Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

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Paul R. Cleary
Executive Director

David W. Tyler
Chief Financial Officer

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PERS Oregon Public Employees Retirement System

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Introductory Section

Oregon

Theodore R. Kulongoski, Governor

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January 12, 2009

Public Employees Retirement Board
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Oregon Public Employees Retirement System (PERS or "the System") for the fiscal year ended June 30, 2008. 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, 2008, PERS provided services to nearly 320,000 members, beneficiaries, and retirees and to 887 employers.

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

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

Management's Discussion and Analysis

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

Economic Condition and Major Initiatives

The economic condition of PERS is affected primarily by investment earnings. A comparative analysis of rates of return is presented on page 55 of this report.

Major Initiatives

<u>Retirement Counseling</u>

PERS began a key initiative in fiscal year 2008 to provide face-to-face retirement counseling for members throughout the state. We conducted 2,134 Retirement Application Assistance Sessions in fiscal year 2008.

<u>Information Integrity</u>

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

<u>Customer Satisfaction Survey</u>

Our member, retiree, and employer Customer Satisfaction Survey conducted in fiscal year 2008 showed improvement in all areas from the 2007 survey results.

Strunk/Eugene Project

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

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

The Strunk/Eugene project's goal is to meet these requirements. The project's planning team identified two major phases: Member Account Adjustments and Payment Recipient Adjustments.

The Member Account Adjustments phase involved reallocating earnings for 1999 and subsequent years to active and inactive Tier One member, alternate payee, and beneficiary accounts. The adjustments were successfully completed in December 2005.

The Payment Recipient Adjustments phase entails recalculating benefits for payment recipients affected by the *Strunk* decision and *Eugene* settlement agreement. In some cases, PERS owes the recipient additional funds, while in other cases the recipient owes PERS funds. As of June 30, 2008, PERS has completed 83.9 percent of these adjustments. The remaining adjustments are scheduled to be completed by June 30, 2009.

Oregon Retirement Information On-line Network (ORION)

PERS staff continued its efforts in a four-year project to replace the agency's legacy Retirement Information Management System (RIMS) with a new fully integrated application, ORION. The new line of business application is expected to provide increased efficiencies through automation, integration, and data accuracy not currently provided by RIMS. The conversion from RIMS to ORION is expected to be substantially completed by June 2010.

Some of the functionality already delivered through the conversion includes:

- Employers have a single, web-enabled entry point to report and correct demographic, wage, and contribution information for all PERS programs.
- New customer service capabilities, such as contact management, have allowed PERS' staff to respond to member inquiries more efficiently and effectively.
- Electronic document imaging has greatly improved efficiency by providing secure access to documents within minutes, rather than hours or days, and reduced paper consumption from more than 45,000 copies per month to 500 while eliminating lost or misplaced documents and filming costs (approximately $50,000 per biennium).
- Electronic workflows have enabled PERS staff and employers to receive, track, prioritize, and report status on significant business processes. Workflows already implemented include salary certification, retirement application intake, and member withdrawals.

Financial Information

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

Internal Controls

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

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions have been established by actuarial valuations conducted biennially in odd-numbered calendar years. PERS' funding objective is to meet long-term benefit promises through contributions that fund benefits as they accrue. An adequate contribution level, when combined with investment earnings, will result in the full funding of benefits as they come due. If the level of funding is adequate, the ratio of assets accumulated to total liabilities will increase, and more income will be available for investment. Prudent investment of assets and returns on those investments should increase the funding base and allow for a more stable employer contribution rate. As of the December 31, 2007 actuarial valuation PERS has a funded ratio of 112.2 percent for the defined benefit plan it administers (see page 41).

Investments

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

An integral part of investment policy is the strategic asset allocation policy. The target investment portfolio mix at fair value as of June 30, 2008, is 16 percent domestic equities, 23 percent non-US equities, 7 percent global equities, 16 percent alternative equities, 27 percent debt securities, and 11 percent real estate. In addition to approved asset classes, target asset allocation ranges, and rebalancing policies, other safeguards on investments include the use of an independent custodian, defined limits of delegated authority, and independent audits. The System's investment outlook is long-term allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. OIC uses primarily external portfolio managers employing both passive (indexed) and active strategies. The portfolio is broadly diversified among equities, debt securities, real estate, and alternative equities, with additional diversification achieved through domestic and international investing. PERS securities are held by a custodian, State Street Bank and Trust Company.

PERS' investment portfolio suffered negative returns in fiscal 2008 with a rate of return of -3.8 percent. This compares with 18.6 percent for 2007. The fund's five-year return is 11.9 percent, exceeding the System's actuarial assumed rate of 8 percent.

Descriptions of specific OIC policies regarding diversification, performance objectives, fees, and asset allocation are found on pages 52 through 58.

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, 2007. 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 17 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 2008 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 sixth year the PPCC has offered the award to public retirement systems and the fifth consecutive year PERS has applied for and received the award.

Acknowledgments

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

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

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

Respectfully submitted,

Paul R. Cleary
Executive Director

David W. Tyler
Chief Financial Officer

Public Employees Retirement Board

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

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

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

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

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

Michael Pittman (chair)

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

Brenda Rocklin (vice chair)

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

James Dalton

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

Thomas Grimsley

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

Eva Kripalani

Eva Kripalani serves on the board of directors of the Portland State University Foundation, the board of advisors for Willamette University College of Law, and the board of directors of Metropolitan Family Service, 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.

Public Employees Retirement System Organizational Chart

Public Employees Retirement Board

Paul R. Cleary
Executive Director

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

Steven P. Rodeman
Deputy Director

- **Yvette S. Elledge**, Administrator, Customer Service Division
  - Customer Service Center
  - Publications and Communications
  - Membership/Employer Relations
- **Jeffrey M. Marecic**, Administrator, Information Services Division
  - Image and Information Management
  - Quality Assurance Information Services
  - Technical Operations
  - Software Engineering
- **Susan M. Riswick**, Interim Administrator, Policy, Planning, and Legislative Analysis Division
  - Legislative Issues
  - Research and Risk Management
  - Social Security
  - Contested Case Hearings
  - Administrative Rules
- **Brian C. Harrington**, Administrator, Benefit Payments Division
  - Retirement Services
  - Benefit Recalculation
  - Specialty Services
- **David W. Tyler**, Administrator, Fiscal Services Division
  - Financial Reporting
  - Actuarial Analysis
  - Budget and Fiscal Operations
  - Contracts and Procurement
  - Contributions and Banking

Public Employees Retirement System Consultants

Actuary:
Mercer Human Resource Consulting, LLC

Legal Counsel:
Oregon Department of Justice
Orrick Herrington & Sutcliffe LLP
Ice Miller®
Bullivant Houser Bailey PC

Insurance Consultant:
Benefits Partners

Medical Advisor:
Lawrence Duckler, MD

Technology:
Saber Solutions, Inc.
Provaliant, Inc.

Auditor:
Secretary of State Audits Division

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Public Employees Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

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

2008

Presented to

Oregon Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Financial Section

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

Charles A. Hibner, CPA
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The Honorable Theodore R. Kulongoski
Governor of Oregon
160 State Capitol
Salem, Oregon 97301-4047

Public Employees Retirement Board
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Oregon Public Employees Retirement System (system) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 4, the financial statements of the system are intended to present the financial position, and changes in the financial position of only the system. They do not purport to, and do not, present fairly the financial position of the State of Oregon as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the system as of June 30, 2008, 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 discussed in Note 12 to the financial statements, the comparability of the financial statements with those of preceding periods is affected by the system's change in policy related to its definition of cash equivalents and other accounting matters related to derivatives and short sale of securities.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 12, 2009, on our consideration of the system's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

OREGON AUDITS DIVISION

Kate Brown

Kate Brown
Secretary of State

January 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Oregon Public Employees Retirement System's (PERS or "the System") financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter on pages 2 through 4 and the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

1. **Basic Financial Statements**

   The System presents financial statements as of June 30, 2008, prepared on a full accrual basis. They are:

   a. Statements of Fiduciary Net Assets for Pension and Other Postemployment Benefits
   b. Statements of Changes in Fiduciary Net Assets for Pension and Other Postemployment Benefits
   c. Notes to the Financial Statements

2. **Required Supplementary Information**

   The required supplementary information consists of:

   a. Schedules of Funding Progress for Pension and Other Postemployment Benefits
   b. Schedules of Employer Contributions for Pension and Other Postemployment Benefits
   c. Notes to the Required Supplementary Information

3. **Other Supplementary Schedules**

   The other supplementary schedules consist of:

   a. Combining schedules showing the detailed components of the Defined Benefit Pension Plan
   b. Schedules that include detailed information on administrative expenses incurred by the System and a summary of investment fees, commissions, and expenses

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

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

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

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

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

- The Schedules of Funding Progress, page 41, 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 42, contain historical trend information regarding the value of total annual contributions employers must pay and the actual contributions made to meet this requirement.
- The Notes to the Required Supplementary Information, page 43, provide background information and explanatory detail to help understand the required supplementary schedules.

The Schedules of Plan Net Assets and Schedules of Changes in Plan Net Assets, pages 44 through 45, display the components of the defined benefit plan.

The Schedule of Administrative Expenses and Schedule of Payments to Consultants and Contractors on page 46 show the costs of managing the System. The Summary of Investment Fees, Commissions, and Expenses on page 47 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 2008, with $61,409.7 million held in trust for pension, Oregon Public Service Retirement Plan (OPSRP) Individual Account Program (IAP), other postemployment benefits, other benefits, and deferred compensation benefits.
- During the fiscal year, financial markets as a whole declined significantly. PERS' investment portfolio also incurred significant losses as reported in the accompanying financial statements. Fiduciary net assets decreased by $4,599.6 million, or 7.0 percent, during the fiscal year due to declines in financial markets.
- PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2007, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 112.2 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $1.12 of net assets available for payment.
- Revenues (additions to fiduciary net assets) for fiscal year 2008 fell 112.2 percent to ($1,498.8) million, which includes member and employer contributions of $1,444.6 million and net losses from investment activities totaling ($2,944.7) million.
- Expenses (deductions from fiduciary net assets) increased to $3,100.9 million, or 8.3 percent, during fiscal year 2008, from $2,864.0 million during fiscal year 2007.

FIDUCIARY NET ASSETS

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

- Declining financial markets produced negative returns on PERS investments for the first time in six years. The net assets of the defined benefit pension plan decreased approximately $4,881.7 million, or 7.8 percent, during the year ended June 30, 2008.
- The net assets of the OPSRP IAP increased approximately $347.6 million, or 18.5 percent, during the year ended June 30, 2008, because member contributions exceeded benefit payments due to the youth of the program.
- The net assets of the deferred compensation plan decreased approximately $54.7 million, or 5.6 percent, during the year ended June 30, 2008, primarily due to negative investment returns.
- The net assets of the Retirement Health Insurance Account decreased approximately $11.0 million, or 4.4 percent, during the year ended June 30, 2008, due to decreases in employer contributions and investment income.
- The net assets of the Retiree Health Insurance Premium Account decreased approximately $0.5 million, or 6.8 percent, during the year ended June 30, 2008, due to decreases in employer contributions and investment income.
- The net assets of the Standard Retiree Health Insurance Account increased approximately $0.7 million, or 10.6 percent, during the year ended June 30, 2008, 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	
	2008	2007	2008	2007	2008	2007
Cash and Receivables	$ 3,856,796	$ 2,655,091	$ 200,288	$ 113,995	$ 5,393	$ 71,666
Investments at Fair Value	57,795,860	62,971,281	2,154,727	1,823,113	918,448	910,860
Securities Lending Collateral	4,463,278	6,196,820	189,545	194,548	1,073	2,158
Other	13,557	24,153	593	955	—	—
Total Assets	66,129,491	71,847,345	2,545,153	2,132,611	924,914	984,684
Investment Purchases	3,297,470	2,680,888	116,077	58,266	298	271
Securities Lending Payable	4,463,278	6,196,820	189,545	194,548	1,073	2,158
Other Payables	358,451	77,695	15,261	3,100	891	4,854
Total Liabilities	8,119,199	8,955,403	320,883	255,914	2,262	7,283
Total Net Assets	$ 58,010,292	$ 62,891,942	$ 2,224,270	$ 1,876,697	$ 922,652	$ 977,401

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	
	2008	2007	2008	2007	2008	2007
Cash and Receivables	$ 18,708	$ 13,388	$ 646	$ 636	$ 7,466	$ 6,876
Investments at Fair Value	232,706	242,841	7,115	7,474	—	—
Securities Lending Collateral	19,451	25,477	640	844	3,873	2,529
Other	7	45	—	1	—	—
Total Assets	270,872	281,751	8,401	8,955	11,339	9,405
Investment Purchases	12,514	7,536	382	232	21	137
Securities Lending Payable	19,451	25,477	640	844	3,873	2,529
Other Payables	1,174	18	44	12	28	33
Total Liabilities	33,139	33,031	1,066	1,088	3,922	2,699
Total Net Assets	$ 237,733	$ 248,720	$ 7,335	$ 7,867	$ 7,417	$ 6,706

CHANGES IN FIDUCIARY NET ASSETS

Revenues – Additions to Fiduciary Net Assets

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

- Member contributions to the defined benefit pension plan decreased $1.7 million, or 12.7 percent, from fiscal year 2007 to fiscal year 2008 due to a decrease in service credit purchases and contributions attributable to prior years.
- Member contributions to the IAP increased $25.8 million, or 5.9 percent, due to employee salary increases and an increase in eligible employees during the year.
- Member contributions to the Standard Retiree Healthcare account increased 17.1 percent from $88.8 million in fiscal year 2007 to $104.0 million in fiscal year 2008, due to increases in healthcare costs.
- Member contributions to the deferred compensation plan rose 6.5 percent, from $66.2 million in fiscal year 2007 to $70.4 million in fiscal 2008. Active membership increased slightly from 18,754 to 19,479.
- Employer contributions to the defined benefit pension plan increased $165.8 million, or 27.8 percent, in fiscal year 2008 due to increases in unfunded actuarial liability (UAL) payments. UAL payments were $7.2 million in fiscal 2007 and $159.0 in fiscal 2008.
- Employer contributions to the Retirement Health Insurance Account decreased $13.4 million, or 32.5 percent, compared to fiscal year 2007 due to actuarial rate decreases implemented July 1, 2007.
- Employer contributions to the Retiree Health Insurance Premium Account decreased $0.6 million, or 25.4 percent, compared to fiscal year 2007. Decreases due to lower actuarial rates implemented July 1, 2007, were more than offset by increases in the salaries on which contributions are based.
- Net investment and other income in the defined benefit pension plan was ($2,804.7) million, a $13,393.9 million, or 126.5 percent, decrease over fiscal year 2007 income of $10,589.1 million due to poor investment returns.
- Net investment and other income in the IAP was ($54.6) million in fiscal 2008, a 117.7 percent decrease over fiscal 2007 net investment and other income of $309.1 million due to a decrease in the fair value of investments.
- Net investment and other income in the Retirement Health Insurance Account was ($10.2) million, a $49.9 million, or 125.9 percent, decrease from fiscal 2007 income of $39.6 million. Weak investment returns were responsible for this significant decrease.
- Net investment and other income in the Retiree Health Insurance Premium Account was ($0.3) million, a $1.6 million, or 124.0 percent, decrease over fiscal 2007 income of $1.3 million. Investment losses were responsible for this significant decrease.
- Net investment and other income in the Standard Retiree Health Insurance Account was $0.5 million, a $0.1 million decrease, or 3.7 percent, from fiscal 2007 income of $0.6 million due to falling interest rates.
- Net investment and other income in the deferred compensation plan was ($74.0) million, a $203.5 million, or 157.2 percent, decrease from fiscal year 2007 income of $129.5 million. Losses in investment market valuation overwhelmed increases in interest income.

