584,247
1,583,606	sanofi-aventis	96,076,283
1,932,570	AstraZeneca	91,625,801
2,206,294	JPMorgan Chase & Co.	80,772,423
1,665,381	Nestle SA	80,616,579
1,236,978	Johnson & Johnson	73,055,921
1,214,974	Proctor & Gamble Co.	72,874,141
2,721,158	Wells Fargo & Co.	69,661,645
26,829,434	Vodafone Group Plc	55,854,097
818,556	Chevron Corporation	55,547,210
	Total	**$ 778,668,347**

Largest Bond Holdings (by Fair Value)
June 30, 2010

Par Value	Description	Fair Value
177,145,300	U.S. Treasury Notes 3.375% Due 11-15-2019	$ 183,467,603
139,620,000	U.S. Treasury Notes 2.375% Due 8-31-2014	144,344,745
93,493,000	U.S. Treasury Bonds 4.375% Due 5-15-2040	101,118,287
94,760,000	U.S. Treasury Notes 3.625% Due 8-15-2019	100,190,691
83,860,000	U.S. Treasury Notes 2.5% Due 3-31-2015	86,896,572
78,275,000	U.S. Treasury Notes 0.75% Due 5-31-2012	78,500,427
71,715,000	U.S. Treasury Notes 2.25% Due 1-31-2015	73,498,557
73,134,707	Government of Japan Notes 1.2% Due 12-10-2017	71,975,669
52,855,000	Government of Netherlands 4.0% Due 7-15-2018	71,922,003
65,040,000	U.S. Treasury Note 3.75% Due 11-15-2018	70,082,555
	Total	**$ 981,997,109**

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

Schedule of Fees and Commissions
For the Fiscal Year Ended June 30, 2010

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$ 13,433,476,768	$ 21,677,577	0.161370
Public Equity Managers	19,417,181,185	66,054,099	0.340184
Real Estate Manager	4,738,538,055	25,959,328	0.547834
Private Equity Managers (Limited Partnerships)	10,914,772,258	126,151,313	1.155785
Opportunity Portfolio Managers	1,050,237,934	2,923,985	0.278412
Total Assets Under Management	**$ 49,554,206,200**		
Other Investment Service Fees:			
Investment Consultants		2,149,051	
Commissions and Other Fees		78,906,049	
Total Investment Service and Managers' Fees		**$ 323,821,402**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2010

Broker's Name	Commission	Shares / Par	Commission Per Share
Goldman, Sachs & Co.	$ 2,891,993	$ 154,107,803	0.01877
Credit Suisse First Boston Corporation	2,345,222	398,453,092	0.00589
Merrill Lynch, Pierce, Fenner & Smith, Inc.	1,800,808	189,740,652	0.00949
Citigroup Global Markets Inc.	1,680,534	170,128,241	0.00988
J.P. Morgan	1,497,954	209,954,532	0.00713
Morgan Stanley & Co., Incorporated	1,413,083	211,075,427	0.00669
UBS Securities Inc.	1,363,200	200,374,108	0.00680
Deutsche Bank	1,013,642	159,002,924	0.00637
Instinet Corporation	980,873	259,950,830	0.00377
Barclays Capital	914,580	31,176,170	0.02934
Frank Russell Company	819,881	27,910,393	0.02938
Nomura Securities International, Inc.	699,271	69,635,458	0.01004
MacQuarie Securities	628,903	242,707,253	0.00259
Liquidnet, Inc.	522,924	37,065,988	0.01411
Investment Technology Group Inc.	501,449	83,625,609	0.00600
Société Générale	491,612	236,252,171	0.00208
Jefferies & Company	460,423	20,528,350	0.02243
HSBC Bank Plc	284,938	52,165,343	0.00546
ABN AMRO Bank N.V.	224,006	50,844,433	0.00441
Pershing LLC	196,235	14,309,703	0.01371

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 20, 2010	Percent of Total Fair Value
Debt Securities		
U.S. Government Securities	$ 1,676,037,433	3.38%
U.S. Agency Securities	936,963,955	1.89
Corporate Bonds	5,730,819,722	11.56
Asset-Backed Securities	1,579,376,580	3.19
International Debt Securities	2,041,007,547	4.12
Mutual Funds - Domestic Fixed Income	1,427,848,680	2.88
Mutual Funds - International Fixed Income	41,422,851	0.08
Total Debt Securities	**13,433,476,768**	**27.10**
Public Equity		
Domestic Equity Securities	5,457,856,553	11.01
International Equity Securities	8,642,890,317	17.45
Mutual Funds - Domestic Equity	1,967,485,510	3.97
Mutual Funds - Global Equity	861,464,072	1.74
Mutual Funds - International Equity	2,282,393,009	4.61
Mutual Funds - Target Date	205,091,724	0.41
Total Public Equity	**19,417,181,185**	**39.19**
Real Estate	**4,738,538,055**	**9.56**
Private Equity	**10,914,772,258**	**22.03**
Opportunity Portfolio	**1,050,237,934**	**2.12**
Total Fair Value	**$ 49,554,206,200**	**100.00%**

Actuarial Section

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

111 SW Columbia Street, Suite 500
Portland, OR 97201-5839
503 273 5900 Fax 503 273 5998
www.mercer.com

November 24, 2010

Retirement Board
Oregon Public Employees Retirement System

Dear Members of the Board:

We have prepared an actuarial valuation of the Oregon Public Employees Retirement System as of December 31, 2009, including both the Chapter 238 and Chapter 238A programs. Actuarial valuations are complex and involve a large amount of census and financial data, actuarial assumptions and methods, and complex plan provisions. Important comments on the material inputs to the valuation and limitations of use for our valuation are detailed in our System-Wide Valuation Report issued October 27, 2010 and those comments 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.

Mercer has prepared the December 31, 2009, actuarial valuation report exclusively for the Oregon Public Employees Retirement System (PERS); Mercer is not responsible for reliance upon this report by any other party. Subject to this limitation, Oregon PERS may direct that this report be provided to its auditors in connection with audits of the Plan or its sponsoring entities.

The only purposes of this report are to:

- Present Mercer's actuarial estimates of the system-wide liabilities and expenses of the Oregon Public Employees Retirement System, including pension benefits provided through Tier 1/Tier 2 and the Oregon Public Service Retirement Plan (OPSRP), and retiree medical benefits provided through the Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA), as of December 31, 2009, for PERS to incorporate, as PERS deems appropriate, in its financial statements; and

- Provide information on system-wide average employer contribution rates and employer contribution rates for the School District rate pool and the State and Local Government Rate Pool for the period beginning July 1, 2011.

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 2009 actuarial valuation were adopted by the Board based upon our recommendations and the results of our experience study as of December 31, 2008. 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.

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Mercer prepared the following information that is presented in the Actuarial Section of the 2010 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2009 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, 2009, actuarial valuation report.

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

All members hired prior to August 29, 2003, are covered under Chapter 238. These benefits are administered using some cost-sharing pools and some independent employer valuations. All school districts share costs through the school district pool. Some local governments have joined the State and Local Government Rate Pool to share costs. There are also 130 independent employers who do not share costs with the other employers except through the Benefits in Force Reserve that pools the experience of those in pay status across all employers and all other pooling arrangements.

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

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

The exhibits reflect our current understanding of the Strunk and Eugene rulings. That understanding includes Tier 1 member earnings crediting of 11.33 percent for 1999 (and 8.00 percent for later years)

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and retroactive granting of cost of living adjustments (COLAs) to retirees who had previously had their COLA frozen. This understanding is consistent with our prior year valuation. Finally, please note that we have made no adjustment to reflect any interpretation of Judge Kantor's June 20, 2007, ruling in the Arken and Robinson cases.

Important Notices

Mercer has prepared the December 31, 2009, actuarial valuation exclusively for Oregon PERS; Mercer is not responsible for reliance upon this report by any other party. This report may not be used for any other purpose than as stated above; Mercer is not responsible for the consequences of any unauthorized use.

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

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

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

To prepare the valuation report, actuarial assumptions, as described in our December 31, 2009 System-Wide Actuarial Valuation Report, are used in a forward looking financial and demographic model to select a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

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

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analysis are not included in this report. At Oregon PERS' request, Mercer is available to perform such a sensitivity analysis.

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

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

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

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.

To prepare this letter Mercer has used and relied on financial data and participant data supplied by Oregon PERS and as summarized in our December 31, 2009, System-Wide Actuarial Valuation Report. Oregon PERS is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of December 31, 2009 that is sufficiently comprehensive and accurate for the purposes of this report. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Mercer has also used and relied on the plan documents, including amendments, and interpretations of plan provisions, supplied by Oregon PERS as summarized in the valuation reports and on plan provisions stipulated by Oregon Revised Statute. We have assumed for purposes of this valuation that copies of any official plan document including all amendments and collective bargaining agreements as well as any interpretations of any such document have been provided to Mercer along with a written summary of any other substantive commitments. Oregon PERS is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

Professional qualifications

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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

Sincerely,

Matthew R. Larrabee, FSA, EA, MAAA
Principal

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

BJM/SDP/MRL/mrl/sdp:ksb

BJM/SDP/MRL/mrl/sdp:ksb

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

Actuarial Assumptions and Methods

Tier One/Tier Two

Actuarial Methods and Valuation Procedures

On July 16, 2009, the Board adopted the following actuarial methods and valuation procedures for the December 31, 2008 and 2009 actuarial valuations of PERS Tier One/Tier Two benefits. The actuarial cost method and contribution rate stabilization method were first adopted effective December 31, 2004. The implementation of the double rate collar was revised by a Board motion at the January 2010 Board meeting. The revision is first effective for this valuation.

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 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. The value of assets used to determine employer contribution rates has historically excluded any assets in the Tier One Rate Guarantee Reserve (RGR). Due to investment losses in 2008 the RGR is in a deficit situation as of December 31, 2009. This is the second consecutive valuation with the RGR in deficit status. As part of the Board's July 16, 2009 motion approving actuarial assumptions and methods, the Board approved continued exclusion of the RGR from calculation of valuation assets. It is our understanding that if an RGR deficit persists for five years, employers may be required to restore the RGR. No cost calculations for an employer restoration of the RGR are included in this valuation. Market values are reported to Mercer by PERS. It is our understanding that select real estate and private equity investments are reported on a three-month lag basis. This valuation report does not attempt to quantify any such effects.
Contribution rate stabilization method	Contribution rates for a rate pool (e.g., Tier One/Tier Two SLGRP, Tier One/Tier Two School Districts, OPSRP) are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 70 percent or increases above 130 percent, the size of the collar doubles. If the funded percentage excluding side accounts is between 70 percent and 80 percent or between 120 percent and 130 percent, the size of the rate collar is increased on a graded scale. The "sliding scale" implementation of the double rate collar was approved by the Board in January 2010 and is first effective with this valuation.
Allocation of Liability for Service Segments	For active Tier One/Tier Two members who have worked for multiple PERS employers over their careers, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which utilizes account balance, and the Full Formula methodology, which utilizes service. The allocation is 50 percent (15 percent for police and fire) based on account balance with each employer and 50 percent (85 percent for police and fire) based on service with each employer. The entire Normal Cost is allocated to the current employer.
Allocation of Benefits-In-Force (BIF) Reserve	The BIF is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

Economic Assumptions

The Board adopted the following economic assumptions for the December 31, 2008 and 2009 actuarial valuations. The investment return assumption was first adopted in 1989, and the interest crediting assumptions were adopted in 2003. The healthcare cost inflation assumption was adopted December 31, 2008. All other economic assumptions were first adopted in 2005.

Investment return	8.0 percent compounded annually
Interest crediting	8.0 percent compounded annually on members' regular account balances 8.5 percent compounded annually on members' variable account balances
Inflation	2.75 percent compounded annually
Payroll growth	3.75 percent compounded annually. This assumption represents the sum of the inflation assumption and a real wage growth assumption of 100 basis points.
Healthcare cost inflation	Health cost trend rates are used to predict increases in the RHIPA Maximum Subsidy.

Year [1]	Rate	Year	Rate
2009	7.0%	2020	6.2
2010	7.0	2021	6.0
2011	7.0	2022	5.8
2012	6.9	2023	5.6
2013	6.9	2024	5.4
2014	6.9	2025	5.2
2015	6.9	2026	5.0
2016	6.8	2027	4.9
2017	6.8	2028	4.7
2018	6.6	2029+	4.5
2019	6.4		

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

Demographic Assumptions

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

Mortality

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

Healthy Retired Members

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

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

Disabled Retired Members

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

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

Non-Annuitant Members

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

Retirement Assumptions

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

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

Rates of Retirement from Active Status

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

Judge members are assumed to retire at age 63.

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

Retirement from Dormant Status

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

Lump-Sum Option at Retirement

Members retiring may elect to receive a full or partial lump sum at retirement. The probability that a retiring member will elect a lump sum at retirement is summarized in the table below. These rates were first adopted effective December 31, 2008.

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

Purchase of Credited Service at Retirement

The following percentages of members are assumed to purchase credit for the six-month waiting period at retirement. These rates were first adopted effective December 31, 2008.

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

Judge Member Plan Election

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

Disability Assumptions

There are two disability assumptions used in the valuation—duty disability and ordinary disability. Duty disability rates are separated between police and fire and general service, while ordinary disability is the same for all members. The rates for ordinary disability were first adopted effective December 31, 2008. The rates for duty disability were first adopted effective December 31, 2008.

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

Termination Assumptions

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

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

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

Termination Rates

Sample termination rates are shown for each group below:

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

Probability of Refund Before Retirement

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

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

Salary Increase Assumptions

The salary increase assumptions reflected in the actuarial valuation include:

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

Merit Increases

Merit increases are based on duration of service for the following groups. The rates were first adopted effective December 31, 2008. For plan years 2009 and 2010, the merit increase is assumed to be 0 percent.

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

Unused Sick Leave

Members covered by the provision allowing unused sick leave to be used to increase final average salary are assumed to receive increases in their final average salary in accordance with the table below. This adjustment is not applied to disability benefits. The rates for State general service female, School District and local general service male, and police and fire members were first adopted December 31, 2008. The rates for local general service females were adopted effective December 31, 2001, and all other rates were adopted effective December 31, 2005.

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

Vacation Pay

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

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

Retiree Healthcare Participation

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

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

These rates were first adopted effective December 31, 2008.

Actuarial Methods and Assumptions — OPSRP

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

Actuarial Methods and Valuation Procedures

OPSRP UAL amortization

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

Economic Assumptions

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

Demographic Assumptions

Retirement Assumptions

Retirement from Active Status

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

Retirement from Dormant Status

Dormant members are assumed to retire at Normal Retirement Age.

Termination Assumptions

The termination rates are based on three-year select and ultimate rates, with the ultimate rates being the same as the Tier One/Tier Two termination rates. 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	8.70%	6.97%	6.58%	5.84%	14.05%	7.56%	5.44%	5.09%
35	5.85	4.27	3.95	3.29	12.10	6.17	4.33	2.61
45	4.83	3.22	2.89	2.21	13.04	6.35	4.12	1.78

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

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

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

A summary of key changes implemented since the December 31, 2008 valuation is provided below.

Changes in Actuarial Methods and Allocation Procedures

Contribution Rate Stabilization Method

Based on guidance from the PERS Board issued in January 2010, the implementation of the rate stabilization method (rate collar) has been revised to include a graded scale if the funded percentage is between 70 percent and 80 percent or between 120 percent and 130 percent.

There were no other changes in actuarial methods and allocation procedures since the December 31, 2008 actuarial valuation.

Changes in Economic Assumptions

There were no changes in the economic assumptions since the December 31, 2008 actuarial valuation.

Changes in Demographic Assumptions

There were no changes in the demographic assumptions since the December 31, 2008 actuarial valuation.

Actuarial Schedules

Schedule of Active Member Valuation Data

Valuation Date	Count	Annual Payroll in Thousands	Average Annual Pay	% Increase in Average Pay	Number of Participating Employers[1]	
12/31/1993	137,513	$ 4,466,797	$ 32,483	4.9%	N/A	
12/31/1995	141,471	4,848,058	34,269	2.7	N/A	
12/31/1997	143,194	5,161,562	36,045	2.6	N/A	
12/31/1999	151,262	5,676,606	37,528	2.0	N/A	
12/31/2000	156,869	6,195,862	39,497	5.2	N/A	
12/31/2001	160,477	6,520,225	40,630	2.9	N/A	Old Basis
12/31/2001	160,477	6,253,965	38,971	—	N/A	New Basis[2]
12/31/2002	159,287	6,383,475	40,075	2.8	N/A	
12/31/2003	153,723	6,248,550	40,648	1.4	N/A	
12/31/2004	142,635	6,306,447	44,214	8.8	806	
12/31/2005 [3]	156,501	6,791,891	43,398	(1.8)	810	
12/31/2006	163,261	7,326,798	44,878	3.4	758	
12/31/2007	167,023	7,721,819	46,232	3.0	760	
12/31/2008	170,569	8,130,136	47,665	3.1	766	
12/31/2009	178,606	8,512,192	47,659	0.0	776	

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

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

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

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

(dollar amounts in thousands)[4]

	Added to Rolls		Removed from Rolls		Rolls - End of Year			
Valuation Date	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	% Increase in Annual Allowances[1]	Average Annual Allowances
12/31/1993					60,841	$ 564,341	27.6%	$ 9,276
12/31/1995					64,796	700,171	24.1	10,806
12/31/1997					69,624	919,038	31.3	13,200
12/31/1999					82,819	1,299,380	41.4	15,689
12/31/2000					82,458	1,385,556	6.6	16,803
12/31/2001					85,216	1,514,491	9.3	17,772
12/31/2002					89,482	1,722,865	13.8	19,254
12/31/2003					97,777	2,040,533	8.4	20,869
12/31/2004 [2]	6,754	$149,474	2,863	$ 35,151	101,668	2,154,856	5.6	21,195
12/31/2005 [2]	4,472	149,127	3,217	36,784	102,923	2,267,198	5.2	22,028
12/31/2006 [2,3]	5,060	151,240	3,263	39,735	104,720	2,378,704	4.9	22,715
12/31/2007 [2,3]	5,385	183,232	3,304	40,590	106,801	2,521,345	6.0	23,608
12/31/2008 [2,3]	5,963	171,484	3,626	47,062	109,138	2,645,767	4.9	24,242
12/31/2009 [2,3]	6,377	226,713	3,374	46,228	112,141	2,826,252	6.8	25,203

[1] Since last valuation date.

[2] Annual allowances reflect estimated adjustments to retiree benefits due to the implementation of the *Strunk v. PERB, et al.* and *City of Eugene v. State of Oregon, PERB, et al*. decisions.