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 $200.6 million, or 7.6 percent, due to an increase in service retirements during the year.
- IAP benefit and other payments increased $19.7 million, or 45.1 percent, due to an increase in the number of beneficiaries, as well as higher administrative expenses.
- Deferred compensation benefit and other payments increased slightly from $50.4 million in fiscal 2007 to $51.2 million, or 1.4 percent, in fiscal 2008. Higher benefit payments correspond with an increase in the number of retirees.
- Retirement Health Insurance Account benefit and other payments increased $0.8 million, or 2.7 percent, from prior-year payments due to increases in premium payments.
- Retiree Health Insurance Premium Account benefit and other payments decreased $0.1 million, or 7.2 percent, from prior-year payments due to decreases in the number of retirees enrolled in the program.
- Standard Retiree Health Insurance Account healthcare and other payments increased $15.2 million, or 17.2 percent, from 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	
	2008	2007	2008	2007	2008	2007
Additions:						
Member Contributions	$ 11,937	$ 13,681	$ 465,517	$ 439,720	$ 70,449	$ 66,153
Employer Contributions	763,165	597,372	—	—	—	—
Net Investment and Other Income (Loss)	(2,804,736)	10,589,124	(54,596)	309,127	(74,031)	129,511
Total Additions	(2,029,634)	11,200,177	410,921	748,847	(3,582)	195,664
Deductions:						
Pension Benefits	2,756,873	2,568,492	55,478	36,379	50,366	49,835
Other	95,144	82,940	7,871	7,292	801	607
Total Deductions	2,852,017	2,651,432	63,349	43,671	51,167	50,442
Net Increase (Decrease)	$ (4,881,651)	$ 8,548,745	$ 347,572	$ 705,176	$ (54,749)	$ 145,222

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

	Retirement Health Insurance Account		Retiree Health Insurance Premium Account		Standard Retiree Health Insurance Account	
	2008	2007	2008	2007	2008	2007
Additions:						
Member Contributions	$ —	$ —	$ —	$ —	$ 103,966	$ 88,765
Employer Contributions	27,783	41,172	1,791	2,400	—	—
Net Investment and Other Income (Loss)	(10,246)	39,609	(313)	1,301	547	568
Total Additions	17,537	80,781	1,478	3,701	104,513	89,333
Deductions:						
OPEB Benefits	27,624	26,887	1,906	2,047	101,781	86,598
Other	900	876	105	120	2,021	1,974
Total Deductions	28,524	27,763	2,011	2,167	103,802	88,572
Net Increase (Decrease)	$ (10,987)	$ 53,018	$ (533)	$ 1,534	$ 711	$ 761

PLAN MEMBERSHIP

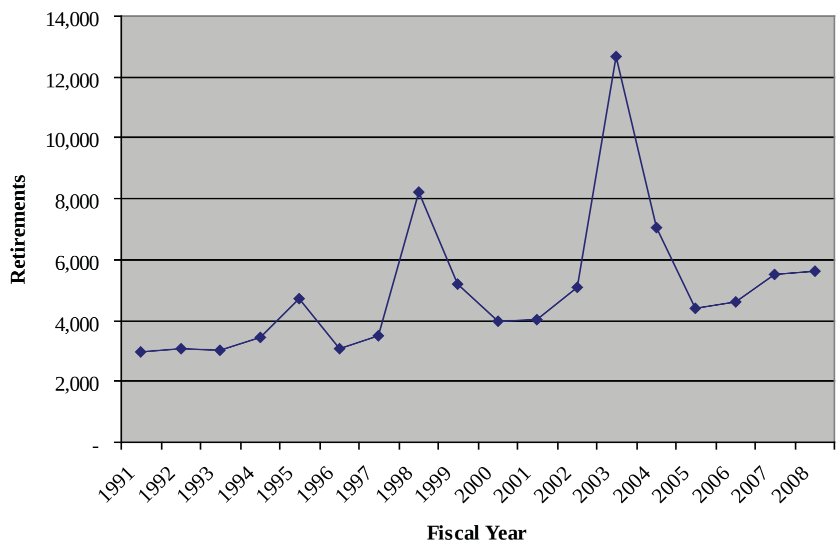
The table below reflects the defined benefit pension plan membership as of the beginning and end of the fiscal year.

TABLE 5
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2008	2007	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	98,066	96,030	2.1%
Police and Fire	7,655	7,338	4.3
Total	105,721	103,368	2.3
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	151,570	142,482	6.4
Police and Fire	12,633	12,043	4.9
Nonvested:			
General	47,056	59,302	(20.7)
Police and Fire	2,549	3,234	(21.2)
Total	213,808	217,061	(1.5)

Service retirements increased for the third consecutive year. Service retirements in fiscal year 2008 were 5,635 compared to 5,502 in fiscal year 2007, an increase of 2.4 percent. The number of members eligible to retire is increasing, thus accounting for the upward trend.

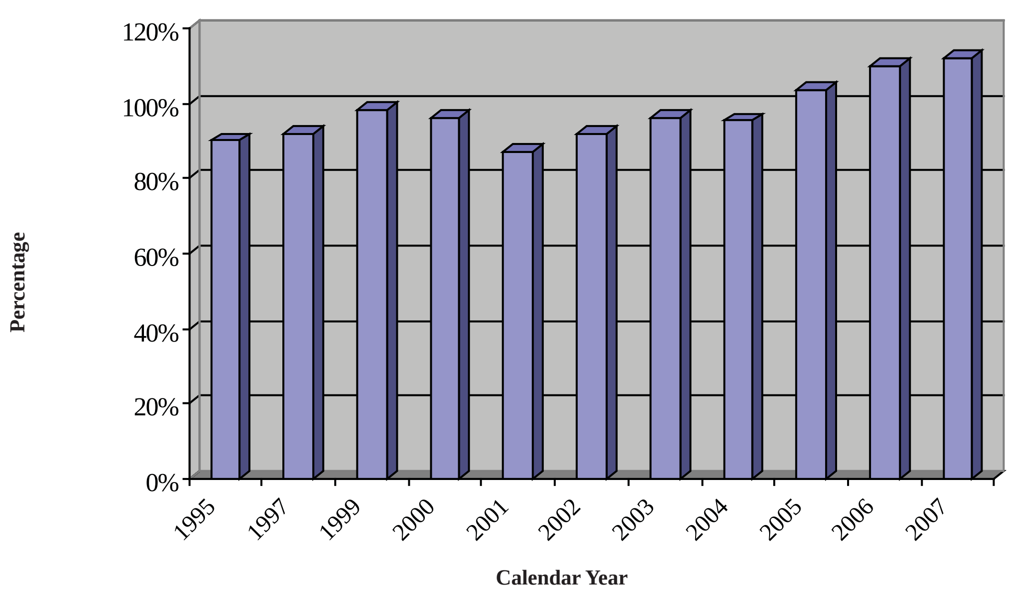
TABLE 6
SERVICE RETIREMENTS
By Fiscal Year



FUNDING STATUS

The System's Unfunded Actuarial Liability (UAL) for pension and other postemployment benefits as of December 31, 2007, was a $6,192.3 million surplus, which was derived using the projected unit credit actuarial cost method. The 2007 UAL surplus increased by $1,135.6 million, or 22.5 percent, from $5,056.7 million in 2006. The continuing effects of several bills passed by the 2003 Oregon Legislature as well as strong investment returns through December 31, 2007, led to the UAL surplus. Additionally, several employers made large payments specifically to reduce their UALs.

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



INVESTMENT ACTIVITIES

During fiscal year 2008 investment returns for several major asset classes in the portfolio exceeded their respective benchmarks, although the total portfolio decreased by 3.8 percent. Domestic and international equities decreased approximately $7,885.8 million due to declines in global equity markets. Alternative equities increased approximately $2,944.5 million and real estate investments increased approximately $648.9 million because of changes in the Oregon Investment Council's strategic asset allocation policy. The allocation to alternative equities increased from 12 to 16 percent, and the allocation to real estate investments increased from eight to 11 percent. Investments in fixed income securities decreased approximately $554.5 million due to overweighting "spread" investments and underweighting Treasury bonds. One-year returns on asset classes and comparative benchmarks are presented in the table below.

TABLE 8
INVESTMENT RETURN
Periods Ending June 30:

	2008	2007
Total Portfolio	-3.8%	18.6%
Total Portfolio, Excluding Variable	-3.5	17.4
Domestic Stocks	-12.4	19.7
Benchmark: Russell 3000 Index	-12.7	20.1
International Stocks	-6.2	30.0
Benchmark: Custom Index[1]	-6.3	30.2
Fixed Income Segment	2.7	7.0
Benchmark: Custom Index[2]	6.1	6.4
Real Estate[3]	0.4	20.2
Benchmark: NCREIF	13.6	16.6
Private Equity[4]	7.6	25.9
Benchmark: Russell 3000 + 300 bps	-2.8	14.4

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

EFFECT OF ECONOMIC FACTORS

The financial position of the System declined during the fiscal year due to weak global equity markets. Table 8 above shows portfolio returns and indexes, which are reflective of the market environment. Subsequent to June 30, 2008, both domestic and international markets continued to decline. Because the System's investment values fluctuate with market conditions, the amount of losses recognized in future financial statements, if any, cannot be determined.

Benefit payments increased slightly in fiscal year 2008 due to an increase in retirements. Retirees who elected to continue participating in the Variable Annuity Account after retirement experienced an increase in benefits of approximately 4.6 percent, effective February 1, 2008. This increase in benefits was due to investment gains experienced by the Variable Annuity Account for the period November 1, 2006, through October 31, 2007.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide plan participants, employers, citizens, taxpayers, and others with a general overview of the System's finances and to demonstrate the Board's oversight of the System. If you have questions about this report or need additional financial information, please contact the Fiscal Services Division Administrator, P.O. Box 23700, Tigard, Oregon 97281-3700.

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Statements of Fiduciary Net Assets
Pension and Other Postemployment Plans
As of June 30, 2008

	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	$ 564,767,009	$ 67,310,510	$ 4,841,091	$ 219,844
Receivables:				
Employer	22,001,519	—	639,533	20,522
Plan Members	—	10,499,924	—	—
Interest and Dividends	220,291,090	8,401,701	907,367	27,742
Investment Sales and Other Receivables	3,048,510,918	114,043,417	12,317,274	377,358
Total Receivables	3,290,803,527	132,945,042	13,864,174	425,622
Due from Other Funds	1,225,008	32,142	1,939	114
Investments:				
Debt Securities	17,389,390,161	663,169,145	71,620,956	2,189,784
Equity	25,181,581,983	910,413,338	98,322,840	3,006,184
Real Estate	5,147,631,707	196,488,527	21,220,372	648,805
Alternative Equity	10,077,256,454	384,655,583	41,542,042	1,270,132
Restricted Investment Contracts	—	—	—	—
Total Investments	57,795,860,305	2,154,726,593	232,706,210	7,114,905
Securities Lending Cash Collateral	4,463,278,379	189,545,058	19,451,511	640,193
Prepaid Expenses and Deferred Charges	2,108,551	67,943	7,075	216
Property and Equipment at Cost, Net of Accumulated Depreciation	11,448,228	525,492	—	—
Total Assets	**66,129,491,007**	**2,545,152,780**	**270,872,000**	**8,400,894**
Liabilities:				
Investment Purchases and Accrued Expenses	3,297,470,175	116,076,961	12,514,119	382,615
Deposits and Other Liabilities	72,265,402	3,255,492	3,111	350
Due Other Funds	34,195	1,116,624	19,626	7,987
COPs Payable	6,875,511	232,055	—	—
Deferred Revenue	82,715	—	—	—
Obligations Under Reverse Repurchase Agreements	279,192,899	10,656,979	1,150,933	35,189
Securities Lending Collateral Due Borrowers	4,463,278,379	189,545,058	19,451,511	640,193
Total Liabilities	**8,119,199,276**	**320,883,169**	**33,139,300**	**1,066,334**
Net Assets Held in Trust for Benefits (Schedules of Funding Progress are presented on page 41.)	**$ 58,010,291,731**	**$ 2,224,269,611**	**$ 237,732,700**	**$ 7,334,560**

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

Employee Benefit Plan — Standard Retiree Health Insurance Account	Deferred Compensation Plan	2008	2007
$ 7,364,411	$ 2,071,088	$ 646,573,953	$ 1,157,813,807
—	—	22,661,574	25,398,687
101,366	—	10,601,290	13,788,992
—	152,110	229,780,010	215,907,511
—	3,169,777	3,178,418,744	1,446,548,677
101,366	3,321,887	3,441,461,618	1,701,643,867
—	—	1,259,203	2,194,287
—	265,097,458	18,391,467,504	18,945,828,535
—	653,350,303	26,846,674,648	34,732,478,621
—	—	5,365,989,411	4,717,079,262
—	—	10,504,724,211	7,560,175,246
—	—	—-	7,267
—	918,447,761	61,108,855,774	65,955,568,931
3,872,971	1,073,397	4,677,861,509	6,422,375,794
—	—	2,183,785	12,247,286
—	—	11,973,720	12,907,337
11,338,748	**924,914,133**	**69,890,169,562**	**75,264,751,309**
20,573	298,002	3,426,762,445	2,747,330,101
6,958	2,607	75,533,920	69,049,018
21,179	59,592	1,259,203	2,194,287
—	—	7,107,566	9,559,984
—	828,071	910,786	4,908,052
—	—	291,036,000	—
3,872,971	1,073,397	4,677,861,509	6,422,375,794
3,921,681	**2,261,669**	**8,480,471,429**	**9,255,417,236**
$ 7,417,067	**$ 922,652,464**	**$ 61,409,698,133**	**$ 66,009,334,073**

Statements of Changes in Fiduciary Net Assets
Pension and Other Postemployment Plans
For the Year Ended June 30, 2008

	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	$ 763,164,823	$ —	$ 27,783,093	$ 1,791,179
Plan Member	11,937,362	465,517,744	—	—
Total Contributions	775,102,185	465,517,744	27,783,093	1,791,179
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	(3,963,465,171)	(132,058,934)	(15,165,534)	(468,051)
Interest, Dividends, and Other Investment Income	1,434,011,357	87,597,877	6,042,306	189,725
Total Investment Income	(2,529,453,814)	(44,461,057)	(9,123,228)	(278,326)
Less Investment Expense	324,360,832	11,823,666	1,319,764	40,456
Net Investment Income	(2,853,814,646)	(56,284,723)	(10,442,992)	(318,782)
Securities Lending Income:				
Securities Lending Income	265,759,945	9,867,204	1,109,505	35,755
Less Securities Lending Expense	217,120,829	8,185,548	912,570	29,698
Net Securities Lending Income	48,639,116	1,681,656	196,935	6,057
Other Income	439,501	7,009	—	—
Total Additions	(2,029,633,844)	410,921,686	17,537,036	1,478,454
Deductions:				
Benefits	2,756,873,121	55,478,104	—	—
Death Benefits	11,432,179	—	—	—
Refunds of Contributions	50,660,781	—	—	—
Administrative Expense	33,050,622	7,871,419	899,601	104,880
Healthcare Premium Subsidies	—	—	27,624,361	1,906,431
Retiree Healthcare Expense	—	—	—	—
Total Deductions	2,852,016,703	63,349,523	28,523,962	2,011,311
Net Increase (Decrease)	**(4,881,650,547)**	**347,572,163**	**(10,986,926)**	**(532,857)**
Net Assets Held in Trust for Benefits				
Beginning of Year	62,891,942,278	1,876,697,448	248,719,626	7,867,417
End of Year	**$ 58,010,291,731**	**$ 2,224,269,611**	**$ 237,732,700**	**$ 7,334,560**

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

Employee Benefit Plan — Standard Retiree Health Insurance Account	Deferred Compensation Plan	2008	2007
$ —	$ —	$ 792,739,095	$ 640,943,831
103,966,410	70,448,534	651,870,050	608,319,121
103,966,410	70,448,534	1,444,609,145	1,249,262,952
—	(132,977,622)	(4,244,135,312)	9,515,213,461
533,530	60,484,270	1,588,859,065	1,840,671,574
533,530	(72,493,352)	(2,655,276,247)	11,355,885,035
—	2,434,274	339,978,992	309,697,304
533,530	(74,927,626)	(2,995,255,239)	11,046,187,731
139,987	38,797	276,951,193	320,718,534
139,987	38,797	226,427,429	300,595,722
—	—	50,523,764	20,122,812
13,369	897,460	1,357,339	2,929,560
104,513,309	(3,581,632)	(1,498,764,991)	12,318,503,055
—	50,366,273	2,862,717,498	2,654,706,604
—	—	11,432,179	6,096,828
—	—	50,660,781	41,222,535
2,021,229	800,668	44,748,419	46,488,473
—	—	29,530,792	28,934,382
101,781,280	—	101,781,280	86,598,610
103,802,509	51,166,941	3,100,870,949	2,864,047,432
710,800	**(54,748,573)**	**(4,599,635,940)**	**9,454,455,623**
6,706,267	977,401,037	66,009,334,073	56,554,878,450
$ 7,417,067	**$ 922,652,464**	**$ 61,409,698,133**	**$ 66,009,334,073**

Notes to the Financial Statements
June 30, 2008

(1) Description of Plan

A. Plan Membership

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

Employee and Retiree Members

Retirees and beneficiaries currently receiving benefits:	6/30/2008
General	98,066
Police and Fire	7,655
Total	105,721

Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	151,570
Police and Fire	12,633
Nonvested:	
General	47,056
Police and Fire	2,549
Total	213,808

Participating Employers

	6/30/2008
State Agencies	117
Political Subdivisions	490
Community Colleges	17
School Districts	263
Total	887

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, 2008, there were 64,014 active and 22,266 inactive for a total of 86,280 Tier One members and 66,887 active and 15,452 inactive for a total of 82,339 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, 2008, there were 36,551 active and 8,638 inactive for a total of 45,189 OPSRP Pension Program members.

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

B. Plan Benefits

a. PERS Pension (Chapter 238)

1. Pension Benefits

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

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members as of December 31, 2003.

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

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

2. Death Benefits

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

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

A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of $30 per month for deaths July 30, 2003, and earlier; $200 per month for deaths 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 (P & F): 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for P & F members is age 60 or age 53 with 25 years of retirement credit. To be classified as a P & F member, the individual must have been employed continuously as a P & F member for at least five years immediately preceding retirement.

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

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

2. Death Benefits

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

3. Disability Benefits

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

c. OPSRP Individual Account Program (OPSRP IAP)

1. Pension Benefits

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

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

2. Death Benefits

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

3. Recordkeeping

PERS contracts with ING (Internationale Nederlanden Groep), which recently acquired CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, 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 887 participating employers. The plan was closed to new entrants on January 1, 2004.

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

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

For the year ended June 30, 2008, all PERS employers contributed 0.37 percent of PERS-covered salaries to fund RHIA benefits based on the December 31, 2005 actuarial valuation. This is included in the employer contribution rates listed on page 28. The employer contribution rate covers the normal cost payment and an amount to amortize the unfunded actuarial accrued liability over a period commencing on the actuarial valuation date and ending on December 31, 2027.

Employer contributions are advance-funded on an actuarially determined basis. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The number of active plan RHIA participants was 38,053 for the fiscal year ended June 30, 2008. As of December 31, 2007, there were 86,673 active and 12,755 inactive members who meet the requirements to receive RHIA benefits when they retire.

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

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

For the year ended June 30, 2008, state agencies contributed 0.10 percent of PERS-covered salaries to fund RHIPA benefits, based on the December 31, 2005 actuarial valuation. The number of active plan RHIPA participants was 715 for the fiscal year ended June 30, 2008. As of December 31, 2007, there were 23,411 active members who meet the requirements to receive RHIPA benefits when they retire. Inactive members are not eligible for these benefits.

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

(2) Summary of Significant Accounting Policies

A. Basis of Presentation

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

PERS' activities are accounted for in two trust funds:

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

B. Basis of Accounting

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

C. Budgetary Data

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

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

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

The accompanying schedule 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, 2008.

	Legislatively Approved Budget	Actual	Unobligated Balance at June 30, 2008
2007-2009 Biennium:			
Personal Services	$ 53,683,600	$ 24,749,001	$ 28,934,599
Services and Supplies	35,688,183	16,843,107	18,845,076
Capital Outlay	947,701	264,844	682,857
Special Payments	6,277,416,600	2,802,381,479	3,475,035,121
Debt Service	5,709,200	2,855,450	2,853,750
Total	$ 6,373,445,284	$ 2,847,093,881	$3,526,351,403

Total Deductions July 1, 2007 - June 30, 2008	
Budgetary Basis (non-GAAP)	$ 2,847,093,881
Biennium Adjustments to Deductions	
Add:	
Depreciation Expense	1,401,814
COP Amortization	14,915
Increase in Compensated Absences	106,389
Accrued Net OPEB Obligation	147,426
Decrease in Travel Advances	1,632
Death Benefit Write-Offs	255,450
Accrued Tier One, Tier Two, and OPSRP Benefits	25,846,523
Expenses Reflected in Prior Biennium	253,062,066
Deduct:	
Capital Outlay	468,198
Principal Payment Portion of Debt Service	2,440,000
Increase in Prepaids	61,481
Decrease in Accrued Expenses	272,839
Accrued Attorney Fees Recovered	749,463
Retirement Benefits Attributable to Allocated Annuity Contracts	23,067,166
Statement of Changes in Fiduciary Net Assets	**$ 3,100,870,949**

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 custodial agent determines the fair value of debt and equity securities, using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued using evaluated bid prices. A small percentage of debt securities cannot be priced in this manner, and for these, a similar benchmark security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued, and its market risk is similar considering current market conditions. Investments in private equities are reported at estimated values provided by the general partner unless they are publicly traded securities, which are stated at the quoted market price. The underlying general partners follow various valuation policies as described in their limited partnership agreements. The vast majority of the general partners typically value investments at cost until an event occurs that provides an indication of current fair value. This event could be a new round of financing, a change in company financial performance, a market event, market trends, or change in economic conditions. Investments in private equities are reported at values provided by the general partners, which are March 31, 2008 cash adjusted, not a June 30 valuation. Investments in private equities representing publicly traded securities are stated at the quoted market price. In establishing the estimated fair value of investments without readily determinable market values, the general partners assume a reasonable period of time for liquidation of the investments and take into consideration the financial condition and operating results of the underlying portfolio companies, their historical cost, prices of recent public or private transactions in similar companies, the nature of the investments, restrictions on marketability, holding periods, cash flows, market conditions, foreign currency and interest rate exposures, and other factors deemed appropriate.

Direct investments in real estate are reported at values provided by investment managers based on periodic appraisals conducted every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate partnerships are reported at values provided by general partners. In the absence of observable market prices, general partners determine fair value by using valuation methodologies considered to be most appropriate for the type of investment giving consideration to a range of factors that they believe would be considered by market participants including, but not limited to, 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. Mortgage loans on real estate are stated at the amortized unpaid principal balance.

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

E. Earnings Crediting

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

(3) Contributions and Reserves

A. Contributions

a. Member Contributions

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

b. Employer Contributions

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

1. PERS Defined Benefit Plan and Postemployment Healthcare Plan Contributions

Contribution Rate Summary (1)	Defined Benefit Pension							Postemployment Healthcare	
	PERS Defined Benefit Plan					OPSRP Pension Program		RHIA	RHIPA
	Pooled Employers			Non-Pooled Employers		All Employers		All Employers	State Only
	State Agencies (2)	State and Local Government Rate Pool (3)	School Pool (3)	Political Subdivisions (3,4)	Judiciary	General Service	Police and Fire		
Employee IAP	6.00%	6.00%	6.00%	6.00%	0.00%	6.00%	6.00%	0.00%	0.00%
Employee Normal Cost	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.00
Employer Normal Cost	4.15	4.42	3.44	4.60	23.86	5.82	9.09	0.11	0.07
Unfunded Actuarial Liability	1.92	9.42	13.83	3.91	(5.63)	0.00	0.00	0.26	0.03
Total Employer Contributions	6.07	13.84	17.27	8.51	18.23	5.82	9.09	0.37	0.10

(1) Group average rates shown were effective as of July 1, 2007.
(2) A subcomponent of the State and Local Government Rate Pool; includes UAL payment rate offset.
(3) Does not include UAL payment rate offsets.
(4) Non-pooled Political Subdivisions are valued separately for the Defined Benefit Plan.

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

Pension rates for the State and Local Government Rate Pool were 13.84 percent, schools 17.27 percent, and judiciary 18.23 percent of PERS-covered salaries, effective July 1, 2007. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension rate of 8.51 percent (see table on page 28 for average rates).

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

Based on the actuarial valuation as of December 31, 2005, judiciary, state agencies, and certain political subdivisions had a decrease in employer contribution rates. Schools and some political subdivisions experienced an increase in their employer contribution rates. These rate changes are measured against the actual average rates paid since July 1, 2005, that contained a phase-in of one half the rate increase calculated in the December 31, 2003 valuation. The other half of the rate increase was delayed until July 1, 2007, to moderate the impact of the calculated rate increase on employer budgets. System earnings in excess of the actuarially assumed rate of return in 2006 and 2007 negated, in total or in part, the need for the second phase of the rate increase. The Board practice is to implement new employer contribution rates July 1 of each odd-numbered year based on the valuation of the previous odd-numbered year.

2. OPSRP Pension Program Contributions

PERS employers participating in the OPSRP Pension Program participate in the same rate sharing pool and therefore share the same contribution rate. The OPSRP Pension Program normal-cost employer rates beginning July 1, 2007, were 5.82 percent of covered salaries for general service employees and 9.09 percent of covered salaries for police and fire employees. These rates decreased from 8.04 percent of covered salaries for general service and 11.65 percent of covered salaries for police and fire employees, which were in effect since January 1, 2004. Each of these rates includes a component related to disability benefits for general service and police and fire members.

B. Actuarial Cost Method and Assumptions

The employer contribution rates effective July 1, 2007, through June 30, 2008, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which have the following amortization periods: a three-year rolling amortization period for the increase in liabilities due to the change of actuarial valuation methods in 2004 from entry age to projected unit cost (PUC) with the remainder being amortized over a closed period commencing on the valuation date and ending on December 31, 2027, and (3) an actuarially determined amount for funding postemployment healthcare subsidies. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year) and (b) an actuarially determined amount for funding a disability benefit component. As of December 31, 2005, the OPSRP Pension Program did not have a sufficient unfunded actuarial liability to require a contribution rate component, although a rate component may be added as a result of future valuations.

The funded status of the pension plan and each postemployment healthcare plan as of the most recent actuarial valuation date is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Pension						
12/31/2007	$59,327.8	$52,871.2	($ 6,456.7)	112.2%	$ 7,721.8	(83.6)%
RHIA						
12/31/2007	250.8	499.6	248.8	50.2	7,721.8	3.2
RHIPA						
12/31/2007	7.8	23.3	15.5	33.6	2,080.2	0.7

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

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

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members as of the December 31, 2007 valuation.

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

Additional information as of the latest actuarial valuation follows:

	Pension	RHIA	RHIPA
Valuation date	December 31, 2007	December 31, 2007	December 31, 2007
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Amortized as a level percentage of payroll; PUC implementation UAL (3 year) amortization period is rolling; remaining Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed	Amortized as a level percentage of payroll; PUC implementation UAL (3 year) amortization period is rolling; remaining UAL (20 year) amortization period is closed	Amortized as a level percentage of payroll; PUC implementation UAL (3 year) amortization period is rolling; remaining UAL (20 year) amortization period is closed
Equivalent single amortization period	3 years	30 years	30 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Actuarial assumptions:			
Inflation rate	2.75 percent	2.75 percent	2.75 percent
Investment rate of return	8.00 percent	8.00 percent	8.00 percent
Projected salary increases	3.75 percent	3.75 percent	3.75 percent
Healthcare cost trend rate	N/A	None. Statute stipulates $60 monthly payment for healthcare insurance.	Graded from 8.0 percent in 2008 to 5.0 percent in 2013.

C. Reserves and Designations

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

a. Member Reserve

The Member Reserve of $9,016.9 million as of June 30, 2008, represents member contributions made through December 31, 2003, and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

b. Employer Contribution Designation

The Employer Contribution Designation of $25,033.6 million as of June 30, 2008, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

c. Benefit Reserve

The Benefit Reserve of $24,278.9 million as of June 30, 2008, is the amount set aside to pay future benefits. It includes funds transferred from the individual member and employer accounts and earnings allocations less amounts paid for retirements and disabilities.

d. Tier One Rate Guarantee Reserve

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

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

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

(b) the reserve account has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years. As of June 30, 2008, the balance of this reserve was $1,889.2 million, and the Board has not adopted a funding policy.

e. Board Actions Affecting Reserves

As part of its December 31, 2007 earnings crediting decision, the Board decided to add 7.5 percent of earnings, $357.9 million, to the Contingency Reserve.

f. Contingency Reserve

The Contingency Reserve is to be maintained and used by the Board to prevent any deficit of moneys available for the payment of retirement allowances due to interest fluctuations, changes in mortality rates, or other unforeseen contingency. As of June 30, 2008, the balance of this reserve was $628.2 million.

g. Employer Contingency Reserve

The Employer Contingency Reserve was established by the Board to prevent any deficit in the fund caused by the insolvency of an employer. Only earnings on employer contributions fund this reserve. As of June 30, 2008, the reserve had a balance of $25.0 million.

h. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2008, 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.

i. 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, 2008, the losses in this designation were ($3,176.2) million.

j. 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, 2008, the balance of this account was $314.7 million.

Other Postemployment Benefits Plans

k. 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, 2008, the balance of this account was $237.7 million.

l. 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, 2008, the balance of this account was $7.3 million.

Employee Benefit Plan

m. 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, 2008, the balance of this account was $7.4 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) Assets Used in Plan Operations

A. Building and Improvements

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

Schedule of Fixed Assets

	Beginning of Year	Increases	Decreases	End of Year
Property and Equipment				
Furniture and Equipment	$ 863,362	$ —	$ —	$ 863,362
Data Processing Software	7,349,539	—	—	7,349,539
Data Processing Hardware	3,238,442	468,197	—	3,706,639
Building and Building Improvements	7,436,081	—	—	7,436,081
Land	835,839	—	—	835,839
Land Improvements	108,624	—	—	108,624
Total Property and Equipment	$ 19,831,887	$ 468,197	$ —	$ 20,300,084
Less Accumulated Depreciation				
Furniture and Equipment	(554,742)	(117,965)	—	(672,707)
Data Processing Software	(1,837,385)	(734,954)	—	(2,572,339)
Data Processing Hardware	(2,691,148)	(361,882)	—	(3,053,030)
Building and Building Improvements	(1,841,275)	(187,013)	—	(2,028,288)
Total Accumulated Depreciation	(6,924,550)	(1,401,814)	$ —	(8,326,364)
Net Property and Equipment	$ 12,907,337	$ (933,617)	$ —	$ 11,973,720

Depreciation Expense	**Amount**
Defined Benefit Pension Plan Depreciation	$ 1,320,969
Oregon Public Service Retirement Plan Individual Account Program Depreciation	80,845
Total Depreciation Expense	**$ 1,401,814**

B. Equipment and Fixtures

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

(6) Deposits and Investments

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

A. Deposits

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

a. 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/Boards/OSTF/Financial%20Statements/OSTF-6-30-2008.pdf. Custodial credit risk of OSTF is addressed in the notes to those financial statements.

Cash and cash equivalents in OSTF are held in demand deposit accounts and time certificates of deposit. These deposits are insured by FDIC coverage and are also collateralized to a minimum of 25 percent in accordance with ORS 295.015. Balances in excess of the FDIC insurance plus 25 percent are considered exposed to custodial credit risk. Since OSTF is a pool, PERS' share of the risk is difficult to estimate. As of June 30, 2008, the carrying amount of PERS' deposits in OSTF totaled $524.6 million, and the corresponding bank balance was $529.2 million.

Deposits of cash and cash equivalents from the proceeds of certificates of participation, totaling $2,246 at June 30, 2008, are collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon.

Investment managers' deposits with custodian banks consist of U.S. and foreign cash deposits that represent buying reserves. As of June 30, 2008, there was $121.9 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers, of which $121.8 million was exposed to custodial credit risk. Beginning in fiscal year 2008, short-term investments formerly classified as cash equivalents are now classified as investments.

b. 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

Depository Account	Bank Balance
Insured	$ 100,000
Collateralized with collateral held by the pledging bank's trust department but not in the name of the state of Oregon	2,246
Oregon Short Term Fund	529,249,582
Uninsured and uncollateralized	121,828,698
Total deposits	**$ 651,180,526**

Investments at June 30, 2008	Fair Value
U.S. Treasury Obligations	$ 571,336,909
U.S. Federal Agency Mortgage Securities	2,381,653,732
U.S. Federal Agency Debt	245,869,583
U.S. Federal Agency Strips	6,538,970
U.S. Treasury Obligations – Strips	56,702,663
U.S. Treasury Obligations – TIPS	274,296,067
International Debt Securities	2,182,427,333
Corporate Bonds	3,850,433,741
Municipal Bonds	18,245,638
Collateralized Mortgage Obligations	2,291,203,337
Asset-Backed Securities	501,415,684
Mutual Funds – Short-Term Investments	2,359,346,704
Mutual Funds – Domestic Fixed Income	2,604,626,999
Mutual Funds – International Fixed Income	1,047,370,144
Total Debt Investments	18,391,467,504
Futures and Options	73,853,219
Domestic Equity Securities	7,662,195,414
International Equity Securities	12,042,941,686
Mutual Funds – Domestic Equity	3,601,088,248
Mutual Funds – Global Equity	1,435,832,395
Mutual Funds – International Equity	2,030,763,686
Limited Partnerships and Leveraged Buyouts	10,504,724,211
Real Estate and Real Estate Mortgages	5,365,989,411
Total PERS Investments	**$ 61,108,855,774**

Debt Investments at June 30, 2008	Fair Value
Quality Rating	
AAA	$ 7,633,639,862
AA	3,579,524,651
A	1,759,149,940
BBB	1,937,663,465
BB	877,512,497
B	851,671,441
CCC	89,108,605
CC	15,414,300
C	184,275
D	7,895,186
Unrated	619,255,903
Total Credit Risk – Debt Securities	17,371,020,125
U.S. Government and Agency Securities	1,020,447,379
Total Debt Investments	**$ 18,391,467,504**

agreements with the investment managers. At June 30, 2008, $111.8 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 the table on page 34.