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

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

Schedules of Funding Progress by Rate Pool

(dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets[1,2] (a)	Actuarial Accrued Liability (AAL) [2] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll[3] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Tier One/Tier Two State and Local Government Rate Pool						
12/31/2004	$ 22,768.1	$ 23,407.2	$ 639.1	97.3%	$ 3,171.0	20.2%
12/31/2005[4]	25,556.3	24,450.3	(1,106.0)	104.5	3,089.8	(35.8)
12/31/2006	28,177.2	25,390.0	(2,787.3)	111.0	3,174.6	(87.8)
12/31/2007[5]	30,314.8	26,883.1	(3,431.7)	112.8	3,448.1	(99.5)
12/31/2008	22,301.2	27,551.8	5,250.6	80.9	3,452.7	152.1
12/31/2009[6]	25,068.8	29,029.1	3,960.3	86.4	3,465.1	114.3
Tier One/Tier Two School District Rate Pool						
12/31/2004	18,679.3	19,483.0	803.7	95.9	2,173.6	37.0
12/31/2005	21,095.0	20,151.8	(943.2)	104.7	2,126.5	(44.4)
12/31/2006	23,033.4	20,825.0	(2,208.4)	110.6	2,233.7	(98.9)
12/31/2007	24,053.6	21,299.3	(2,754.3)	112.9	2,185.0	(126.1)
12/31/2008	17,458.5	21,742.7	4,284.2	80.3	2,153.7	198.9
12/31/2009	19,388.0	22,517.6	3,129.6	86.1	2,079.2	150.5
Tier One/Tier Two Independent Employers and Judiciary						
12/31/2004	4,195.1	4,444.4	249.3	94.4	961.9	25.9
12/31/2005[4]	4,742.9	4,575.0	(167.9)	103.7	894.9	(18.8)
12/31/2006	5,330.5	4,860.1	(470.4)	109.7	928.1	(50.7)
12/31/2007[5]	4,765.5	4,423.2	(342.3)	107.7	628.8	(54.4)
12/31/2008	3,576.7	4,566.0	989.3	78.3	619.4	159.7
12/31/2009[6]	3,926.7	4,665.9	739.3	84.2	579.1	127.7
OPSRP Rate Pool						
12/31/2005	55.0	53.8	(1.2)	102.2	680.7	(0.2)
12/31/2006	151.4	115.0	(36.4)	131.6	990.4	(3.7)
12/31/2007	275.1	203.0	(72.1)	135.5	1,459.9	(4.9)
12/31/2008	270.5	336.8	66.3	80.3	1,904.3	3.5
12/31/2009	445.4	535.5	90.1	83.2	2,388.8	3.8
Postemployment Healthcare Benefits - Retirement Health Insurance Account						
12/31/2004	148.0	556.9	408.9	26.6	6,306.4	6.5
12/31/2005	181.0	495.9	314.9	36.5	6,111.2	5.2
12/31/2006	221.3	511.8	290.5	43.2	6,336.4	4.6
12/31/2007	250.8	499.6	248.8	50.2	6,261.9	4.0
12/31/2008	183.8	494.0	310.2	37.2	6,225.8	5.0
12/31/2009	214.1	511.2	297.1	41.9	6,123.4	4.9
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account						
12/31/2004	5.2	28.2	23.0	18.4	1,701.0	1.4
12/31/2005	6.1	27.0	20.9	22.7	1,621.2	1.3
12/31/2006	7.0	23.4	16.4	30.0	1,665.7	1.0
12/31/2007	7.8	23.3	15.5	33.6	1,692.1	0.9
12/31/2008	5.7	21.3	15.6	26.7	1,708.5	0.9
12/31/2009	6.4	24.5	18.2	25.9	1,705.1	1.1

Notes:

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

[2] Excludes UAAL for Multnomah Fire District ($162 million as of December 31, 2009).

[3] Covered payroll shown is payroll for members of the rate pool benefiting from the specified program. For example, Tier One/Tier Two School District payroll is only payroll for Tier One/Tier Two members and excludes OPSRP. However, UAL is amortized using combined Tier One/Tier Two and OPSRP payroll.

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

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

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

Actuarial Schedules

Analysis of Financial Experience

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

(dollar amounts in millions) [1]

Type of Activity — Pension and Retiree Healthcare Plans	$ Gain (or Loss) for Year 2009	2008
Retirements from Active Status	$ (151.0)	$ (109.7)
Active Mortality and Withdrawal	(33.6)	19.6
Pay Increases	(68.7)	(93.3)
Contributions	82.1	119.3
Interest Crediting Experience	(191.3)	701.2
Investment Income	3,588.2	(15,861.8)
Retirement, Mortality, and Lump Sums from Dormant Status	149.5	137.7
Retiree and Beneficiary Mortality	(135.4)	(69.7)
Data Corrections	(12.6)	—
Other	(107.7)	119.2
Gain (or Loss) During Year From Financial Experience	**$ 3,119.5**	**$ (15,037.5)**
Non-Recurring Items		
Assumption Changes	—	(263.7)
Plan Changes	(2.5)	—
Composite Gain (or Loss) During Year	$ **3,117.0**	$ **(15,301.2)**

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

Solvency Test

Defined Benefit Pension and Retiree Healthcare Plans

(dollar amounts in millions)[11]

Valuation Date[2]	Actuarial Accrued Liability[1]: 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

1 Includes effect of Multnomah Fire District (net UAAL of $162 million as of 12/31/2009).

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

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

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

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

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

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

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

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

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

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

Plan Summary

Summary of Plan Provisions

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

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

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

Normal Retirement Allowance

For members who are not judges, the greatest of the Full Formula benefit, the Money Match benefit, or the Formula Plus Annuity benefit (only available to members who made contributions before August 21, 1981).

Full Formula The percentage multiplier from the table below multiplied by final average pay and years of credited service.

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

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

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

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

Judges Final average pay multiplied by the first percentage multiplier from the table on page 86 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 86. Judges must elect Plan A or Plan B no later than age 60. A "Plan B" judge must serve as a *pro tem* judge for a total of 175 days post-retirement.

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

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

Final Average Salary

The greater of:

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

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

SB 656/HB 3349 Adjustment

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

SB 656 Increase

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

HB 3349 Increase

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

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.	

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

Police and Fire Unit Purchases	Police and fire members may purchase 60-month annuity benefits (up to $80 per month) that must be paid out by age 65 and cannot commence prior to the earliest retirement age. The amount purchased by the member is matched by the employer. In certain situations, such as termination of employment prior to retiring or working beyond age 65, the employer's matching purchase is forfeited.	
Postretirement Adjustments	All monthly pension and annuity benefits except unit purchases are eligible for postretirement adjustments.	
	Automatic Adjustments	Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit. Any CPI change in excess of 2 percent is accumulated for future benefit adjustments, which would otherwise be less than 2 percent. No benefit will be decreased below its original amount.
	***Ad Hoc* Adjustments**	From time to time, as granted by the Legislature, retired members and beneficiaries have received increases in their monthly benefits.
Variable Annuity Program	**Contributions**	Prior to January 1, 2004, a member could elect to have 25, 50, or 75 percent of his or her contributions invested in the variable account.
	Benefit	At retirement, a member may elect to receive a variable annuity with the funds accumulated in his or her variable account. Alternatively, a member may elect to have all of the funds in his or her variable account transferred back to the regular account and receive an annuity from the System and cease to participate in the variable program. The employer provided benefit, however, is based on the earnings the member would have received in the regular account.
Interest Credit on Member Accounts	**Tier One Regular**	Actuarially assumed rate of return until the rate guarantee reserve has been fully funded for three consecutive years and the Board elects to credit additional interest.
	Tier Two Regular	Amount determined by the Board based on actual investment earnings of the regular account.
	Variable	Actual earnings in variable account
Retiree Healthcare – Medicare Supplement (RHIA)	**Eligibility**	All of the following must be met: (a) Currently receiving a retirement allowance from the System, (b) Equivalent of eight years of qualified service time, (c) Enrolled in a PERS-sponsored health plan, and (d) Enrolled in both Medicare Part A and Part B.
	Benefit Amount	A monthly contribution of up to $60 per retiree is applied to PERS-sponsored Medicare supplemental insurance costs.
Retiree Healthcare – Under Age 65 (RHIPA)	**Eligibility**	Retired state employees enrolled in a PERS-sponsored health plan.
	Benefit	A percentage (as shown on the following page) of the maximum monthly subsidy based on years of service. The maximum monthly subsidy is calculated annually as the average difference between the health insurance premiums paid by active state employees and the premium retirees would pay if they were rated separately from active state employees.

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

Years of Service	Subsidized Amount
Under 8	0%
8-9	50
10-14	60
15-19	70
20-24	80
25-29	90
30 & Over	100

Benefits Not Included in the Valuation	No material benefits have been excluded from the liabilities.
Changes in Plan Provisions	For Tier Two members, the workers' compensation offset to the disability benefit has been eliminated.

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	The workers' compensation offset to the disability benefit has been eliminated.	

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Statistical Section

Statistical Notes

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

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and well being have changed over time. Financial information is presented on an accrual basis. The decrease in Defined Benefit Pension member contributions is offset by the increase in the Oregon Public Service Retirement Plan's Individual Account Program member contributions. Fluctuations in employer contributions from 2000 forward are due to UAL payments.

The Schedules of Changes in Plan Net Assets are presented on both a fiscal and calendar year basis. The System prepares its financial statements on a fiscal-year basis but has its actuarial valuations performed on a calendar-year basis.

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

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

Operating Information

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

The Schedule of Average OPEB Benefits Payments for Retiree 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.