B. Investments

The second schedule on page 32 presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2008.

a. 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, 2008, the fair value of below grade investments is $2,461.0 million, or 13.4 percent, of total debt investments, and the weighted quality rating average is AA-.

The third table on page 32 shows the quality ratings for debt investments as of June 30, 2008.

b. 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, 2008, $949.7 million in uninsured equity investments were exposed to custodial credit risk because the securities are held by a subcustodian, the Northern Trust Company, and are not held in the state of Oregon's name.

c. Concentrations of Credit Risk

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

OIC provides the following limitations for fixed income manager positions:

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

At June 30, 2008, 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.

d. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Policies state that the fixed income manager positions will maintain an average bond duration level of plus or minus 20 percent of the benchmark duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2008, the average duration of PERS' debt investment portfolio was 5.13 years. Since the debt investment portfolio may contain holdings with prepayments and variable cash flows, an analysis of interest rate risk using the segmented time distribution method is presented in the schedule below. In this schedule Domestic Fixed Income Mutual Funds of $1,915.1 million and International Fixed Income Mutual Funds of $411.8 million are reported using duration instead of average maturity, and amounts are a portion of the amount shown in the financial statements.

Schedule of Interest Rate Risk — Segmented Time Distribution Investment Maturities at June 30, 2008

	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total Fair Value
U.S. Treasury Obligations	$ 395,387,558	$ 127,899,996	$ 23,871,231	$ 24,178,124	$ 571,336,909
U.S. Federal Agency Mortgage Securities	442,485,118	6,112,483	76,733,457	1,856,322,674	2,381,653,732
U.S. Federal Agency Debt	36,522,133	39,171,188	99,402,896	70,773,366	245,869,583
U.S. Federal Agency Strips	—	—	3,057,505	3,481,465	6,538,970
U.S. Treasury Obligations – Strips	—	9,615,700	—	47,086,963	56,702,663
U.S. Treasury Obligations – TIPS	10,602,454	1,988,265	90,872,708	170,832,640	274,296,067
International Debt Securities	482,160,971	554,423,637	659,248,219	486,594,506	2,182,427,333
Corporate Bonds	608,305,146	1,177,185,120	1,356,765,826	708,177,649	3,850,433,741
Municipal Bonds	538,184	2,006,282	2,607,466	13,093,706	18,245,638
Collateralized Mortgage Obligations	1,356,582,384	7,578,729	12,815,385	914,226,839	2,291,203,337
Asset-Backed Securities	195,491,271	88,515,961	136,430,382	80,978,070	501,415,684
Mutual Funds – Short-Term Investments	2,359,346,704	—	—	—	2,359,346,704
Mutual Funds – Domestic Fixed Income	—	2,203,881,427	400,745,572	—	2,604,626,999
Mutual Funds – International Fixed Income	—	59,519,511	799,492,318	188,358,315	1,047,370,144
Total Debt Investments	**$ 5,887,421,923**	**$ 4,277,898,299**	**$ 3,662,042,965**	**$ 4,564,104,317**	**$ 18,391,467,504**

e. Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. Policy states that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of PERS' portfolio are silent regarding this risk. As of June 30, 2008, approximately 7.0 percent of the debt investment portfolio was invested in non-dollar denominated securities.

Currency Exposures by Asset Class in U.S. Dollar Equivalents as of June 30, 2008

Currency	Cash and Cash Equivalents	Equity	Debt	Total
Argentine peso	$ 110,306	$ —	$ —	$ 110,306
Australian dollar	2,392,731	452,539,080	22,362,871	477,294,682
Brazilian real	244,637	223,619,304	58,582,942	282,446,883
Canadian dollar	1,768,739	595,888,645	20,486,582	618,143,966
Chilean peso	86,937	6,091,889	—	6,178,826
Colombian peso	(646,376)	2,293,470	845,890	2,492,984
Czech koruna	6,737	18,607,030	—	18,613,767
Danish krone	222,813	47,868,225	112,781,609	160,872,647
Egyptian pound	108,438	27,421,925	1,309,008	28,839,371
Euro	35,354,051	3,374,838,622	405,743,107	3,815,935,780
Hong Kong dollar	3,394,817	460,486,839	—	463,881,656
Hungarian forint	4,665	13,778,819	576,459	14,359,943
Indonesian rupiah	48,404	34,448,605	11,420,096	45,917,105
Israeli shekel	66,855	28,616,944	—	28,683,799
Japanese yen	33,678,595	2,173,669,925	420,892,035	2,628,240,555
Jordanian dinar	1	—	—	1
Malaysian ringgit	41,618	26,006,318	—	26,047,936
Mexican peso	(35,124)	70,986,415	(64,497)	70,886,794
New Russian ruble	—	—	410,566	410,566
New Taiwan dollar	12,298,898	175,143,793	—	187,442,691
New Turkish lira	834,685	111,994,294	—	112,828,979
New Zealand dollar	163,849	8,773,207	36,497,082	45,434,138
Norwegian krone	2,309,517	102,287,965	1,199,826	105,797,308
Pakistan rupee	(204,790)	22,448,319	—	22,243,529
Peruvian nouveau sol	32	733,500	1,402,844	2,136,376
Philippine peso	7,900	5,890,531	—	5,898,431
Polish zloty	6,167	13,910,879	1,457,657	15,374,703
Pound sterling	8,090,382	2,080,541,034	183,811,233	2,272,442,649
Singapore dollar	2,079,986	143,563,943	499,934	146,143,863
South African rand	63,763	125,052,293	13,584	125,129,640
South Korean won	160,118	250,593,831	—	250,753,949
Sri Lankan rupee	1	1,516,620	—	1,516,621
Sudanese pound	2,184	—		2,184
Swedish krona	4,655,983	167,630,775	4,718,712	177,005,470
Swiss franc	4,114,692	569,139,486	—	573,254,178
Thai baht	334,581	29,015,068	—	29,349,649
Uruguayan peso	—	—	312,870	312,870
Venezuelan bolivar	12,453	8	—	12,461
Zimbabwe dollar	50,269	767,070	—	817,339
Total Subject to Foreign Currency Risk	111,829,514	11,366,164,671	1,285,260,410	12,763,254,595
International Securities Denominated in U.S. Dollars	—	3,435,434,103	2,271,673,153	5,707,107,256
Total International Cash and Cash Equivalents and Investments	**$ 111,829,514**	**$ 14,801,598,774**	**$ 3,556,933,563**	**$ 18,470,361,851**

f. Derivatives

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

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

g. Reverse Repurchase Agreements

Oregon Investment Council policy permits the PERF to enter into reverse repurchase agreements. As of June 30, 2008, PERS had outstanding reverse repurchase agreements of $291.0 million, including accrued interest (rates from 2.45 percent to 2.55 percent), the balance to be repaid on or before July 14, 2008, the maturity date of the agreements. The securities underlying the reverse repurchase agreements were federal agency mortgage pool securities with coupon rates from 5.0 percent to 6.0 percent. As of June 30, 2008, the underlying securities had a fair value of $306.4 million, and therefore the economic exposure on that date was $15.0 million should the dealers fail to resell the securities to the PERF or provide collateral of equal value. In reinvesting the proceeds of these agreements, the investment manager follows the contractual investment guidelines under which it operates.

h. 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, 2008, the PERF had $8,672.7 million in commitments to purchase private equity investments and $2,101.0 million in commitments to purchase real estate investments. These amounts are unfunded and are not recorded in the Statements of Fiduciary Net Assets.

C. Securities Lending

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

Securities Loaned	Fair Value
U.S. Government Securities	$ 396,984,584
U.S. Agency Securities	659,681,030
Domestic Equity Securities	1,894,840,728
Domestic Debt Securities	243,657,478
International Equity Securities	2,036,722,912
International Debt Securities	41,616,970
Total	**$ 5,273,503,702**

Collateral Received	Fair Value
Cash	$ 4,414,553,837
Securities	1,056,764,955
Total	**$ 5,471,318,792**

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, 2008, is effectively one day. On June 30, 2008, 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, 2008, including accrued income, was $4,357.3 million. For the fiscal year ended June 30, 2008, total income from securities lending activity was $276.9 million, and total expenses for the period were $226.4 million for net income of $50.5 million.

OSTF also participates in securities lending activity. PERF receives an allocated portion of this activity based on its deposits in OSTF. The fair value of all securities on loan from OSTF on June 30, 2008, was $4,746.7 million. The total cash collateral received for the securities on loan from OSTF on June 30, 2008, was $4,841.9 million. The fair value of all investments made with cash collateral received for those securities on loan was $4,812.9 million. Cash collateral received for OSTF and PERF securities lent is invested in securities lending collateral pools and is not exposed to custodial risk.

As of June 30, 2008, PERF's allocated portions of the collateral received and securities on loan were $263.3 million and $258.1 million, respectively. These amounts are not included in the table on page 35. PERF's allocated portion of invested cash collateral as of June 30, 2008, was $261.1 million.

(7) 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 2008 operating lease expenses were $6,618.

(8) 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, 2008, the fair value of investments was $918.4 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, which recently acquired CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, 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 four 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, 2008, was 19,479.

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, 2008, 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.

(9) Long-Term Debt

In 1997 PERS completed construction on its retirement system headquarters building in Tigard, Oregon. The construction was financed by the sale of certificates of participation. The certificates of participation (COPs) were sold March 16, 1996, for $8.6 million at a 5.45 percent interest rate. On March 1, 2002, a new COP, Series B, was issued at a 4.41 percent interest rate and was used to partially refund the original Series A COP. The remaining Series A COP was repaid May 1, 2006. The Series B COP has a final repayment due May 1, 2017.

The table below describes PERS building COPs issued and outstanding.

PERS Building Certificates of Participation Issued and Outstanding

	Amount Issued and Outstanding	Interest Rate	Due Date	Issue Date
Series “B”	$ 4,995,000	4.410	May 1, 2017	March 1, 2002

The table below summarizes all future PERS building COP payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2013, and the remaining period ending June 30, 2017. The current portion of the PERS building debt is $445,000.

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "B" Principal	Series "B" Interest	Total Expenses
2009	$ 445,000	$ 261,125	$ 706,125
2010	470,000	238,875	708,875
2011	500,000	214,200	714,200
2012	520,000	187,950	707,950
2013	550,000	160,650	710,650
2014-2017	2,510,000	337,575	2,847,575
Total	**$ 4,995,000**	**$ 1,400,375**	**$ 6,395,375**

In 2004 Series A COPs were issued to finance the purchase of computer software and system upgrades to maintain accuracy and statutory compliance with current Oregon law. The COPs were sold June 16, 2004, for $9.9 million at a 3.20 percent interest rate. The Series A COP has a final repayment due May 1, 2009. Proceeds from the 2004 Series A COP, not yet used, are listed as "Restricted Investment Contracts" on the Statement of Fiduciary Net Assets.

The table below describes OPSRP computer system COPs issued and outstanding.

OPSRP Computer System Certificates of Participation Issued and Outstanding

	Amount Issued and Outstanding	Interest Rate	Due Date	Issue Date
Series "A"	$ 2,075,000	3.200%	May 1, 2009	June 16, 2004

The table below summarizes Series A COP payments of principal and interest for the fiscal period ending June 30, 2009, when final repayment is due. The current portion of OPSRP computer system debt is $2,075,000.

OPSRP Computer System Debt Service Requirements to Maturity

Fiscal Year	Series "A" Principal	Series "A" Interest	Total Expenses
2009	$ 2,075,000	$ 72,625	$ 2,147,625

The following table summarizes the changes in long-term debt for the year ended June 30, 2008:

Long-Term Debt Activity

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
PERS Building Principal	$ 5,420,000	$ —	$ 425,000	$ 4,995,000	$ 445,000
OPSRP Computer System	4,090,000	—	2,015,000	2,075,000	2,075,000
Plus: Premium (Net)	279,189	—	41,499	237,690	38,731
Less: Deferred Gain (Net)	(229,205)	—	(29,081)	(200,124)	(29,002)
Total COPs Payable	**$ 9,559,984**	**$ —**	**$ 2,452,418**	**$ 7,107,566**	**$ 2,529,729**

(10) Litigation

Following is a summary of current PERS-related lawsuits:

A. In The Matter Of The Consolidated Public Employees Retirement System Litigation (Strunk)

On March 8, 2005, the Oregon Supreme Court rendered its decision in *Strunk v. PERB, et al*., overturning portions of the PERS Reform Legislation and upholding the balance. After the Supreme Court's opinion, petitioners filed petitions for awards of attorneys' fees and costs totaling about $2.5 million. On July 20, 2006, the Supreme Court determined that petitioners are entitled to an award of fees under the common fund doctrine, which requires that the PERS members who benefited from petitioners' successful claims bear the expense of the fee award. The court referred the case to a special master to recommend the proper amount of fees and the proper method for apportioning fees among benefited members. On March 13, 2007, the special master recommended that the *Strunk* petitioners be awarded approximately $2.36 million in attorneys' fees and costs. The Oregon Supreme Court reduced the special master's recommended award by approximately $200,000, eventually awarding about $2.1 million in attorneys' fees and costs. PERS made payment in November and December of 2007.

B. Henderson, et al. v. State of Oregon, et al

This case was filed October 15, 2003, by petitioners who sought to enforce a permanent injunction issued by the U.S. District Court in the *Henderson et. al.* case, September 20, 1978. The case alleges that revised actuarial equivalency factors adopted by PERB violate this permanent injunction. The district court granted summary judgment to PERB, and plaintiffs appealed to the U.S. Court of Appeals for the Ninth Circuit. Substantially the same group of plaintiffs then filed another lawsuit in the U.S. District Court for the District of Oregon, seeking to reopen the original *Henderson* case and asking for a declaratory judgment as to the meaning of the *Henderson* Consent Decree. The district court summarily denied plaintiffs' motion to reopen the earlier case, and plaintiffs again appealed to the Ninth Circuit.

On October 2, 2006, the Ninth Circuit affirmed the district court's judgment in the case filed October 15, 2003, and reversed the court's summary dismissal of the motion for declaratory judgment in the second case. The parties filed cross-motions for summary judgment on the remaining claim February 1, 2007. On April 18, 2007, the district court granted summary judgment to PERB. Plaintiffs appealed to the Ninth Circuit, and on September 16, 2008, the Ninth Circuit affirmed the district court's decision.

C. White, et al. v. PERB

These consolidated cases, before Judge Kantor in Multnomah County Circuit Court, 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 April 4, 2006, petitioners dismissed their claims regarding the 1999 and 2003 earnings allocations without prejudice, based on actions taken by PERB. PERB filed a motion for summary judgment June 5, 2008, and the court heard argument on the motion August 7, 2008. The court has not yet ruled on the summary judgment motion, and trial was scheduled for October 23-27, 2008. Legal counsel is unable to provide an opinion as to the outcome.

D. 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.

Judge Kantor's June 20, 2007 opinion and order found that PERS could not seek recovery from benefit recipients for overpayments in both the *Arken* and *Robinson* cases. Judge Kantor indicated he would further consider the issues and the scope of his ruling. Until the courts take further action, PERS will do the following:

For benefit recipients receiving monthly payments:

- If the benefit was adjusted prior to Judge Kantor's June 20, 2007 ruling and included a deduction calculated under the actuarial reduction method (ARM), that deduction will continue to be applied until PERS has further direction from the courts.
- If a one-time repayment was made in lieu of the ARM, the payment will not be returned at this time.
- If the benefit has not yet been adjusted, PERS will adjust the benefit payments to the 11.33 percent basis for 1999 earnings crediting and include all applicable cost-of-living adjustments (COLAs).