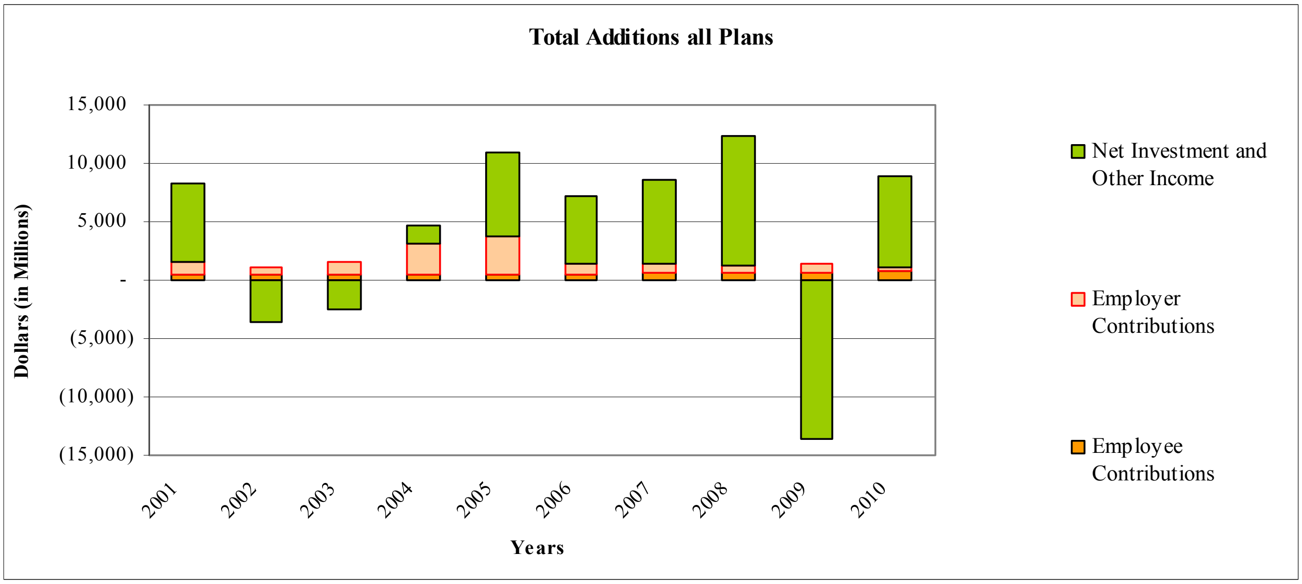
The Schedule of Average Defined Pension Benefit Payments presents average monthly benefits, final average salary, and number of retirees still receiving benefits, by year of retirement. The total section presents averages for all retirees still receiving benefits regardless of when their retirement benefits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

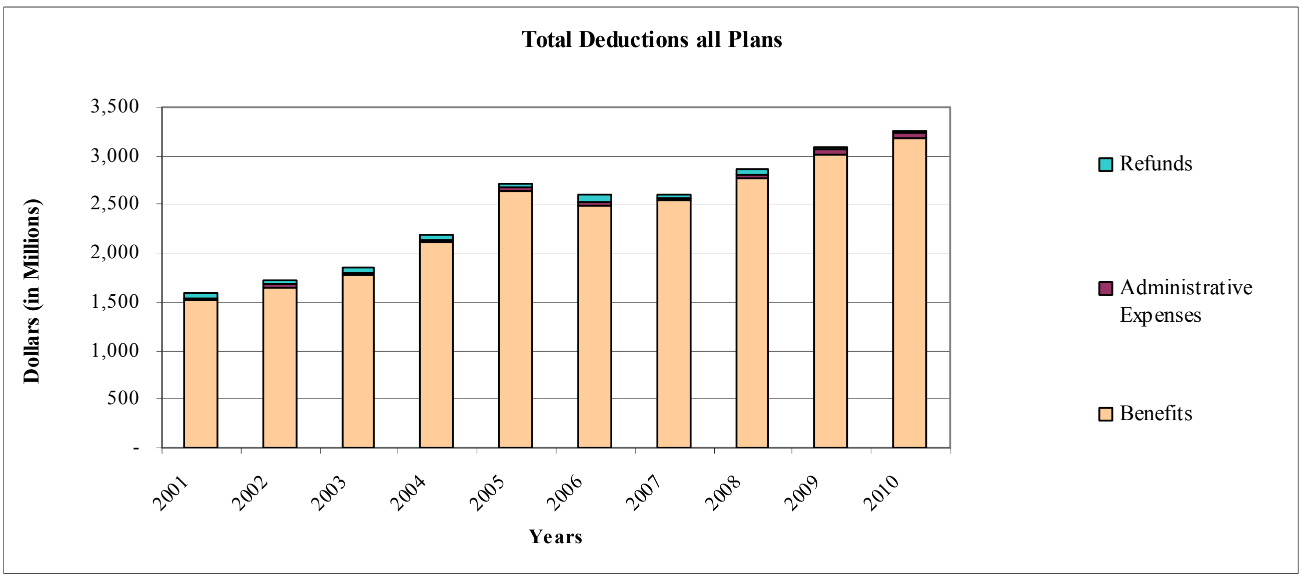
The Schedule of Benefit Recipients by Benefit Type shows retired members by benefit level, benefit types, and payment options selected.

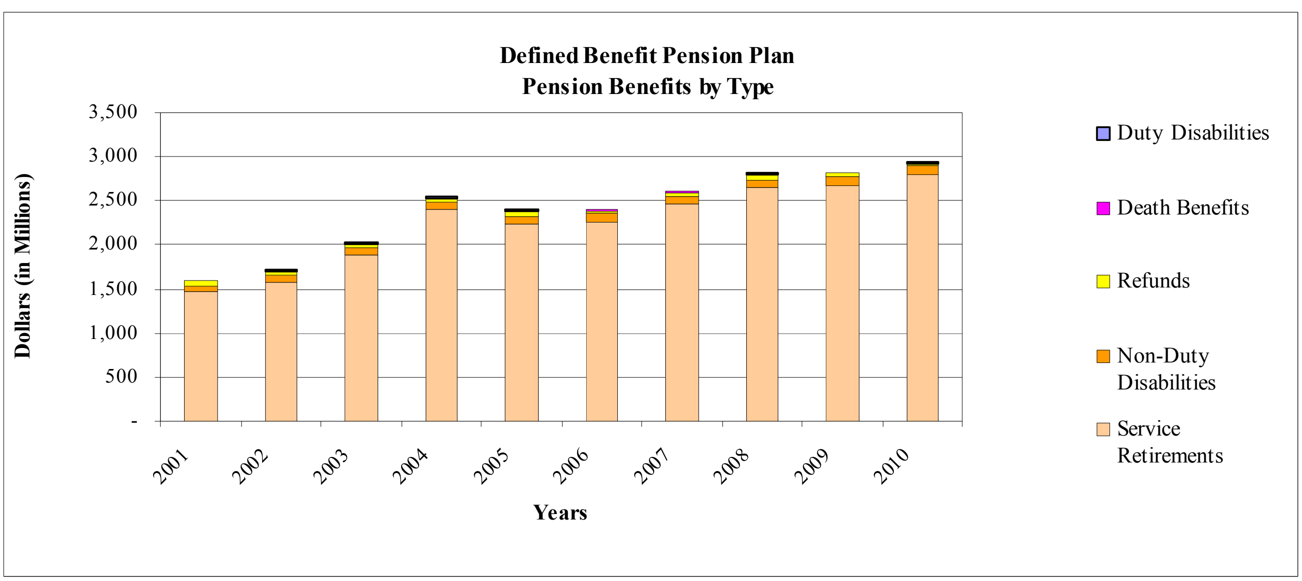
The Schedule of Retirement System Membership shows demographics of membership over a period of time. The fiscal year schedule shows membership over the last six years. The calendar year schedule is in five-year increments going back to 1980.

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

The Schedule of Participating Employers lists all employers as of June 30, 2010, to show public employers of the state of Oregon participating in PERS.


Total Additions all Plans
15,000
10,000
5,000
-
(5,000)
(10,000)
(15,000)
Dollars (in Millions)
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Years
Net Investment and Other Income
Employer Contributions
Employee Contributions


Total Deductions all Plans
3,500
3,000
2,500
2,000
1,500
1,000
500
-
Dollars (in Millions)
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Years
Refunds
Administrative Expenses
Benefits


Defined Benefit Pension Plan
Pension Benefits by Type
3,500
3,000
2,500
2,000
1,500
1,000
500
-
Dollars (in Millions)
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Years
Duty Disabilities
Death Benefits
Refunds
Non-Duty Disabilities
Service Retirements

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

Defined Benefit Pension Plan[1]

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2001	$ 370,165,609	$ 639,010,754	10.80%	$ (3,465,913,890)	$ (2,456,737,527)
2002	391,542,211	989,078,917	15.56	(2,422,055,208)	(1,041,434,080)
2003	400,988,567	2,578,989,169	39.91	1,465,990,471	4,445,968,207
2004	185,693,017	3,166,153,073	63.39	7,182,539,171	10,534,385,261
2005	9,590,285	815,807,985	14.77	5,686,759,377	6,512,157,647
2006	9,611,666	783,921,381	12.70	6,919,097,410	7,712,630,457
2007	13,680,980	597,372,229	8.70	10,589,123,834	11,200,177,043
2008	11,937,362	763,164,823	10.30	(2,804,736,029)	(2,029,633,844)
2009	8,452,030	649,706,891	7.88	(12,903,220,545)	(12,245,061,624)
2010	13,600,476	433,268,434	4.88	7,279,890,664	7,726,759,574

Oregon Public Service Retirement Plan[2]
Individual Account Program

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

Deferred Compensation Plan

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2001	$ 43,512,667	$ N/A	N/A%	$ (61,887,870)	$ (18,375,203)
2002	47,472,963	N/A	N/A	(41,865,658)	5,607,305
2003	50,279,420	N/A	N/A	15,987,532	66,266,952
2004	56,479,388	N/A	N/A	79,874,001	136,353,389
2005	56,542,080	N/A	N/A	53,506,406	110,048,486
2006	59,724,202	N/A	N/A	70,672,287	130,396,489
2007	66,152,631	N/A	N/A	129,511,435	195,664,066
2008	70,448,534	N/A	N/A	(74,030,166)	(3,581,632)
2009	66,727,977	N/A	N/A	(142,099,959)	(75,371,982)
2010	66,708,970	N/A	N/A	84,417,201	151,126,171

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

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

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

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

Benefits	Administrative Expenses[3]	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 1,558,218,989	$ 25,374,819	$ 46,243,701	$ 1,629,837,509	$ (4,086,575,036)
1,667,133,815	17,456,752	46,086,912	1,730,677,479	(2,772,111,559)
1,978,887,202	16,784,817	42,640,295	2,038,312,314	2,407,655,893
2,495,222,891	26,318,257	42,193,518	2,563,734,666	7,970,650,595
2,340,813,964	34,549,034	60,241,863	2,435,604,861	4,076,552,786
2,371,628,570	24,350,573	33,172,837	2,429,151,980	5,283,478,477
2,574,588,942	29,214,866	41,222,535	2,645,026,343	8,555,150,700
2,768,305,300	27,061,038	50,660,781	2,846,027,119	(4,875,660,963)
2,790,218,464	26,195,676	36,548,963	2,852,963,103	(15,098,024,727)
2,915,568,801	28,512,343	25,692,404	2,969,773,548	4,756,986,026