For all other benefit recipients:

- If the benefit was adjusted prior to Judge Kantor's June 20, 2007 ruling and an invoice was paid in a single payment, the payment will not be returned at this time.
- If a retiree has not been invoiced for an overpayment, PERS will not issue further invoices until receiving more direction from the courts.

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* on September 15, 2008. Petitioners must file a notice of appeal no later than October 15, 2008. A judgment has not yet been entered in *Robinson*. Legal counsel is unable to provide an opinion as to the outcome of these two cases on appeal.

E. 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.

F. 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 findings 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.

G. 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.

H. Best, et al. v. PERB, et al.

This case was filed solely for purposes of enforcement. All issues in *Best* were the same as the *Strunk* and *Robinson* cases. On October 5, 2005, plaintiffs' counsel presented a stipulated order to the court abating the case for two years. On October 26, 2007, the court denied plaintiffs' motion for continued abatement on the grounds that it was untimely and that plaintiffs' claims were adequately presented in other cases before the court. Judgment was entered dismissing this case November 5, 2007.

I. Dahlin, et al. v. PERB

The issues in this case were the same as those in the *Strunk* case above. Counsel for the plaintiffs voluntarily dismissed *Dahlin* October 8, 2007.

J. Vellutini v. State of Oregon, Public Employees Retirement System

Plaintiff in this case challenged the adjustment of his account under the Repayment Order that was also challenged in *Arken* and *Robinson*. At petitioner's request, this action has been abated until April 30, 2009, or until PERS adjusts petitioner's account, whichever comes first. At this time petitioner has not moved to end the abatement.

K. Howser, et al. v. PERS

This case, which was reported on last year, no longer meets the liability threshold. To date, 66 of the claims, totaling $458,465, have been submitted and paid. Based on claims that have been paid to date, we estimate the total payout will be approximately $730,000. The claims are paid by the Department of Administrative Services' Risk Management Division (RMD). PERS will be affected primarily through RMD's future assessments to PERS.

(11) Change in Accounting Principle

In May 2007, the Governmental Accounting Standards Board (GASB) issued Statement No. 50, Pension Disclosures (an amendment of GASB Statements No. 25 and 27) with an implementation for periods beginning after June 15, 2007. PERS adopted the new pronouncement for the fiscal year ended June 30, 2008. The adoption of GASB Statement No. 50 required PERS to expand note disclosures related to the defined benefit plans. No balances were restated.

(12) Comparability

In prior years, short term investments classified as cash equivalents by the PERS custodial agent were reported as cash equivalents. In fiscal year 2008, PERS changed its accounting policy related to the definition of cash equivalents and reported these short term investments as investments.

During fiscal year 2008, PERS became aware of the following that had not been reported in accordance with GAAP in prior fiscal years: (1) Derivatives reported in Debt Security Investments, Investments Sales and Other Receivables, and Investment Purchases and Accrued Expenses were reported at notional value instead of fair value, and (2) short sale of securities were reported as Investments instead of as an obligation in Investment Purchases and Accrued Expenses.

For comparability to fiscal year 2008, fiscal year 2007 balances in the Statements of Fiduciary Net Assets on page 21 were restated as follows: Cash and Cash Equivalents were reduced by $2,434.9 million, Investment Sales and Other Receivables were reduced by $2,882.5 million, Debt Securities Investments were increased by $464.8 million, Investment Purchases and Accrued Expenses were reduced by $4,852.6 million.

Fiscal year 2007 balances in the Schedule of Plan Net Assets on page 44 were restated as follows: Cash and Cash Equivalents were reduced by $2,357.0 million, Investment Sales and Other Receivables were reduced by $2,798.9 million, Debit Securities Investments were increased by $457.6 million, Investment Purchases and Accrued Expenses were reduced by $4,698.3 million.

The effect of these adjustments on net assets is zero for the year ended June 30, 2007. No other balances reported for 2007 were affected.

(13) Subsequent Events

Subsequent to the June 30, 2008 fiscal year end, the financial markets experienced an unprecedented decline in value. The markets are so dynamic and fluid any judgment of the financial statements must be based on current information rather than that at fiscal year end. As of October 31, 2008, the value of the investment portfolio was $47.8 billion, excluding securities lending collateral. Most of the decline was due to market forces, with a minor amount attributable to withdrawals for benefit payments. The most significant market declines were experienced in the international equity portfolio, which declined $4.3 billion, the U.S. equity portfolio, down $4.1 billion, and the global equity portfolio, which dropped $2.5 billion.

As the financial and credit crisis initiated by the sub-prime mortgage meltdown approached its one-year anniversary, the financial crisis of 2008 worsened. PERS had exposure to financial institutions that were either acquired by another institution, the U.S. Government, or filed for bankruptcy. Assessment to determine permanent impairment is ongoing; however, the final value is not certain until the bankruptcy process has been completed. After June 30, the most noteworthy decline in value was Lehman Brothers' debt with unrealized losses of approximately $89 million.

The overall risk profile of the PERS investment portfolio has not changed since June 30, 2008. Since the global capital markets are highly dynamic and change in value daily, the value of the investment portfolio changes every day. As the global markets experience historic volatility due to the financial crisis, the portfolio will change in value. The overriding investment philosophy followed at PERS continues to center on long-held principles of diversification and the search for long-term value. The broad diversification helps protect the investment portfolio and dampens the day-to-day vagaries of the global financial markets.

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

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

Notes:

1 Includes UAAL for Multnomah Fire District ($144 million as of December 31, 2007).

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

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

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

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

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

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

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

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

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

	Actuarial Valuation Date	Annual Required Contribution [1]	Percentage Contributed
Defined Benefit Pension Plan			
	12/31/2007	$ 805.7	74.0%
	12/31/2006	938.6	63.4
	12/31/2005	488.5	100.8[2]
	12/31/2004	364.8	99.7[2]
	12/31/2003	537.4	99.7
	12/31/2002	665.9	97.4[3]
	12/31/2001	681.5	94.6[3]
	12/31/2000	635.6	95.2[3]
	12/31/1999	545.9	96.6[3]
	12/31/1998	452.1	100.0
Postemployment Healthcare Plan - Retirement Health Insurance Account[4]			
	12/31/2007	$ 38.8	91.3%
	12/31/2006	44.3	89.1
	12/31/2005	39.0	100.5
	12/31/2004	35.7	100.0
	12/31/2003	40.8	100.0
	12/31/2002	41.0	100.0
	12/31/2001	41.7	100.0
	12/31/2000	41.1	100.0
	12/31/1999	37.4	100.0
	12/31/1998	33.7	100.0
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[5]			
	12/31/2007	$ 2.7	78.7%
	12/31/2006	2.5	90.1
	12/31/2005	2.4	100.0
	12/31/2004	2.6	100.0
	12/31/2003	2.2	100.0
	12/31/2002	1.6	100.0
	12/31/2001	1.3	100.0
	12/31/2000	1.1	100.0
	12/31/1999	1.7	100.0
	12/31/1998	2.2	100.0

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

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

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

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

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

Notes to Required Supplementary Information

Valuation Date	December 31, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	The UAL is amortized as a level percentage of payroll. The change in UAL due to the change from Entry Age Normal to Projected Unit Credit on December 31, 2004, is amortized over a rolling three-year period. The Tier One/Tier Two regular UAL and Retiree Healthcare regular UAL as of December 31, 2007, is amortized over a closed 20-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 20 years from the odd-year valuation in which they are first recognized. Gains and losses for OPSRP benefits are amortized over a closed 16 years from the odd-year valuation in which they are first recognized.

Equivalent Single Amortization Period

Pension	3 years
RHIA	30 years
RHIPA	30 years

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

Actuarial Assumptions:

Investment Rate of Return	8.00 percent
Payroll Growth	3.75 percent
Consumer Price Inflation	2.75 percent
Health Cost Inflation	Graded from 8.0 percent in 2008 to 5.0 percent in 2013.
Cost-of-living Adjustments	2.00 percent
Method Used to Value Assets	The actuarial value of assets is equal to the fair market value of assets, reduced by the Contingency, Capital Preservation, and Rate Guarantee Reserves.

Schedule of Plan Net Assets
Defined Benefit Pension Plan
As of June 30, 2008

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2008	Totals 2007
Assets:					
Cash and Cash Equivalents	$ 523,165,089	$ 15,153,097	$ 26,448,823	$ 564,767,009	$ 1,008,225,421
Receivables:					
Employer	19,382,404	2,619,115	—	22,001,519	23,887,764
Plan Members	—	—	—	—	—
Interest and Dividends	218,954,853	1,153,981	182,256	220,291,090	208,852,830
Investment Sales and Other Receivables	3,024,130,668	15,664,385	8,715,865	3,048,510,918	1,413,279,746
Total Receivables	3,262,467,925	19,437,481	8,898,121	3,290,803,527	1,646,020,340
Interaccount Receivables and Payables	55,730,742	(909,053)	(54,821,689)	—	—
Due from Other Funds	1,225,008	—	—	1,225,008	844,903
Investments:					
Debt Securities	17,282,703,676	91,086,899	15,599,586	17,389,390,161	18,078,062,947
Equity	23,726,079,625	125,046,120	1,330,456,238	25,181,581,983	33,018,615,547
Real Estate	5,120,643,825	26,987,882	—	5,147,631,707	4,562,610,280
Alternative Equity	10,024,423,652	52,832,802	—	10,077,256,454	7,311,985,102
Restricted Investment Contracts	—	—	—	—	6,631
Total Investments	56,153,850,778	295,953,703	1,346,055,824	57,795,860,305	62,971,280,507
Securities Lending Cash Collateral	4,432,658,281	28,365,597	2,254,501	4,463,278,379	6,196,820,235
Prepaid Expenses and Deferred Charges	2,081,648	26,903	—	2,108,551	11,851,945
Property and Equipment at Cost, Net of Accumulated Depreciation	7,196,520	4,251,708	—	11,448,228	12,300,999
Total Assets	**64,438,375,991**	**362,279,436**	**1,328,835,580**	**66,129,491,007**	**71,847,344,350**
Liabilities:					
Investment Purchases and Accrued Expenses	3,270,816,719	15,921,160	10,732,296	3,297,470,175	2,680,887,479
Deposits and Other Liabilities	71,201,094	19,872	1,044,436	72,265,402	67,144,057
Due Other Funds	34,195	—	—	34,195	1,349,384
COPs Payable	5,019,072	1,856,439	—	6,875,511	9,102,241
Deferred Revenue	82,715	—	—	82,715	98,676
Obligations Under Reverse Repurchase Agreements	277,729,153	1,463,746	—	279,192,899	—
Securities Lending Cash Collateral Due Borrowers	4,432,658,281	28,365,597	2,254,501	4,463,278,379	6,196,820,235
Total Liabilities	**8,057,541,229**	**47,626,814**	**14,031,233**	**8,119,199,276**	**8,955,402,072**
Net Assets Held in Trust for Pension Benefits	**$ 56,380,834,762**	**$ 314,652,622**	**$ 1,314,804,347**	**$ 58,010,291,731**	**$ 62,891,942,278**

Schedule of Changes in Plan Net Assets
Defined Benefit Pension Plan
For the Year Ended June 30, 2008

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2008	Totals 2007
Additions:					
Contributions:					
Employer	$ 656,658,380	$ 106,506,443	$ —	$ 763,164,823	$ 597,372,229
Plan Members	11,631,309	—	306,053	11,937,362	13,680,980
Total Contributions	668,289,689	106,506,443	306,053	775,102,185	611,053,209
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	(3,707,464,221)	(17,274,474)	(238,726,476)	(3,963,465,171)	9,146,516,132
Interest, Dividends, and Other Investment Income	1,412,350,181	13,138,788	8,522,388	1,434,011,357	1,719,358,373
Total Investment Income	(2,295,114,040)	(4,135,686)	(230,204,088)	(2,529,453,814)	10,865,874,505
Less Investment Expense	319,755,654	1,592,537	3,012,641	324,360,832	297,321,774
Net Investment Income	(2,614,869,694)	(5,728,223)	(233,216,729)	(2,853,814,646)	10,568,552,731
Securities Lending Income:					
Securities Lending Income	260,687,611	1,370,404	3,701,930	265,759,945	311,568,215
Less Securities Lending Expense	212,711,259	1,152,550	3,257,020	217,120,829	292,024,105
Net Securities Lending Income	47,976,352	217,854	444,910	48,639,116	19,544,110
Other Income	437,711	1,790	—	439,501	1,026,993
Total Additions	(1,898,165,942)	100,997,864	(232,465,766)	(2,029,633,844)	11,200,177,043
Deductions:					
Benefits	2,701,499,238	189,632	55,184,251	2,756,873,121	2,568,492,114
Death Benefits	11,432,179	—	—	11,432,179	6,096,828
Refunds of Contributions	49,213,010	—	1,447,771	50,660,781	41,222,535
Administrative Expense	24,953,155	6,966,950	1,130,517	33,050,622	35,620,392
Interaccount Transfers	(125,935,110)	—	125,935,110	—	—
Total Deductions	2,661,162,472	7,156,582	183,697,649	2,852,016,703	2,651,431,869
Net Increase (Decrease)	**(4,559,328,414)**	**93,841,282**	**(416,163,415)**	**(4,881,650,547)**	**8,548,745,174**
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	60,940,163,176	220,811,340	1,730,967,762	62,891,942,278	54,343,197,104
End of Year	**$ 56,380,834,762**	**$ 314,652,622**	**$ 1,314,804,347**	**$ 58,010,291,731**	**$ 62,891,942,278**

Schedule of Administrative Expenses
For the Years Ended June 30, 2008 and 2007

	2008	2007
Personal Services:		
Staff Salaries	$ 16,457,809	$ 14,756,703
Social Security	1,243,445	1,126,858
Retirement	2,955,490	2,725,825
Insurance	4,241,229	3,710,126
Assessments	113,733	103,756
Total Personal Services	25,011,706	22,423,268
Professional Services:		
Actuarial	549,323	495,321
Data Processing	522,548	2,372,229
Audit	192,398	326,932
Legal Counsel	813,313	1,094,546
Medical Consultants	84,327	85,687
Training and Recruitment	288,349	274,701
Contract Services	8,841,777	11,272,065
Healthcare Fees	2,580,803	2,462,183
Total Professional Services	13,872,838	18,383,664
Communications:		
Printing	239,220	94,952
Telephone	236,372	228,442
Postage	442,006	525,924
Travel	114,835	63,808
Total Communications	1,032,433	913,126
Rentals:		
Office Space	422,702	404,616
Equipment	143,870	108,356
Total Rentals	566,572	512,972
Miscellaneous:		
Central Government Charges	746,730	584,073
Supplies	666,452	516,601
Maintenance	892,940	954,958
Non-Capitalized Equipment	137,167	236,085
Depreciation	1,401,814	1,463,843
COP Amortization	419,767	499,883
Total Miscellaneous	4,264,870	4,255,443
Total Administrative Expenses	**$ 44,748,419**	**$ 46,488,473**

Schedule of Payments to Consultants and Contractors
For the Years Ended June 30, 2008 and 2007

	Commission / Fees		
Individual or Firm	**2008**	**2007**	**Nature of Service**
Orrick, Herrington & Sutcliffe LLP	$ 238,718	$ 581,698	Legal
Ice Miller®	10,228	48,098	Legal
Bullivant Houser Bailey PC	163,458	33,362	Legal
Oregon Department of Justice	314,341	375,141	Legal
Saber Solutions, Inc.	3,740,552	5,855,758	Technology
Provaliant, Inc.	1,145,760	1,257,360	Technology
Rapidigm, Inc.	-	25,000	Technology
nextSource, Inc.	796,711	538,532	Technology
Hepieric, Inc.	-	7,200	Technology
QA Partners LLC	319,800	73,800	Technology
CEM Benchmarking Inc.	35,000	30,000	Benchmarking
Mercer Human Resources Consulting LLC	469,990	581,659	Actuarial
Oregon Audits Division	207,527	320,141	Audit
Benefit Partners & Associates LLP	75,820	75,226	Health Insurance
Lawrence Duckler, MD	8,475	10,418	Medical
ING	2,300,654	1,958,939	IAP Administration

Summary of Investment Fees, Commissions, and Expenses
For the Years Ended June 30, 2008 and 2007