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ N/A	$ 1,400,300	$ N/A	$ 1,400,300	$ 201,512,633
1,234,891	5,243,347	N/A	6,478,238	408,385,502
14,791,999	6,237,195	N/A	21,029,194	536,262,589
36,379,230	7,291,683	N/A	43,670,913	705,176,201
55,478,104	7,871,419	N/A	63,349,523	347,572,163
49,534,423	8,413,392	N/A	57,947,815	(115,160,835)
72,802,216	7,673,682	N/A	80,475,898	819,097,956

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 28,387,233	$ 589,512	$ N/A	$ 28,976,745	$ (47,351,948)
41,149,643	685,523	N/A	41,835,166	(36,227,861)
33,596,122	660,144	N/A	34,256,266	32,010,686
40,377,599	759,180	N/A	41,136,779	95,216,610
39,406,579	703,809	N/A	40,110,388	69,938,098
40,544,067	884,438	N/A	41,428,505	88,967,984
49,835,260	606,410	N/A	50,441,670	145,222,396
50,366,273	800,668	N/A	51,166,941	(54,748,573)
38,858,335	816,033	N/A	39,674,368	(115,046,350)
45,901,913	889,647	N/A	46,791,560	104,334,611

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

Retirement Health Insurance Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2001	$ N/A	$ 42,294,496	0.70%	$ (4,089,006)	$ 38,205,490
2002	N/A	40,154,004	0.64	(4,290,677)	35,863,327
2003	N/A	41,248,903	0.64	2,890,216	44,139,119
2004	N/A	40,619,811	0.64	20,706,960	61,326,771
2005	N/A	37,308,769	0.64	17,106,276	54,415,045
2006	N/A	38,162,075	0.59	23,296,256	61,458,331
2007	N/A	41,171,759	0.59	39,609,224	80,780,983
2008	N/A	27,783,093	0.37	(10,246,057)	17,537,036
2009	N/A	28,812,705	0.37	(52,278,868)	(23,466,163)
2010	N/A	22,351,240	0.29	31,145,418	53,496,658

Retiree Health Insurance Premium Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2001	$ N/A	$ 1,178,373	0.07%	$ (280,574)	$ 897,799
2002	N/A	1,424,727	0.09	(155,146)	1,269,581
2003	N/A	1,599,744	0.09	46,286	1,646,030
2004	N/A	3,100,423	0.16	642,012	3,742,435
2005	N/A	2,344,259	0.16	594,376	2,938,635
2006	N/A	2,190,254	0.13	777,757	2,968,011
2007	N/A	2,399,843	0.13	1,301,049	3,700,892
2008	N/A	1,791,179	0.10	(312,725)	1,478,454
2009	N/A	2,005,173	0.10	(1,578,384)	426,789
2010	N/A	1,496,640	0.08	939,274	2,435,914

Standard Retiree Health Insurance Account

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2001	$ 45,492,117	$ N/A	N/A%	$ 1,844,957	$ 47,337,074
2002	52,273,896	N/A	N/A	902,103	53,175,999
2003	66,380,497	N/A	N/A	542,712	66,923,209
2004	72,894,536	N/A	N/A	171,405	73,065,941
2005	85,791,039	N/A	N/A	240,016	86,031,055
2006	85,662,507	N/A	N/A	414,342	86,076,849
2007	88,765,182	N/A	N/A	567,775	89,332,957
2008	103,966,410	N/A	N/A	546,899	104,513,309
2009	115,386,399	N/A	N/A	307,557	115,693,956
2010	126,929,401	N/A	N/A	122,559	127,051,960

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 23,239,431	$ 1,916,176	$ N/A	$ 25,155,607	$ 13,049,883
23,627,238	782,513	N/A	24,409,751	11,453,576
23,906,241	724,104	N/A	24,630,345	19,508,774
24,632,880	708,696	N/A	25,341,576	35,985,195
25,282,377	777,979	N/A	26,060,356	28,354,689
26,059,316	887,743	N/A	26,947,059	34,511,272
26,887,060	876,363	N/A	27,763,423	53,017,560
27,624,361	899,601	N/A	28,523,962	(10,986,926)
28,262,580	958,311	N/A	29,220,891	(52,687,054)
28,821,538	974,988	N/A	29,796,526	23,700,132

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 947,685	$ 102,327	$ N/A	$ 1,050,012	$ (152,213)
1,155,018	231,241	N/A	1,386,259	(116,678)
1,367,993	116,422	N/A	1,484,415	161,615
1,656,993	62,320	N/A	1,719,313	2,023,122
1,922,701	81,816	N/A	2,004,517	934,118
2,120,368	143,252	N/A	2,263,620	704,391
2,047,322	119,875	N/A	2,167,197	1,533,695
1,906,431	104,880	N/A	2,011,311	(532,857)
1,926,236	115,770	N/A	2,042,006	(1,615,217)
2,307,059	103,645	N/A	2,410,704	25,210

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 39,831,041	$ 191,375	$ N/A	$ 40,022,416	$ 7,314,658
49,376,276	1,211,427	N/A	50,587,703	2,588,296
84,504,240	1,434,292	N/A	85,938,532	(19,015,323)
80,896,727	1,607,619	N/A	82,504,346	(9,438,405)
86,457,202	1,748,210	N/A	88,205,412	(2,174,357)
83,475,045	2,039,378	N/A	85,514,423	562,426
86,598,610	1,973,750	N/A	88,572,360	760,597
101,781,280	2,021,229	N/A	103,802,509	710,800
113,074,954	2,149,795	N/A	115,224,749	469,207
124,449,334	2,197,540	N/A	126,646,874	405,086

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

Defined Benefit Pension Plan[2]

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 358,532,128	$ 617,392,002	10.52%	$ 140,492,280	$ 1,116,416,410
2001	385,221,900	715,640,552	11.52	(2,704,326,428)	(1,603,463,976)
2002	397,510,787	1,705,408,456	26.39	(3,453,139,033)	(1,350,219,790)
2003	404,989,521	3,726,733,326	58.44	8,841,448,116	12,973,170,963
2004	14,180,906	1,035,192,490	18.39	5,883,962,236	6,933,335,632
2005	8,354,073	1,165,678,216	18.51	6,045,479,892	7,219,512,181
2006	10,751,524	605,587,796	8.27	7,920,833,371	8,537,172,691
2007	16,130,758	744,532,532	10.47	5,587,420,758	6,348,084,048
2008	7,316,509	639,128,268	7.86	(16,483,601,895)	(15,837,157,118)
2009	11,209,060	561,305,422	6.59	8,054,309,024	8,626,823,506

Oregon Public Service Retirement Plan[3]
Individual Account Program

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2003	$ N/A	$ N/A	N/A%	$ N/A	$ N/A
2004	357,062,609	N/A	N/A	31,356,902	388,419,511
2005	426,126,034	N/A	N/A	112,037,318	538,163,352
2006	444,988,910	N/A	N/A	212,183,144	657,172,054
2007	451,403,761	N/A	N/A	197,649,097	649,052,858
2008	476,238,379	N/A	N/A	(681,055,059)	(204,816,680)
2009	504,209,955	N/A	N/A	435,988,065	940,198,020

Deferred Compensation Plan

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 48,984,327	$ N/A	N/A%	$ (18,990,331)	$ 29,993,996
2001	42,815,469	N/A	N/A	(44,610,460)	(1,794,991)
2002	51,123,470	N/A	N/A	(50,282,443)	841,027
2003	50,217,519	N/A	N/A	99,459,493	149,677,012
2004	59,671,251	N/A	N/A	68,420,696	128,091,947
2005	56,557,468	N/A	N/A	49,783,696	106,341,164
2006	63,268,289	N/A	N/A	90,212,220	153,480,509
2007	67,874,937	N/A	N/A	65,816,348	133,691,285
2008	72,316,124	N/A	N/A	(268,310,470)	(195,994,346)
2009	63,087,307	N/A	N/A	147,674,587	210,761,894

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.

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

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

	Benefits		Administrative Expenses[4]		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	1,509,574,384	$	22,240,490	$	48,558,962	$	1,580,373,836	$	(463,957,426)
	1,626,837,851		20,934,512		42,537,159		1,690,309,522		(3,293,773,498)
	1,746,727,771		16,156,679		39,767,828		1,802,652,278		(3,152,872,068)
	2,305,913,864		23,026,963		44,485,825		2,373,426,652		10,599,744,311
	2,432,307,750		29,965,677		75,329,010		2,537,602,437		4,395,733,195
	2,372,895,822		30,659,957		42,143,663		2,445,699,442		4,773,812,739
	2,514,479,244		24,438,769		61,059,360		2,599,977,373		5,937,195,318
	2,630,279,015		31,358,911		38,197,392		2,699,835,318		3,648,248,730
	2,784,164,757		24,645,591		27,117,003		2,835,927,351		(18,673,084,469)
	2,823,723,754		26,011,412		18,269,906		2,868,005,072		5,758,818,434

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	N/A	$	264,574	$	N/A	$	264,574	$	(264,574)
	6,272,929		4,472,158		N/A		10,745,087		377,674,424
	3,682,712		4,177,338		N/A		7,860,050		530,303,302
	30,051,229		8,061,455		N/A		38,112,684		619,059,370
	47,529,077		7,583,898		N/A		55,112,975		593,939,883
	58,765,223		8,183,279		N/A		66,948,502		(271,765,182)
	53,171,640		7,905,631		N/A		61,077,271		879,120,749