	2008	2007
International Equity Fund Managers		
Acadian Asset Management, Inc.	$ 3,754,305	$ 3,602,049
AllianceBernstein International	9,828,560	6,044,546
AQR Capital Management	4,029,814	1,733,368
Arrowstreet Capital, LP	5,257,381	4,492,826
Barclays Global Investors	4,610,293	5,328,611
Brandes Investment Partners LLC	4,244,227	4,179,710
Fidelity Management Trust Co.	—	3,015,936
Genesis Investment Management, Ltd.	3,328,165	2,925,351
Goldman Sachs	7,357,643	—
Pictet Asset Management Limited	3,355,822	2,974,833
Pyramis Global Investors	2,822,063	—
TT International Co., Ltd.	3,286,943	3,010,790
Walter Scott & Partners Limited	3,926,374	2,727,782
Other International Equity Fund Managers	2,326,140	2,539,729
Domestic Equity Fund Managers		
AllianceBernstein Domestic Equity	—	1,666,612
Alliance Capital Management	—	1,338,906
AQR Capital Management	1,815,923	2,123,757
Ark Asset Management	1,046,372	2,665,043
Aronson+Johnson+Ortiz	1,957,411	2,055,303
Barclays Global Investors	2,013,740	9,749,649
The Boston Company Asset Management, LLC	2,072,208	2,393,564
Franklin Asset Management	1,928,639	2,182,536
Goldman Sachs	362,491	3,221,277
Mazama Capital Management	1,676,026	1,984,525
MFS Institutional Advisors, Inc.	3,000,690	2,888,871
Nicholas Applegate Capital Management	930,188	2,837,642
Northern Trust Company	1,235,244	938,787
PIMCO	4,554,205	2,458,239
Wanger Asset Management, LP	3,901,563	4,448,391
Wellington Management Company, LLP	2,446,532	2,678,249
Wells Capital Management	2,562,219	2,298,147
Other Domestic Equity Fund Managers	2,427,137	1,211,709
Debt Securities Managers		
Alliance Capital Management	3,122,614	3,018,092
BlackRock Asset Management	2,984,182	2,874,281
Fidelity Management Trust Co.	3,942,643	3,594,294
Wellington Management Company, LLP	2,240,631	2,167,513
Western Asset Management Company	2,154,115	2,120,301
Other Fixed Income Managers	69,687	52,759
Leveraged Buyout Manager		
Kohlberg Kravis Roberts & Co.	6,578,187	12,728,969
Custodian		
State Street Bank	174,100	211,235
Alternative Equity Managers		
Affinity Equity Partners	2,000,000	1,114,760
Apollo Management	2,750,097	—
Aquiline Capital Partners	1,434,066	6,220,368
Black Diamond Capital Management	1,995,094	2,601,638
CCMP Asia Opportunity	2,691,964	1,313,313
CVC Capital Partners	1,603,985	2,652,756
Centerbridge Partners	1,732,650	3,370,330
Coller Capital	1,781,559	1,801,301
Court Square Capital Partners	—	1,255,540
Elevation Partners	1,365,834	1,323,798
Endeavor Capital Partners	2,334,375	2,185,368
Fisher Lynch Capital	1,787,294	2,249,000
Gores Capital Partners	3,684,615	—
Grove Street Advisors, LLC	5,042,067	4,093,750
Lion Capital	4,272,253	—
New Mountain Capital	2,596,875	—
Oak Hill Capital Partners	3,741,567	—
Palamon European Equity	3,330,799	2,303,522
Parthenon Capital	3,427,858	—
Pathway Private Equity	1,687,500	3,073,370
Providence Equity Partners	3,815,788	1,681,405
TPG Partners	4,294,330	7,895,051
Terra Firma Investments	1,333,116	3,057,340
Other Alternative Equity Fund Managers	22,635,922	23,095,919
Real Estate Fees and Expenses	34,209,501	28,561,471
State Treasury Fees	4,233,032	4,049,659
Brokerage Commissions	36,456,968	40,569,263
Other Investment Fees and Expenses	67,981,132	44,437,568
Deferred Compensation Investment Fees and Expenses	2,434,274	2,306,632
Total Investment Fees, Commissions, and Expenses	**$ 339,978,992**	**$ 309,697,304**

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

Charles A. Hibner, CPA
Director

255 Capitol Street NE, Suite 500
Salem, OR 97310

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

The Honorable Theodore R. Kulongoski
Governor of Oregon
160 State Capitol
Salem, Oregon 97301-4047

Public Employees Retirement Board
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

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, 2008, and have issued our report thereon dated January 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

January 12, 2009

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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

November 19, 2008

Dear PERS Members:

The fiscal year ending June 30, 2008 was tough for investors. The credit crunch began in a small way in early 2007 as sub-prime mortgages began to experience defaults. During the second half of calendar year 2007, uncertainty spread and investment grade securities began to sell at depressed levels as well. As banks began to write down their asset portfolios (largely debt securities), the equity markets began a descent. Shortly after Bear Stearns failed in the spring of 2008, the markets began to stabilize and even rally a bit. By early summer, however, fears about the solvency of Fannie Mae and Freddie Mac triggered another slide in the equity markets.

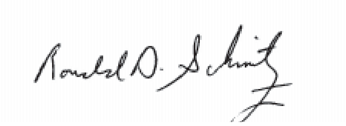
The OPERF portfolio is well-diversified, but is not immune to broad-based, worldwide market declines. OPERF ended the fiscal year with disappointing results on both an absolute basis and relative to its policy benchmark. The after expenses return for the portfolio for the year ended June 30, 2008, was -3.5 percent versus a benchmark of -3.0 percent. OPERF performed slightly better in the public equity markets than the market indexes (-12.4 percent versus -12.7 percent in the US and -6.2 percent versus -6.3 percent overseas) and had strong results in private equity assets, 7.6 percent. Returns in fixed income and real estate were disappointing relative to the benchmarks but were "in the black" as opposed to the near double digit negative returns in global equities.

Fixed income returns were unusually low relative to the benchmark due to the fact that our managers were collectively underweight Treasury Bonds and were overweight "spread" product. Normally the yield advantage of this posture pays off over time. But since the credit problems surfaced, Treasury Bonds have been the only positive performing segment of the bond market. The real estate portfolio had mixed results by sub-category. Traditional, core real estate performed quite well, generating double digit returns for the year. Unfortunately this bit of good news was offset by our exposure to public real estate assets (REITs and Real Estate operating companies). To illustrate the difference in performance between actual buildings owned and public REITs, it is eye-opening to note the Property Index return for the fiscal year was 13.6 percent and the REIT index was -13.6 percent.

On the positive side, OPERF continued to perform well versus other large public funds, generating results in the top quartile of the public fund universe as established by the Trust Universe Comparison Service. OPERF was about 1.2 percent ahead of its peers for the fiscal year. This favorable result comes primarily from the fact that OPERF holds less in equities than the typical public pension peer fund. We therefore suffered less from the market decline and benefited from our diversification in private equity and real estate.

In times like this we are often asked why we did not foresee the negative environment in stocks and raise cash to be defensive. The basic answer is that we (the Treasurer's staff or the Oregon Investment Council – OPERF's governing body) do not believe that we have the ability to foretell market swings either with our staff or through outside advisors. The world is littered with those who attempted to employ market timing and failed. In part, this is due to the unpredictability of markets and in part to the costs of making massive shifts in cash/equity exposure. In short, the positive returns in stocks tend to come in short, unpredictable bursts. Missing those few days per year reduces the expected gain from stocks to the level of money market returns. OIC identifies the bigger risk to OPERF as that of being out of the market and missing the long-term returns that equities generate over time rather than the short-term negative returns that sometimes occur.

It is important to note that OIC has a focus on long-term performance (three to five years) and actually structures the overall asset mix of the Regular Account based on the expectations for return over two to three market cycles (10 - 15 years). Using seven years as a midpoint, OPERF has met the actuarially assumed rate of return of 8 percent and has added over 4 percent of return over the minimal risk portfolio (T-Bills). Finally the seven year value added from active management (actual decisions versus a passive policy benchmark) has been nearly 1 percent.



Ron Schmitz
Chief Investment Officer

Addendum:

As of the writing of the above fiscal year commentary (mid-November), the credit crunch has turned into a full-blown crisis and global equity markets have declined by approximately 40 percent. The decline in equity markets that was mentioned above became much more pronounced in the ensuing months with the failure of Lehman Brothers and the increasing awareness of problems at AIG, Morgan Stanley and Washington Mutual. Central Banks around the world have acted swiftly to try to offset the banking panic. The United States has poured over $1 trillion into the banking sector via loan guarantees, troubled asset purchases, and direct equity injections.

It appears that credit is loosening a bit and banks are once again lending – though much more cautiously than before. Bond pricing and liquidity has not yet improved significantly. Further, fears of a deep and long recession have kept equity assets at lows not seen in many years. As was the case for the fiscal year end at June 30, 2008, OPERF's well-diversified portfolio continues to perform at levels somewhat below the policy benchmark but well above our peers.

While there has been short-term pain in the investment world—including within the OPERF portfolio—there are also some tremendous buying opportunities available now as well for those who are not faint of heart. As Warren Buffet would say, the time to buy is when other investors are panicked. Staff and OIC have made several investments that we expect to pay off well in the years ahead buying assets for 70 – 80 cents on the dollar for securities that are solid fundamentally but are artificially depressed due to the recent panic selling.

Description of Investment Policies

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

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

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

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

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

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

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

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

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

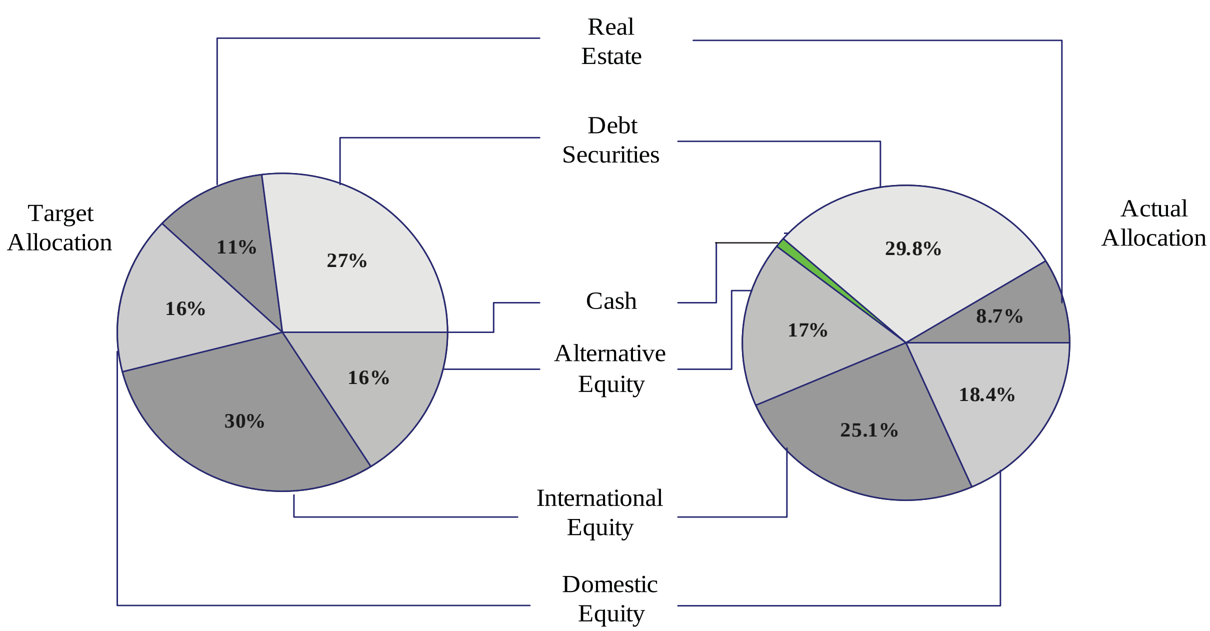
Investment Results

	Periods Ending June 30, 2008	Annualized	
	1-Year	3-Year	5-Year
Total Portfolio	-3.8%	9.3%	11.9%
Total Portfolio, Excluding Variable	-3.5	9.4	11.9
Domestic Stocks	-12.4	5.1	9.0
Benchmark: Russell 3000 Index	-12.7	4.7	8.4
International Stocks	-6.2	16.7	19.6
Benchmark: Custom Index[1]	-6.3	16.1	19.4
Fixed Income Segment	2.7	3.5	4.3
Benchmark: Custom Index[2]	6.1	4.0	4.1
Real Estate[3]	0.4	16.7	20.4
Benchmark: NCREIF Index	13.6	16.8	15.2
Private Equity[4]	7.6	19.2	22.3
Benchmark: Russell 3000 +300 bps	-2.8	9.3	15.9

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% Lehman Universal/10% SSBI 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, 2008



	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
Domestic Equity	11.0	21.0	16.0
International Equity	20.0	40.0	30.0
Alternative Equity	12.0	20.0	16.0
	73.0%	130.0%	100.0%

	Actual Allocation
Cash	1.0%
Debt Investments	29.8
Real Estate	8.7
Domestic Equity	18.4
International Equity	25.1
Alternative Equity	17.0
	100.0%

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2008

Shares	Description	Fair Value
1,893,754	Exxon Mobil Corp.	$ 166,896,540
774,878	E.ON AG	156,453,084
10,879,269	BP p.l.c.	126,281,579
2,177,019	Novartis AG	120,221,204
1,200,574	ConocoPhillips	113,322,180
2,478,570	Nestlé SA	112,321,609
14,125	Sumitomo Mitsui	106,465,497
1,073,225	Chevron	106,388,794
2,735,119	ENI	102,130,806
1,250,339	Xstrata p.l.c.	100,131,631
	Total	**$ 1,210,612,924**

Largest Bond Holdings (by Fair Value)
June 30, 2008

Par Value	Description	Fair Value
347,775,000	U.S. Treasury Bills 1.2145% Due 9-25-2008	$ 346,358,343
20,100,000,000	Government of Japan 0.8% Due 2-15-2009 Rating AA	189,611,422
139,068,824	Federal National Mortgage Association Pool 6.5% Due 11-1-2037 Rating AAA	143,160,120
100,286,225	Federal National Mortgage Association Pool 5.0% Due 11-1-2036 Rating AAA	96,439,371
96,503,396	Federal National Mortgage Association Pool 5.5 % Due 3-1-2037 Rating AAA	95,346,079
72,455,000	Federal Home Loan Bank 5.0 % Due 11-17-2017 Rating AAA	73,904,687
59,579,435	U.S. Treasury Notes 2.375 % Due 1-15-2017	64,474,893
60,464,473	U.S. Treasury Bonds 2.375% Due 1-15-2027	63,093,539
6,472,098,000	Government of Japan 1.2 % Due 12-10-2017 Rating AA	61,298,867
47,565,000	Federal National Mortgage Association 6.25% Due 5-15-2029 Rating AAA	54,220,533
	Total	**$ 1,187,907,854**

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, 2008

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$18,391,467,504	$ 14,513,872	0.078916
Equity Managers	26,846,674,648	92,058,318	0.342904
KKR Leveraged Buyouts	2,881,798,185	6,578,187	0.228267
Alternative Equity Managers (Limited Partnerships)	7,622,926,026	81,339,608	1.067039
Real Estate Managers	5,365,989,411	34,209,501	0.637525
Total Assets Under Management	**$61,108,855,774**		
Other Investment Service Fees:			
Investment Consultants		1,339,251	
Commissions and Other Fees		109,940,255	
Total Investment Service and Managers' Fees		**$ 339,978,992**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2008

Broker's Name	Commission	Shares / Par	Commission per Share
Goldman, Sachs & Co.	$ 4,395,603	$ 141,246,515	0.03112
Merrill Lynch, Pierce, Fenner & Smith, Inc.	2,427,444	170,649,262	0.01422
Credit Suisse First Boston Corporation	2,219,979	285,693,166	0.00777
Bear, Stearns & Co., Inc.	2,188,817	80,167,521	0.02730
J.P. Morgan	1,983,094	156,551,593	0.01267
UBS Securities Inc.	1,825,406	208,879,072	0.00874
Morgan Stanley & Co., Incorporated	1,823,905	255,341,254	0.00714
Citigroup Global Markets Inc.	1,789,166	171,747,639	0.01042
Lehman Brothers, Inc.	1,473,729	133,895,495	0.01101
Deutsche Bank	1,074,128	107,128,992	0.01003
Liquidnet, Inc.	895,070	48,368,076	0.01851
Instinet Corporation	872,441	242,939,089	0.00359
Investment Technology Group Inc.	754,574	113,106,315	0.00667
Citation Group	709,210	22,779,617	0.03113
Frank Russell Company	701,684	21,699,470	0.03234
MacQuarie Securities	545,404	47,835,248	0.01140
Nomura Securities International, Inc.	420,292	37,420,035	0.01123
Credit Lyonnais Securities	381,713	80,222,672	0.00476
Jefferies & Company	367,153	44,855,230	0.00819
ABN AMRO Bank N.V.	288,641	15,990,112	0.01805

Brokerage commissions on purchases and sales are too numerous to list; therefore, only the top 20 brokers by amount of commission paid are shown.