	Benefits		Administrative Expenses		Refunds		Total Deductions by Type		Changes In Plan Net Assets
$	34,886,565	$	619,774	$	N/A	$	35,506,339	$	(5,512,343)
	29,114,174		660,738		N/A		29,774,912		(31,569,903)
	41,926,056		691,968		N/A		42,618,024		(41,776,997)
	38,162,887		745,559		N/A		38,908,446		110,768,566
	41,080,360		748,208		N/A		41,828,568		86,263,379
	38,351,898		878,538		N/A		39,230,436		67,110,728
	40,706,739		684,991		N/A		41,391,730		112,088,779
	50,697,210		763,382		N/A		51,460,592		82,230,693
	47,955,641		795,233		N/A		48,750,874		(244,745,220)
	37,366,503		863,699		N/A		38,230,202		172,531,692

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

Retirement Health Insurance Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ N/A	$ 41,061,988	0.66%	$ 302,467	$ 41,364,455
2001	N/A	41,754,333	0.67	(4,658,153)	37,096,180
2002	N/A	41,355,199	0.65	(7,434,689)	33,920,510
2003	N/A	40,789,302	0.65	23,713,608	64,502,910
2004	N/A	37,923,918	0.56	16,550,236	54,474,154
2005	N/A	39,202,772	0.58	20,112,501	59,315,273
2006	N/A	39,481,902	0.54	28,532,583	68,014,485
2007	N/A	35,457,965	0.45	22,089,579	57,547,544
2008	N/A	28,043,517	0.34	(66,077,417)	(38,033,900)
2009	N/A	25,863,178	0.31	33,958,964	59,822,142

Retiree Health Insurance Premium Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ N/A	$ 1,121,770	0.06%	$ 14,417	$ 1,136,187
2001	N/A	1,329,246	0.07	(180,170)	1,149,076
2002	N/A	1,581,544	0.09	(272,924)	1,308,620
2003	N/A	2,175,955	0.13	728,395	2,904,350
2004	N/A	2,678,731	0.14	550,508	3,229,239
2005	N/A	2,454,389	0.13	679,346	3,133,735
2006	N/A	2,284,194	0.14	920,910	3,205,104
2007	N/A	2,148,731	0.03	688,777	2,837,508
2008	N/A	1,867,402	0.08	(2,004,488)	(137,086)
2009	N/A	1,796,343	0.08	1,016,811	2,813,154

Standard Retiree Health Insurance Account

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
2000	$ 41,997,999	$ N/A	N/A%	$ 1,820,773	$ 43,818,772
2001	46,694,469	N/A	N/A	1,393,560	48,088,029
2002	58,309,342	N/A	N/A	739,717	59,049,059
2003	74,112,002	N/A	N/A	257,949	74,369,951
2004	76,650,658	N/A	N/A	191,037	76,841,695
2005	95,083,219	N/A	N/A	315,549	95,398,768
2006	75,665,624	N/A	N/A	497,598	76,163,222
2007	95,880,250	N/A	N/A	610,522	96,490,772
2008	112,216,307	N/A	N/A	437,169	112,653,476
2009	119,161,113	N/A	N/A	173,848	119,334,961

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

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 22,909,640	$ 1,843,153	$ N/A	$ 24,752,793	$ 16,611,662
23,505,793	1,961,990	N/A	25,467,783	11,628,397
23,679,226	402,662	N/A	24,081,888	9,838,622
24,236,456	467,080	N/A	24,703,536	39,799,374
24,991,280	712,195	N/A	25,703,475	28,770,679
25,601,296	698,986	N/A	26,300,282	33,014,991
26,552,598	978,785	N/A	27,531,383	40,483,102
27,244,840	888,308	N/A	28,133,148	29,414,396
27,976,500	918,244	N/A	28,894,744	(66,928,644)
28,537,920	974,580	N/A	29,512,500	30,309,642

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 873,353	$ 138,941	$ N/A	$ 1,012,294	$ 123,893
1,038,690	85,124	N/A	1,123,814	25,262
1,291,244	127,636	N/A	1,418,880	(110,260)
1,519,455	219,529	N/A	1,738,984	1,165,366
1,735,776	63,256	N/A	1,799,032	1,430,207
2,070,218	117,939	N/A	2,188,157	945,578
2,158,432	140,794	N/A	2,299,226	905,878
1,923,159	111,240	N/A	2,034,399	803,109
1,902,292	101,664	N/A	2,003,956	(2,141,042)
2,020,198	113,096	N/A	2,133,294	679,860

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 37,137,912	$ 166,108	$ N/A	$ 37,304,020	$ 6,514,752
45,377,242	176,931	N/A	45,554,173	2,533,856
65,500,099	1,761,738	N/A	67,261,837	(8,212,778)
83,199,457	1,624,928	N/A	84,824,385	(10,454,434)
85,252,661	1,660,849	N/A	86,913,510	(10,071,815)
87,541,805	1,661,817	N/A	89,203,622	6,195,146
79,200,286	2,350,930	N/A	81,551,216	(5,387,994)
93,800,359	2,001,199	N/A	95,801,558	689,214
109,997,682	2,055,483	N/A	112,053,165	600,311
116,622,384	2,198,703	N/A	118,821,087	513,874

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

Fiscal Year	Service Benefits	Disability Benefits: Duty	Disability Benefits: Non-Duty	Retirement Benefit Totals	Death Benefits	Refunds	Total
2001	$ 1,478,544,032	$ 7,822,924	$ 62,163,492	$ 1,548,530,448	$ 9,688,541	$ 46,243,701	$ 1,604,462,690
2002	1,578,535,743	8,496,606	69,979,830	1,657,012,179	10,121,636	46,086,912	1,713,220,727
2003	1,888,912,273	9,102,457	74,949,807	1,972,964,537	5,922,665	42,640,295	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	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	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	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	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	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	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	2,941,261,205

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

Calendar Year	Tier One Earnings/ (Loss) Available for Crediting	Credited: Tier One	Credited: Tier Two[2]	Variable Earnings/ (Loss) Credited	Individual Account Program
2000	0.63%	8.00%	0.54%	(3.24)%	
2001	(7.17)	8.00	(6.66)	(11.19)	
2002	(8.93)	8.00	(8.93)	(21.51)	
2003	23.79	8.00	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

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, 2010:

Years Credited Service	8+
Average Monthly Benefit	$60.00
Final Average Salary	N/A
Number of Active Retirees	39,652

Schedule of Average OPEB Benefits for Retiree Health Insurance Premium Account[1] For the Year Ended June 30, 2010:

Years Credited Service	8 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Average Monthly Benefit	$145.85	$175.02	$204.19	$233.36	$262.53	$291.70	$260.21
Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Active Retirees	9	39	77	128	208	369	830

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, 2000 to June 30, 2010	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
2001 Average Monthly Benefit	$ 414.71	$ 696.44	$ 1,233.72	$ 1,917.06	$ 2,911.33	$ 4,076.29	$ 4,488.46	$ 2,279.80
Final Average Salary	$ 2,310.57	$ 2,515.65	$ 2,990.30	$ 3,417.33	$ 3,999.44	$ 4,741.01	$ 4,516.15	$ 3,595.93
Number of Active Retirees	525	517	595	625	737	918	241	4,158
2002 Average Monthly Benefit	$ 658.18	$ 845.66	$ 1,241.89	$ 1,962.34	$ 2,893.52	$ 4,243.29	$ 4,900.87	$ 2,608.60
Final Average Salary	$ 2,340.27	$ 2,581.29	$ 3,010.25	$ 3,529.38	$ 4,169.06	$ 4,823.29	$ 5,011.46	$ 3,848.21
Number of Active Retirees	382	557	702	681	1,019	1,233	358	4,932
2003 Average Monthly Benefit	$ 874.54	$ 1,027.09	$ 1,392.14	$ 1,997.21	$ 2,935.40	$ 4,305.38	$ 5,265.20	$ 2,841.12
Final Average Salary	$ 2,367.76	$ 2,528.56	$ 3,142.27	$ 3,659.53	$ 4,248.74	$ 4,967.74	$ 5,343.38	$ 4,042.85
Number of Active Retirees	660	1,160	1,560	1,763	2,497	2,875	1,116	11,631
2004 Average Monthly Benefit	$ 954.83	$ 878.58	$ 1,233.68	$ 1,810.25	$ 2,748.39	$ 4,030.16	$ 4,614.21	$ 2,487.26
Final Average Salary	$ 2,159.20	$ 2,565.99	$ 2,996.35	$ 3,516.45	$ 4,042.63	$ 4,635.60	$ 4,809.57	$ 3,760.04
Number of Active Retirees	358	597	831	944	1,141	1,418	331	5,620
2005 Average Monthly Benefit	$ 820.75	$ 883.44	$ 1,281.82	$ 1,815.79	$ 2,761.65	$ 3,994.11	$ 4,284.00	$ 2,323.71
Final Average Salary	$ 2,155.34	$ 2,804.91	$ 2,871.30	$ 3,294.67	$ 3,925.41	$ 4,442.77	$ 3,847.00	$ 3,520.82
Number of Active Retirees	259	459	521	556	534	842	120	3,291
2006 Average Monthly Benefit	$ 790.64	$ 820.24	$ 1,178.75	$ 1,750.03	$ 2,730.73	$ 3,900.54	$ 4,299.96	$ 2,282.13
Final Average Salary	$ 2,287.14	$ 2,988.00	$ 3,453.14	$ 3,682.48	$ 4,117.70	$ 4,803.12	$ 4,453.29	$ 3,883.33
Number of Active Retirees	227	471	623	678	611	896	174	3,680
2007 Average Monthly Benefit	$ 736.19	$ 823.80	$ 1,174.78	$ 1,732.94	$ 2,593.38	$ 3,885.23	$ 4,493.86	$ 2,332.18
Final Average Salary	$ 2,543.19	$ 3,223.01	$ 3,425.48	$ 3,994.66	$ 4,680.35	$ 5,301.68	$ 5,168.70	$ 4,303.21
Number of Active Retirees	268	548	602	785	615	1,066	280	4,164
2008 Average Monthly Benefit	$ 866.84	$ 809.20	$ 1,222.46	$ 1,632.01	$ 2,381.68	$ 3,872.43	$ 4,755.88	$ 2,354.01
Final Average Salary	$ 2,416.86	$ 3,150.61	$ 3,990.76	$ 4,387.95	$ 4,707.68	$ 5,566.41	$ 5,680.10	$ 4,605.71
Number of Active Retirees	281	530	635	855	758	1,140	341	4,540
2009 Average Monthly Benefit	$ 868.02	$ 875.77	$ 1,193.00	$ 1,674.25	$ 2,448.47	$ 3,753.62	$ 4,840.38	$ 2,398.41
Final Average Salary	$ 2,357.22	$ 2,777.58	$ 3,631.30	$ 4,172.40	$ 4,645.64	$ 5,388.97	$ 5,574.48	$ 4,415.78
Number of Active Retirees	298	541	623	796	713	1,044	458	4,473
2010 Average Monthly Benefit	$ 765.41	$ 976.74	$ 1,187.76	$ 1,707.97	$ 2,383.10	$ 3,702.99	$ 4,713.83	$ 2,458.55
Final Average Salary	$ 2,761.48	$ 3,757.94	$ 4,000.68	$ 4,787.93	$ 5,395.11	$ 6,044.43	$ 6,350.80	$ 5,114.60
Number of Active Retirees	210	521	576	777	793	1,047	511	4,435
Total Average Monthly Benefit	**$ 416.50**	**$ 645.65**	**$ 1,038.17**	**$ 1,595.33**	**$ 2,446.74**	**$ 3,618.83**	**$ 4,005.90**	**$ 2,136.93**
Final Average Salary	**$ 2,021.63**	**$ 2,331.68**	**$ 2,741.85**	**$ 3,190.45**	**$ 3,753.59**	**$ 4,447.01**	**$ 4,404.75**	**$ 3,478.02**
Number of Active Retirees	**8,757**	**13,388**	**15,560**	**18,450**	**19,548**	**24,099**	**10,840**	**110,642**