Investment Summary

Type of Investment	Fair Value at June 30, 2008	Percent of Total Fair Value
Debt Securities		
U.S. Government Securities	$ 902,335,639	1.48%
U.S. Agency Securities	2,634,062,285	4.31
Corporate Bonds	3,868,679,379	6.33
Asset-Backed Securities	2,792,619,021	4.57
International Debt Securities	2,182,427,333	3.57
Mutual Funds - Short-Term Investments	2,359,346,704	3.86
Mutual Funds - Domestic Fixed Income	2,604,626,999	4.27
Mutual Funds - International Fixed Income	1,047,370,144	1.71
Total Debt Securities	**18,391,467,504**	**30.10**
Equity		
Domestic Equity Securities	7,736,048,633	12.66
International Equity Securities	12,042,941,686	19.71
Mutual Funds - Domestic Equity	3,601,088,248	5.89
Mutual Funds - Global Equity	1,435,832,395	2.35
Mutual Funds - International Equity	2,030,763,686	3.32
Total Equity	**26,846,674,648**	**43.93**
Real Estate	**5,365,989,411**	**8.78**
Alternative Equity	**10,504,724,211**	**17.19**
Total Fair Value	**$ 61,108,855,774**	**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 5999
www.mercer.com

October 17, 2008

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, 2007, including both the Chapter 238 and Chapter 238A programs. Actuarial valuations are performed annually, but only valuations performed as of the end of each odd-numbered year are used to determine annual required contributions. Interim valuations performed as of the end of each even-numbered year are advisory only.

The valuation is based on financial and membership data furnished by the System. The System's actuary would not customarily verify this data. We have reviewed the information for internal consistency and reasonableness and have no reason to doubt its substantial accuracy.

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

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation. The actuarial assumptions and methods used in the 2007 actuarial valuation were adopted by the Board based upon our recommendations and the results of our experience study as of December 31, 2006. We believe the actuarial methods and assumptions to be reasonable. The assumptions and methods used for funding do not always meet the parameters set for disclosures by Governmental Accounting Standards Board Statement No. 25. Where the funding amount does not meet GASB parameters, the Annual Required Contribution has been adjusted to satisfy the GASB parameters.

Mercer prepared the following information that is presented in the Actuarial Section of the 2008 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2007 actuarial valuation:

- Summary of Actuarial Methods
- Summary of Actuarial Assumptions
- Summary of Plan Provisions
- 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

Amounts shown for the December 31, 2003 actuarial valuation and earlier are the amounts reported by

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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

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

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

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

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

Sincerely,

William R. Hallmark

William R. Hallmark, ASA, EA, MAAA
Principal

Matt Larrabee, FSA, EA, MAAA
Principal

SDP/WHR/MRL/bjm/mrl:scg:dah

Actuarial Assumptions and Methods

Tier One/Tier Two

Actuarial Methods and Valuation Procedures

The Board adopted the following actuarial methods and valuation procedures for the December 31, 2006 and 2007 actuarial valuations of PERS Tier One/Tier Two benefits. The actuarial methods and procedures were first adopted effective December 31, 2004.

Actuarial cost method	**Projected Unit Credit.** Under the Projected Unit Credit cost method, the objective is to fund each member's benefit under the plan as it accrues, taking into consideration expected future compensation increases. Thus, the total pension to which each member is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule. A detailed description of the calculation follows: ▪ An individual member's **accrued benefit** for valuation purposes related to a particular separation date is the accrued benefit described under the plan, determined using the projected compensation and service that would be used in the calculation of the benefit on the expected separation date, multiplied by the ratio of credited service as of the valuation date over credited service as of the expected separation date. In no event can this be less than the accrued benefit described under the plan, determined using the compensation and service as of the valuation date. ▪ The **benefit** deemed to accrue for an individual member during a plan year is the excess of the accrued benefit for valuation purposes at the end of the plan year over the accrued benefit for valuation purposes at the beginning of the plan year. Both accrued benefits are calculated from the same projections to the various anticipated separation dates as described above. ▪ An individual member's **accrued liability** is the present value of the accrued benefit for valuation purposes at the beginning of the plan year, and an individual member's **normal cost** is the present value of the benefit deemed to accrue in the plan year. The accrued liability and the normal cost for an individual member are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the member separating on those dates. - The plan's **normal cost** is the sum of the individual member normal costs, and the plan's accrued liability is the sum of the accrued liabilities for all members under the plan.
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 20-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuations in which they are first recognized.
Amortization of change in UAL due to change in actuarial cost method (PUC change UAL)	The change in UAL due to the change from Entry Age Normal to Projected Unit Credit on December 31, 2004, is amortized as a level percentage of combined valuation payroll over a rolling three-year period.
Asset valuation method	The actuarial value of assets equals the market value of assets, reduced by the Contingency, Capital Preservation and Rate Guarantee Reserves.
Contribution rate stabilization method	Contribution rates are confined to a collar based on the prior contribution rate (prior to application of side accounts). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage drops below 80 percent or increases above 120 percent, the size of the collar doubles.

Economic Assumptions

The Board adopted the following economic assumptions for the December 31, 2006 and 2007 actuarial valuations. The investment return assumption was first adopted in 1989, and the interest crediting assumptions were adopted in 2003. 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
2008	8.0%
2009	7.0%
2010	6.5%
2011	6.0%
2012	5.5%
2013+	5.0%

[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, 2006 and 2007 actuarial valuations.

Mortality

The following mortality tables were used in the December 31, 2007 valuation. Mortality rates for School District males and general service males were first adopted effective December 31, 2005. All other mortality rates were adopted effective December 31, 2001.

Healthy Retired Members

Basic Table	RP 2000, Combined Active/Healthy Retired, No Collar, Sex Distinct
School District male	Set back 36 months
Other General Service male	Set back 24 months
Police and Fire male	Set back 12 months
School District female	Set back 36 months
Other female	Set back 18 months
Beneficiary male	Set back 24 months
Beneficiary female	Set back 18 months

The following disabled retiree mortality rates were used for the December 31, 2007 actuarial valuation. These rates were first adopted effective December 31, 2005.

Disabled Retired Members

Basic Table	RP 2000, Combined Active/Healthy Retired, No Collar, Sex Distinct
Male	Set Forward 36 months, min of 2.5%
Female	Set Forward 36 months, min of 2.75%

The following mortality rates were used for non-retired members for the December 31, 2007 actuarial valuation. The Board adopted the rates below for non-retired members effective with the December 31 2005 actuarial valuation, except for School District Females, which were adopted with the December 31, 2001 actuarial valuation.

Non-Retired Members

Basic Table	Percent of Healthy Retired Mortality Tables
Police & Fire Male	70%
Other Male	65
School District Female	50
Other Female	55

Retirement Assumptions

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

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

Rates of Retirement from Active Status

The following retirement rate assumptions were used in the December 31, 2007 valuation. These rates were first adopted December 31, 2005, but were adjusted for certain age ranges in the December 31, 2006 valuation.

Judge members are assumed to retire at age 63.

	Police and Fire		**School District**		**Other General Service**		**School District/Other General Service**
Age	< 25 yrs	25+ yrs	Tier One < 30 yrs	Tier Two < 30 yrs	Tier One < 30 yrs	Tier Two < 30 yrs	30+ yrs
<50							40.0%
50	7.5%	50.0%					40.0
51	7.5	25.0					45.0
52	7.5	25.0					55.0
53	7.5	25.0					55.0
54	7.5	25.0					55.0
55	15.0	20.0	14.0%	7.0%	10.0%	5.0%	40.0
56	8.5	20.0	7.0	3.5	5.0	2.5	25.0
57	8.5	20.0	10.0	5.0	7.5	3.75	25.0
58	8.5	20.0	15.0	5.0	10.0	3.75	25.0
59	8.5	20.0	10.0	5.0	7.5	3.75	25.0
60	15.0	20.0	10.0	10.0	7.5	7.5	13.0
61	15.0	40.0	15.0	15.0	10.0	10.0	13.0
62	25.0	50.0	15.0	15.0	14.0	14.0	25.0
63	5.0	40.0	10.0	10.0	12.0	12.0	20.0
64	5.0	40.0	15.0	15.0	12.0	12.0	20.0
65	100.0	100.0	22.0	22.0	24.0	24.0	28.0
66			10.0	10.0	10.0	10.0	20.0
67			10.0	10.0	10.0	10.0	20.0
68			4.0	4.0	10.0	10.0	20.0
69			4.0	4.0	10.0	10.0	20.0

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, 2006.

Partial Lump Sum:	7% for all years
Total Lump Sum:	7% for 2007, declining by 0. 5% per year until reaching 0.0%
No Lump Sum:	86% in 2007, increasing by 0.5% until reaching 93.0%

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, 2005.

Money Match Retirements:	0.0 %
Non-Money Match Retirements:	45 %

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, 2005. The rates for duty disability were first adopted effective December 31, 2006.

Age	Duty Disability Police and Fire	Duty Disability General Service	Ordinary Disability
Less than age 35	0.020%	0.002%	0.050%
35-39	0.030	0.002	0.100
40-44	0.030	0.004	0.150
45-49	0.075	0.010	0.200
50+	0.150	0.015	0.300

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, 2006.

Termination Rates

Sample termination rates are shown for each group below:

Age	School District	OHSU	SLGRP General Service Male	SLGRP General Service Female	Independent Employers General Service Male	Independent Employers General Service Female	Police and Fire
30	5.94%	9.89%	6.97%	7.49%	6.11%	9.10%	3.45%
40	3.31	6.20	4.38	4.52	3.84	5.70	2.17
50	2.26	4.27	2.96	3.09	2.47	3.58	1.24

No Lump Sum Before Retirement

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

Age	General Service	Police & Fire
30	77.50%	60.00%
40	77.50%	64.00%
50	90.00%	100.00%

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 for school districts were first adopted effective December 31, 2005. All other rates were adopted December 31, 2003.

Duration	School District	OHSU	SLGRP General Service	SLGRP Police & Fire	Independent Employers General Service	Independent Employers Police & Fire
5	1.90%	1.00%	1.80%	2.30%	1.80%	2.50%
10	1.20	0.30	0.90	1.10	1.00	1.30
15	0.60	0.25	0.40	0.60	0.55	0.80
20	0.26	0.00	0.10	0.30	0.30	0.50

Unused Sick Leave

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

Actives	Rates
State GS Male	5.75%
State GS Female	4.75%
School District Male	7.25%
School District Female	6.75%
Local GS Male	3.50%
Local GS Female	3.00%
Police and Fire	8.75%

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	2.8%
Tier One School District	1.4%
Tier Two/Judges	0.0%

These rates were first adopted effective December 31, 2005.

Retiree Healthcare Participation

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

RHIPA	11%
RHIA	
▪ Healthy Retired	50%
▪ Disabled Retired	25%

These rates were first adopted effective December 31, 2005.

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.

Actuarial Methods and Valuation Procedures

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: $8.5 million per year is added to the normal cost.

Demographic Assumptions

Retirement Assumptions

Retirement from Active Status

	Police and Fire		General Service	
Age	<25 years	25+ years	<30 years	30+ years
50	3.75%	7.50%		
51	3.75	7.50		
52	3.75	7.50		
53	3.75	50.00		
54	3.75	25.00		
55	4.25	20.00	5.00%	5.00%
56	4.25	20.00	2.50	2.50
57	4.25	20.00	3.75	3.75
58	4.25	20.00	3.75	40.00
59	4.25	20.00	3.75	25.00
60	30.00	20.00	3.75	13.00
61	15.00	40.00	5.00	13.00
62	25.00	50.00	7.00	25.00
63	5.00	40.00	6.00	20.00
64	5.00	40.00	6.00	20.00
65	100.00	100.00	50.00	28.00
66			10.00	20.00
67			10.00	20.00
68			10.00	20.00
69			10.00	20.00
70			10.00	100.00

Retirement from Dormant Status

Dormant members are assumed to retire at Normal Retirement Age.

Termination Assumptions

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

Age	**School District**				**OHSU[1]**			
	1st Select Period	2nd Select Period	3rd Select Period	Ultimate	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
30	13.35%	10.34%	7.56%	5.94%	15.23%	13.43%	11.43%	9.89%
40	10.76	7.42	5.50	3.31	11.15	8.82	6.91	6.20
50	9.87	6.31	4.38	2.26	9.44	6.16	4.02	4.27

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
30	18.74%	14.74%	8.74%	6.11%	18.20%	15.88%	12.16%	9.10%
40	16.22	12.22	6.22	3.84	13.68	11.80	8.64	5.70
50	13.84	9.84	3.84	2.47	11.79	9.93	6.76	3.58

Age	**SLGRP[2] 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
30	16.65%	13.36%	10.12%	6.97%	18.15%	15.87%	12.13%	7.49%
40	12.08	9.22	6.77	4.38	13.58	11.77	8.58	4.52
50	10.17	7.34	4.82	2.96	11.67	9.97	6.73	3.09

Age	**Police and Fire**			
	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
30	8.29%	6.04%	4.73%	3.45%
40	6.68	4.43	3.30	2.17
50	4.66	2.41	1.89	1.24

[1] Oregon Health & Sciences University

[2] State and Local Government Rate Pool

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

There were no changes in methods or assumptions since the December 31, 2006 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	

[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)

	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	294,737	3,304	40,590	106,801	2,521,345	6.0	23,608

[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.

Schedules of Funding Progress by Rate Pool

(dollar amounts in millions)[6]

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)[2] (b-a)	Funded Ratio (a/b)	Covered Payroll[3] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Tier One/Tier Two State and Local Government Rate Pool						
12/31/2004	$ 22,768.1	$ 23,407.2	$ 639.1	97.3%	$ 3,171.0	20.2%
12/31/2005[4]	25,556.3	24,450.3	(1,106.0)	104.5	3,089.8	(35.8)
12/31/2006	28,177.2	25,390.0	(2,787.3)	111.0	3,174.6	(87.8)
12/31/2007[5]	30,314.8	26,883.1	(3,431.7)	112.8	3,448.1	(99.5)
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)
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)
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)
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
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

Notes:

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

[2] Excludes UAAL for Multnomah Fire District ($144 million as of December 31, 2007).

[3] Covered payroll is shown for the rate group. Tier One/Tier Two payroll is shown for Postemployment Healthcare Benefits. However, the 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] Discrepancies contained in this table are the result of rounding differences.

Actuarial Schedules

Analysis of Financial Experience

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

(dollar amounts in millions) [1]

Type of Activity	$ Gain (or Loss) for Year 2007	$ Gain (or Loss) for Year 2006
Retirements from Active Status	$ (96.2)	$ (205.4)
Active Mortality and Withdrawal	64.3	20.9
Pay Increases	(68.6)	(23.3)
Contributions	65.4	36.3
Interest Crediting Experience	72.5	(79.3)
Investment Income	327.2	2,699.0
Retirement, Mortality, and Lump Sums from Dormant Status	124.5	94.0
Retiree and Beneficiary Mortality	(82.9)	(52.4)
Data Corrections	54.7	—
Other	84.3	(116.7)
Gain (or Loss) During Year From Financial Experience	**$ 545.3**	**$ 2,373.1**
Non-Recurring Items		
Assumption Changes	—	(74.0)
Composite Gain (or Loss) During Year	$ **545.3**	$ **2,299.2**

[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)[9]

	Actuarial Accrued Liability						
Valuation Date[1]	Active Member Contributions	Retired Members and Beneficiaries	Other Members	Valuation Assets [2]	Portion of Actuarial Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
12/31/1995	$ 5,753.0	$ 7,492.8	$ 10,002.8	$ 20,957.6	100%	100%	77%
12/31/1997	8,135.4	9,994.9	13,534.6	29,108.2	100	100	81
12/31/1999	8,238.1	14,333.7	18,336.1	39,964.8	100	100	95
12/31/2000	10,142.5	15,664.1	17,543.9	41,804.6	100	100	91
12/31/2001	10,252.8	17,465.9	18,229.0	39,852.2	100	100	67
12/31/2001 [3]	10,252.8	17,340.0	10,228.8	39,852.2	100	100	120
12/31/2002 [3]	9,940.7	19,339.0	10,240.8	36,316.8	100	100	69
12/31/2003 [3]	9,005.8	23,625.9	11,993.9	42,874.4	100	100	85
12/31/2004 [4,5]	9,073.0	25,363.0	13,547.6	45,735.3	100	100	83
12/31/2005 [6,7]	9,169.7	26,602.4	14,044.7	51,569.6	100	100	112
12/31/2006	9,410.8	27,711.3	14,666.2	56,844.8	100	100	134
12/31/2007 [8]	9,225.0	29,157.3	15,011.8	59,586.4	100	100	141

[1] 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.