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2010

Monthly Benefit Amount	Number of Retirees	Type of Retirement* 1	2	3	4	5	Refund Annuity	Annuity Options** 1	2	3	4	Lump-Sum Options** 1	2	3
$ 1 -500	20,140	16,179	160	223	3,317	261	3,003	4,673	3,834	1,315	648	3,803	2,266	598
501 - 1000	17,559	14,309	114	727	2,073	336	2,804	5,322	4,336	1,879	687	1,277	951	303
1001 - 1500	14,023	11,621	95	759	1,302	246	2,001	4,135	3,923	1,756	478	792	730	208
1501 - 2000	11,062	9,321	99	624	827	191	1,459	3,124	3,255	1,384	393	628	622	197
2001 - 2500	9,392	8,211	64	460	531	126	1,147	2,614	2,758	1,209	292	533	684	155
2501 - 3000	7,923	7,128	56	309	355	75	986	2,192	2,483	1,130	267	331	421	113
3001 - 3500	6,843	6,304	36	198	277	28	847	1,857	2,425	1,039	224	160	225	66
3501 - 4000	6,045	5,681	20	149	181	14	569	1,645	2,373	1,010	204	92	109	43
4001 - 4500	5,288	5,066	21	63	127	11	465	1,323	2,282	900	167	46	81	24
4501 - 5000	3,993	3,832	11	44	103	3	323	1,025	1,765	688	114	19	45	14
5001 - 5500	2,815	2,709	10	24	68	4	210	727	1,249	518	79	7	21	4
5501 - 6000	1,956	1,885	5	24	42	—	131	445	902	388	58	7	17	8
6000 plus	3,603	3,488	3	20	91	1	186	761	1,768	767	62	11	40	8
Totals	**110,642**	**95,734**	**694**	**3,624**	**9,294**	**1,296**	**14,131**	**29,843**	**33,353**	**13,983**	**3,673**	**7,706**	**6,212**	**1,741**

*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:

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

Schedule of Retirement System Membership at June 30:

	2005	2006	2007	2008	2009	2010
State Agencies	39,588	36,817	42,906	41,872	44,377	46,105
School Districts	58,566	55,493	65,792	69,840	70,946	72,656
Political Subdivisions	51,768	48,442	55,850	55,740	55,745	57,989
Inactive Members	48,017	46,952	52,513	46,356	43,397	37,624
Total Non-Retired	197,939	187,704	217,061	213,808	214,465	214,374
Retired Members						
and Beneficiaries	100,124	101,519	103,368	105,721	107,936	110,642
Total Membership	298,063	289,223	320,429	319,529	322,401	325,016
Administrative Expense[1]	$42,400,386	$34,544,579	$40,082,947	$38,758,835	$38,648,977	$40,351,845
Pension Roll (one month)	$184,518,138	$205,232,050	$216,137,975	$230,863,092	$227,379,725	$236,323,468

[1]Prior year balances revised to show effect of prior period adjustment.

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

	2010		2006	
	Number of Current Employees	Percent of Total System	Number of Current Employees	Percent of Total System
State of Oregon	46,105	26.09%	37,973	24.23%
Portland Public Schools	5,769	3.26	4,984	3.18
Oregon Health & Science University	5,759	3.26	4,988	3.18
Salem-Keizer Public Schools	5,115	2.89	3,948	2.52
Beaverton School District	4,488	2.54	3,488	2.23
Multnomah County	4,479	2.52	4,047	2.58
City of Portland	4,457	2.53	3,509	2.24
Hillsboro School District	2,467	1.40	1,974	1.26
Portland Community College	2,350	1.33	2,849	1.82
Eugene School District	2,137	1.21	1,864	1.19
All Others*	93,624	52.97	87,074	55.57
Totals	176,750	100.00%	156,698	100.00%

* "All Others" consisted of:				
Counties	13,562	7.68%	12,381	7.90%
Municipalities	12,913	7.31	11,410	7.28
School Districts	52,680	29.80	49,710	31.73
Community Colleges	6,476	3.66	6,635	4.23
Other Political Subdivisions	7,993	4.52	6,938	4.43
Total All Others	93,624	52.97%	87,074	55.57%

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

Schedule of Participating Employers (897)

State (116)

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

Political Subdivisions (485)

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

Central Point, City of
Charleston RFPD
Chetco Community Public Library Board
Chiloquin, City of
Chiloquin-Agency Lake RFPD
City County Insurance Services
Clackamas County
Clackamas County Fair
Clackamas County Fire District 1
Clackamas County Vector Control District
Clackamas River Water Providers
Clackamas River Water
Clatskanie, City of
Clatskanie Library District
Clatskanie People's Utility District
Clatskanie RFPD
Clatsop County
Clatsop County 4-H and Extension Service District
Clean Water Services
Cloverdale RFPD
Coburg, City of
Coburg RFPD
Colton RFPD 70
Columbia City, City of
Columbia County
Columbia County 911 Communications District
Columbia Drainage Vector Control District
Columbia Health District
Columbia River Fire and Rescue
Columbia River PUD
Community Services Consortium
Condon, City of
Coos Bay, City of
Coos County
Coos County Airport District
Coquille, City of
Corbett Water District
Cornelius, City of
Corvallis, City of
Cottage Grove, City of
Crescent RFPD
Creswell, City of
Crook County
Crook County RFPD 1
Crooked River Ranch RFPD
Crystal Springs Water District
Culver, City of
Curry County
Curry Public Library District
Dallas, City of
Dayton, City of
Depoe Bay, City of
Depoe Bay RFPD
Deschutes County
Deschutes County RFPD 2
Deschutes Public Library District
Deschutes Valley Water District
Dexter RFPD 2
Douglas County
Douglas County RFPD 2
Douglas County Soil and Water Conservation District
Drain, City of
Dufur, City of
Dundee, City of
Dunes City, City of
Durham, City of
Eagle Point, City of
East Fork Irrigation District
East Umatilla County RFPD
Echo, City of
Elgin, City of
Elkton, City of
Enterprise, City of
Estacada, City of
Estacada Cemetery Maintenance District
Estacada RFD 69
Eugene, City of
Eugene Water and Electric Board
Fairview, City of
Fairview Water District
Falls City, City of
Farmers Irrigation District
Fern Ridge Community Library
Florence, City of
Fossil, City of
Garibaldi, City of
Gaston, City of
Gaston RFPD
Gearhart, City of
Gervais, City of
Gilliam County
Gladstone, City of
Glide RFPD
Gold Beach, City of
Gold Hill, City of
Goshen RFPD
Grant County
Grants Pass, City of
Grants Pass Irrigation District
Greater St. Helens Parks and Recreation District
Green Sanitary District
Gresham, City of
Halsey, City of
Halsey-Shedd RFPD
Happy Valley, City of
Harbor Water PUD
Harney County
Harney Health District
Harrisburg, City of
Harrisburg Fire and Rescue
Helix, City of
Heppner, City of
Hermiston, City of
Hermiston RFPD
High Desert Park and Recreation District
Hillsboro, City of
Hines, City of
Hood River, City of
Hood River County
Hoodland RFD 74
Horsefly Irrigation District
Housing Authority of Clackamas County
Housing Authority of Jackson County
Housing Authority of Portland
Hubbard, City of
Hubbard RFPD
Huntington, City of
Ice Fountain Water District
Illinois Valley RFPD
Imbler RFPD
Independence, City of
Irrigon, City of
Jackson County
Jackson County Fire District 3
Jackson County Fire District 4
Jackson County Fire District 5
Jackson County Fire District 6
Jackson County Vector Control District
Jacksonville, City of
Jefferson, City of
Jefferson County
Jefferson County EMS District
Jefferson County Library District
Jefferson County RFPD 1
Jefferson County SWCD
Jefferson RFPD
Job Council
John Day, City of
Jordan Valley, City of
Joseph, City of
Josephine County
Junction City, 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 Fire District 1
Marion County Housing Authority
Maupin, City of
McKenzie RFPD
McMinnville, City of
McMinnville Water and Light Department
Medford, City of
Medford Irrigation District
Medford Water Commission
Merrill, City of
Metolius, City of
METRO
Metropolitan Area Communication Commission
Mid-Columbia Center for Living
Mill City, City of
Mill City RFPD
Millersburg, City of
Millington RFPD
Milton-Freewater, City of
Milwaukie, City of
Mist-Birkenfeld RFPD
Mohawk Valley RFD
Molalla, City of
Molalla RFPD 73
Monmouth, City of
Monroe, City of
Monroe RFPD
Moro, City of
Mt. Angel, City of
Mt. Angel Fire District
Mt. Vernon, City of
Mulino Water District 23
Multnomah County
Multnomah County Drainage District 1
Multnomah County RFPD 14
Myrtle Creek, City of
Myrtle Point, City of
Nehalem Bay Fire and Rescue
Nehalem Bay Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend City Housing Authority
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell RFPD
Odell Sanitary District
Ontario, City of
Oregon Cascades West COG
Oregon City, City of
Oregon Community College Association
Oregon Consortium, The
Oregon Coastal Zone Management Association
Oregon Health & Science University
Oregon School Boards Association
Oregon Trail Library District
Owyhee Irrigation District
Parkdale RFPD
Pendleton, City of
Philomath, City of
Philomath Fire and Rescue
Phoenix, City of
Pilot Rock, City of
Pleasant Hill RFPD
Polk County
Polk County Fire District 1
Polk Soil and Water Conservation District
Port of Astoria
Port of Cascade Locks
Port of Coos Bay, International
Port of Garibaldi
Port of Hood River
Port of Newport
Port of Portland
Port of St. Helens
Port of The Dalles
Port of Tillamook Bay
Port of Umatilla
Port Orford, City of
Port Orford Public Library
Portland, City of
Portland Development Commission
Powers, City of
Prairie City, City of
Prineville, City of
Rainbow Water District
Rainier, City of
Rainier Cemetery District
Redmond Area Park and Recreation District
Redmond, City of
Reedsport, City of
Regional Organized Crime Narcotics Task Force
Riddle, City of
Rockaway Beach, City of
Rockwood Water PUD
Rogue River, City of
Rogue River RFPD
Rogue River Valley Irrigation District
Roseburg, City of
Roseburg Urban Sanitary Authority
Rural Road Assessment District 3
Rural Road Assessment District 4
Salem, City of
Salem Housing Authority
Salmon Harbor and Douglas County
Sandy, City of
Sandy RFPD 72
Santa Clara RFPD
Santiam Canyon Communications Council
Scappoose, City of
Scappoose Public Library District
Scappoose RFPD
Scio RFPD
Seal Rock Water District
Shady Cove, City of
Sheridan, City of
Sheridan Fire District
Sherman County
Sherwood, City of
Silver Falls Library District
Silverton, City of
Silverton RFPD 2
Sisters and Camp Sherman RFPD
Sisters, City of
Siuslaw Public Library District
Siuslaw RFPD 1
South Fork Water Board
South Lane County Fire and Rescue
South Suburban Sanitary District
Southwest Polk County RFPD
Southwest Lincoln County Water District
Springfield, City of
Springfield Utility District
St. Helens, City of
Stanfield, City of
Stanfield Fire District 7-402
Stayton, City of
Stayton RFPD
Sublimity RFPD
Suburban East Salem Water District
Sunrise Water Authority
Sunriver Service District
Sutherlin, City of
Sutherlin Water Control District
Sweet Home, City of
Sweet Home Cemetery Maintenance District

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

Community Colleges (17)

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

School Districts (279)

Alliance Charter Academy
Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Baker Web Academy 1
Baker Web Academy 2
Ballston Community School
Beaverton School District 45J
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Cascade Heights Public Charter School
Central Curry School District 1
City View Charter School
Clackamas Charter Alliance 1
Clackamas Charter Alliance 3
Clackamas County ESD
Clackamas CSD 3
Clackamas CSD 7J
Clackamas CSD 12
Clackamas CSD 35
Clackamas CSD 46
Clackamas CSD 53
Clackamas CSD 62
Clackamas CSD 86
Clackamas CSD 108
Clackamas CSD 115
Clatskanie School District 6J
Clatsop CSD 1C
Clatsop CSD 4
Clatsop CSD 8
Clatsop CSD 10
Clatsop CSD 30
Columbia CSD 13
Columbia CSD 47 J
Columbia CSD 502
Columbia Gorge Education Service District
Condon Admin. School District 25J
Coos CSD 8
Coos CSD 9
Coos CSD 13
Coos CSD 31
Coos CSD 41
Coos CSD 54
Crook CSD
Curry CSD 2CJ
Curry CSD 17C
Dayton School District 8
Deschutes CSD 1
Deschutes CSD 2J
Deschutes CSD 6
Douglas County ESD
Douglas CSD 1
Douglas CSD 4
Douglas CSD 12
Douglas CSD 15
Douglas CSD 19
Douglas CSD 21
Douglas CSD 22
Douglas CSD 32
Douglas CSD 34
Douglas CSD 70
Douglas CSD 77
Douglas CSD 105
Douglas CSD 116
Douglas CSD 130
EagleRidge High School
Eddyville Charter School
Estacada Web and Early College Academy 1
Estacada Web and Early College Academy 2
Forest Grove Community School
Fossil School District 21J
Four Rivers Community School
Gilliam CSD 3
Grant School District 3
Grant County ESD
Grant CSD 4
Grant CSD 8
Grant CSD 16J
Grant CSD 17
Greater Albany Public Schools 8J
Harney ESD Region 17
Harney CSD 3
Harney CSD 4
Harney CSD 7
Harney CSD 10
Harney CSD 13
Harney CSD 16
Harney CSD 28
Harney CSD UH1J
Harrisburg School District 7
High Desert Education Service District

Hillsboro School District 1J
Home Scholars Academy of Oakridge and Westfir
Hood River CSD
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 91
Jackson CSD 94
Jackson CSD 549C
Jefferson County ESD
Jefferson CSD 4
Jefferson CSD 8
Jefferson CSD 41
Jefferson CSD 509J
Jordan Valley School District 3
Josephine County UJ School District
Josephine CSD 7
Kings Valley Charter School
Klamath CSD CU
Klamath Falls City Schools
KOREducators
Lake County ESD
Lake CSD 7
Lake CSD 11C
Lake CSD 14
Lake CSD 18
Lake CSD 21
Lane County ESD
Lane CSD 1
Lane CSD 4J
Lane CSD 19
Lane CSD 28J
Lane CSD 32
Lane CSD 40
Lane CSD 45J3
Lane CSD 52
Lane CSD 66
Lane CSD 68
Lane CSD 69
Lane CSD 71
Lane CSD 76
Lane CSD 79J
Lane CSD 90
Lane CSD 97J
Lewis and Clark Montessori Charter School
Lincoln CSD
Linn CSD 9
Linn CSD 55
Linn CSD 95C
Linn CSD 129J
Linn CSD 552C
Linn Benton Lincoln ESD
Lourdes Charter School
Luckiamute Valley Charter School
Madrone Trail Public Charter School
Malheur ESD Region 14
Malheur CSD 8C
Malheur CSD 12
Malheur CSD 26C
Malheur CSD 29
Malheur CSD 61
Malheur CSD 66
Malheur CSD 81
Malheur CSD 84
Marcola Web and Early College Academy 1
Marcola Web and Early College Academy 2
Marion CSD 1
Marion CSD 4J
Marion CSD 5
Marion CSD 14CJ
Marion CSD 15
Marion CSD 24J
Marion CSD 45
Marion CSD 91
Marion CSD 103C
Mastery Learning Institute
Mollalla River Academy
Morrow CSD
Mosier Community School
Multisensory Institute Teaching Children
Multisensory Learning Academy
Multnomah County ESD
Multnomah CSD 1
Multnomah CSD 3
Multnomah CSD 7
Multnomah CSD 10
Multnomah CSD 28-302 JT
Multnomah CSD 39
Multnomah CSD 51JT
Multnomah CSD R-40
Nixyaawii Community School
North Central ESD
North Santiam School District 29J
North Powder School District
North Wasco CSD 21
Northwest Regional ESD
Opal School
Oregon Building Congress Academy for Architecture, Construction and Engineering
Oregon Connections Academy
Oregon Virtual Academy
Personalized Learning, Inc.
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Ridgeline Montessori Public Charter School
Rimrock Academy
Sage Community School
Sand Ridge Charter School
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan Allprep Academy
Sheridan Japanese School Foundation
Sherman CSD
Sherwood Charter School
Siletz Valley Early College Academy
Siletz Valley School
Sisters Charter School
Sisters Web and Early College Academy #1
Sisters Web and Early College Academy #2
Sisters Web and Early College Academy #3
Slavic Youth of America
South Coast ESD Region 7
South Columbia Family School
South Harney School District 33
South Wasco County School District 1
Southwest Charter School
Southern Oregon ESD
Springwater Environmental Sciences School
Sweet Home Charter School
The Emerson School
The Ivy School
The Lighthouse School
The Village School
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 56
Tillamook CSD 101
Trillium Charter School
Umatilla County Administrative School District 1R
Umatilla Morrow ESD
Umatilla CSD 2R
Umatilla CSD 5
Umatilla CSD 6R
Umatilla CSD 7
Umatilla CSD 8R
Umatilla CSD 16R
Umatilla CSD 29RJ
Umatilla CSD 61R
Umatilla CSD 80R
Union-Baker ESD
Union CSD 1
Union CSD 5
Union CSD 11
Union CSD 15
Union CSD 23
Wallowa County Region 18 ESD
Wallowa CSD 6
Wallowa CSD 12
Wallowa CSD 21
Wallowa CSD 54
Wasco CSD 29
Washington CSD 13
Washington CSD 15
Washington CSD 23J
Washington CSD 88J
Washington CSD 511JT
West Lane Technical Learning Center
Wheeler CSD 1
Wheeler CSD 55U
Willamette ESD
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J

PERS

Oregon
Public
Employees
Retirement
System