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

[3] The 2001 valuation was revised to include the impact of PERS Reform Legislation enacted in 2003. Figures 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.

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

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

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

Plan Summary

Summary of Plan Provisions

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

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

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

Normal Retirement Allowance

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

Full Formula — The percentage multiplier from the table below multiplied by final average pay and years of credited service plus a prior service pension, if applicable.

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

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

Formula Plus Annuity — The member’s account balance converted to an actuarially equivalent cash refund annuity plus the percentage multiplier from the table below multiplied by final average pay and years of credited service, plus a prior service pension, if applicable.

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

Judges — Final average pay multiplied by the first percentage multiplier from the table on page 76 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 76. Judges must elect Plan A or Plan B no later than age 60. A “Plan B” judge must serve as a pro tem judge for a total of 175 days post-retirement.

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

		Plan	**Percentage Factor (up to 16 years)**	**Percentage Factor (after 16 years)**	**Maximum Percentage of Final Average Pay**
		A	2.8125%	1.67%	65%
		B	3.75	2.00	75
SB 656/HB 3349 Adjustment	All members hired prior to July 14, 1995, receive an increase to their monthly retirement benefit equal to the greater of the increase under Senate Bill 656 (SB 656) or House Bill 3349 (HB 3349).				
	SB 656 Increase		**Years of Service**	**General Service**	**Police and Fire**
			0-9	0.0%	0.0%
			10-14	1.0	1.0
			15-19	1.0	1.0
			20-24	2.0	2.5
			25-29	3.0	4.0
			30 & Over	4.0	4.0
	HB 3349 Increase		$\frac{1}{\text{1 - maximum Oregon personal income tax rate}}$	X	$\frac{\text{Service prior to October 1, 1991}}{\text{All Service}}$
Early Retirement Eligibility	**Police and Fire**	Age 50 or 30 years of service			
	Judges	Age 60			
	General Service	Age 55 or 30 years of service			
Early Retirement Allowance	Normal retirement allowance, actuarially reduced to early retirement age. However, there is no reduction applied if a member has completed 30 years of service (25 years for police and fire members) or for judges in Plan B.				
Vesting	Five years or attainment of normal retirement age.				
Termination Benefits	**Non-Vested**	Payment of member's account balance.			
	Vested	Same as normal (or early) retirement allowance, but commencement is deferred to normal (or early) retirement date.			

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

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

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

Police and Fire Unit Purchases	Police and fire members may purchase 60-month annuity benefits (up to $80 per month) that must be paid out by age 65 and cannot commence prior to the earliest retirement age. The amount purchased by the member is matched by the employer. In certain situations, such as termination of employment prior to retiring or working beyond age 65, the employer's matching purchase is forfeited.	
Postretirement Adjustments	All monthly pension and annuity benefits except unit purchases are eligible for postretirement adjustments.	
	Automatic Adjustments	Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit. Any CPI change in excess of 2 percent is accumulated for future benefit adjustments, which would otherwise be less than 2 percent. No benefit will be decreased below its original amount.
	***Ad Hoc* Adjustments**	From time to time, as granted by the Legislature, retired members and beneficiaries have received increases in their monthly benefits.
Variable Annuity Program	**Contributions**	Prior to January 1, 2004, a member could elect to have 25, 50, or 75 percent of his or her contributions invested in the variable account.
	Benefit	At retirement, a member may elect to receive a variable annuity with the funds accumulated in his or her variable account. Alternatively, a member may elect to have all or a portion of the funds in his or her variable account transferred back to the regular account and receive an annuity from the System 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: (b) Currently receiving a retirement allowance from the System, (c) Equivalent of eight years of qualified service time, (d) Enrolled in a PERS-sponsored health plan, and (e) 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 page 78) of the maximum monthly subsidy based on years of service. The maximum monthly subsidy is calculated annually as the average difference between the health insurance premiums paid by active state employees and the premium retirees would pay if they were rated separately from active state employees.

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

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

Benefits Not Included in the Valuation	No material benefits have been excluded from the liabilities.
Changes in Plan Provisions	None.

Summary of Chapter 238A Provisions - OPSRP

Normal Retirement Date	**Police and Fire**	Age 60 or age 53 with 25 years of retirement credit
	General Service	Age 65 or age 58 with 30 years of retirement credit
	School Districts	Age 65 or age 58 with 30 calendar years of active membership
Normal Retirement Allowance	A single life annuity equal to final average salary times years of retirement credit attributable to service as fire and police times 1.8 percent plus final average salary times all other years of retirement credit times 1.5 percent.	
Early Retirement Eligibility	**Police and Fire**	Age 50 and 5 years of vesting service
	General Service	Age 55 and 5 years of vesting service
Early Retirement Allowance	Normal retirement allowance, actuarially reduced to early retirement age.	
Vesting	Five years or attainment of normal retirement age.	
Vested Termination Benefit	Same as normal (or early) retirement allowance, but commencement is deferred to normal (or early) retirement date.	
Optional Forms of Retirement Benefit	The normal form of benefit is a life annuity. All optional amounts are adjusted to be actuarially equivalent. **Options Available** • Life annuity • Joint and 50 percent or 100 percent survivor contingent benefit, with or without pop-up feature. • Lump sum if monthly normal retirement benefit is less than $200 or if lump sum value is less than $5,000.	
Pre-Retirement Death Benefit Eligibility	Death of a vested member before retirement benefits begin.	
Pre-Retirement Death Benefit	If member was eligible for early retirement, the actuarial equivalent of 50 percent of the early retirement benefit the participant was eligible to receive at date of death. If member was not eligible for early retirement, the actuarial equivalent of 50 percent of the early retirement benefit the participant would have been eligible to receive if he terminated employment on his date of death and retired at the earliest possible date.	
Disability Benefit Eligibility	**Duty**	Disablement occurring as a direct result of a job-related injury or illness, regardless of length of service.
	Non-Duty	Disablement occurring after 10 years of service, but prior to normal retirement eligibility.
Disability Benefit Amounts	**Pre-Retirement Benefit**	45 percent of salary during last full month of employment before disability, reduced if total benefit including workers' compensation exceeds 75 percent of salary. Benefit is payable monthly until normal retirement age.
	Retirement Benefit	Same formula as Normal Retirement Benefit, except: • Final average salary is adjusted to reflect cost-of-living increases from date of disability to normal retirement age, and • Retirement credits continue to accrue from date of disability to normal retirement age.

Summary of Chapter 238A Provisions - OPSRP

Postretirement Adjustments	All monthly pension and annuity benefits are eligible for postretirement adjustments.	
	Automatic Adjustments	Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit. Any CPI change in excess of 2 percent is accumulated for future benefit adjustments which would otherwise be less than 2 percent. No benefit will be decreased below its original amount.
	***Ad Hoc* Adjustments**	From time to time, as granted by the Legislature, retired members and beneficiaries have received increases in their monthly benefits.
Changes in Plan Provisions	None	

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 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 Expense by Type provides additional detail of benefit expense for fiscal years reported in the aggregate in the Schedules of Changes in Net Assets.

The Schedule of Earnings and Distribution 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 financial reports relates to the services the System provides and the activities it performs.

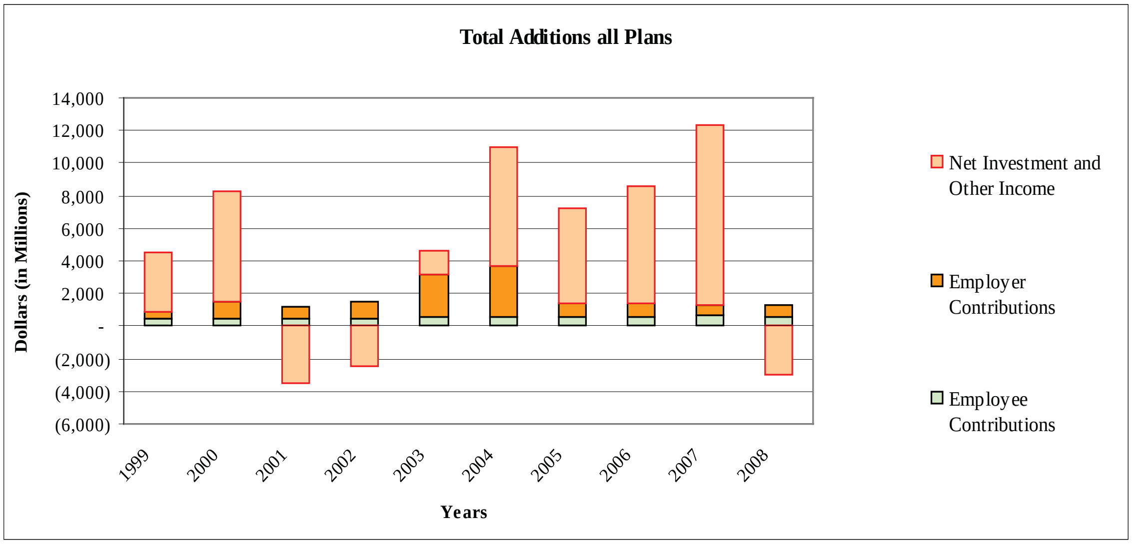
The Schedule of Average Monthly Benefit Payments presents average monthly benefits, final average salary, and number of retirees still receiving benefits, by year of retirement. The total section presents averages for all retirees still receiving benefits regardless of when their retirement benefits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

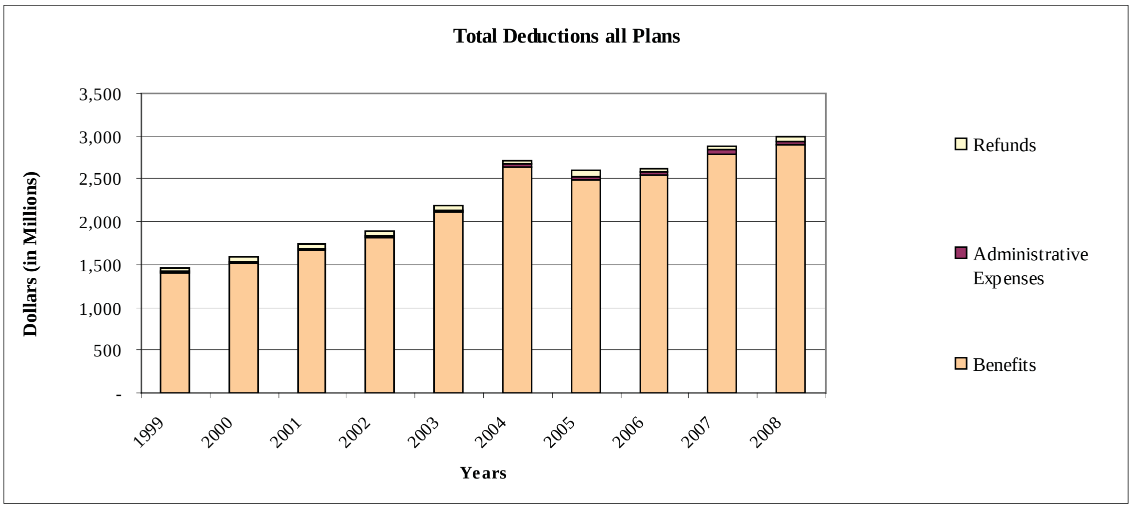
The Schedule of Benefit Recipients by Benefit Type shows retired members by benefit level, benefit types, and payment options selected.

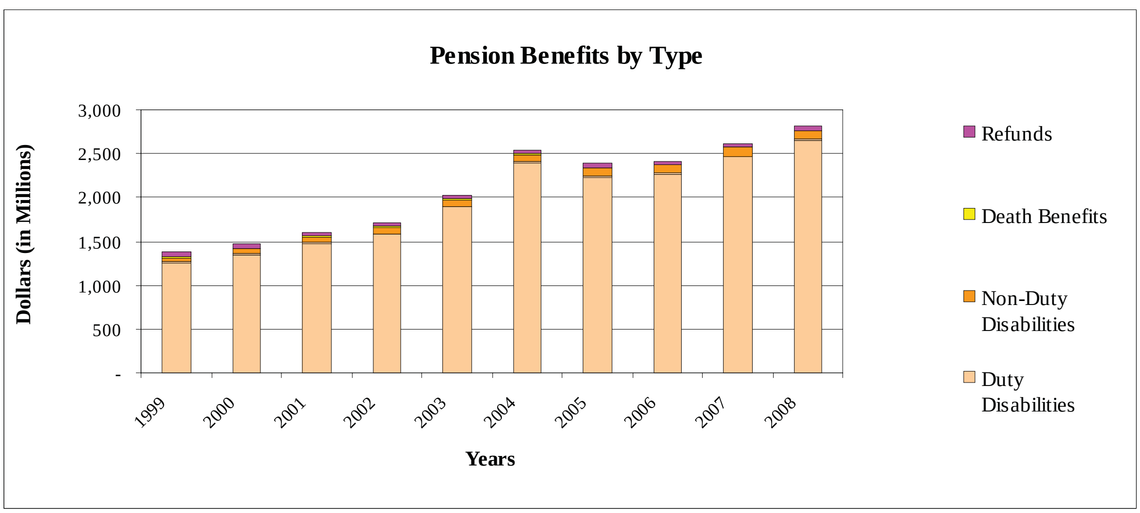
The Schedule of Retirement System Membership shows demographics of membership over a period of time. The fiscal year schedule shows membership over the last six years. The calendar year schedule is in five-year increments going back to 1980.

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.

Operating information schedules do not include information from other postemployment plans as the information was not available.


Total Additions all Plans
Dollars (in Millions)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
(2,000)
(4,000)
(6,000)
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Years
Net Investment and Other Income
Employer Contributions
Employee Contributions


Total Deductions all Plans
Dollars (in Millions)
3,500
3,000
2,500
2,000
1,500
1,000
500
-
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Years
Refunds
Administrative Expenses
Benefits


Pension Benefits by Type
Dollars (in Millions)
3,000
2,500
2,000
1,500
1,000
500
-
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Years
Refunds
Death Benefits
Non-Duty Disabilities
Duty Disabilities

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[2]	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1999	$ 338,859,319	$ 473,096,323	8.97%	$ 3,491,728,315	$ 4,303,683,957
2000	348,244,045	1,022,650,598	17.53	6,680,242,927	8,051,137,570
2001	370,165,609	639,010,754	10.80	(3,465,913,890)	(2,456,737,527)
2002	391,542,211	989,078,917	15.56	(2,422,055,208)	(1,041,434,080)
2003	400,988,567	2,578,989,169	39.91	1,465,990,471	4,445,968,207
2004	185,693,017	3,166,153,073	63.39	7,182,539,171	10,534,385,261
2005	9,590,285	815,807,985	14.77	5,686,759,377	6,512,157,647
2006	9,611,666	783,921,381	12.70	6,919,097,410	7,712,630,457
2007	13,680,980	597,372,229	8.70	10,589,123,834	11,200,177,043
2008	11,937,362	763,164,823	10.30	(2,804,736,029)	(2,029,633,844)

Oregon Public Service Retirement Plan[3]
Individual Account Program

Fiscal Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total 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

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
1999	$ 34,550,787	$ N/A	N/A%	$ 59,157,120	$ 93,707,907
2000	41,512,686	N/A	N/A	69,840,556	111,353,242
2001	43,512,667	N/A	N/A	(61,887,870)	(18,375,203)
2002	47,472,963	N/A	N/A	(41,865,658)	5,607,305
2003	50,279,420	N/A	N/A	15,987,532	66,266,952
2004	56,479,388	N/A	N/A	79,874,001	136,353,389
2005	56,542,080	N/A	N/A	53,506,406	110,048,486
2006	59,724,202	N/A	N/A	70,672,287	130,396,489
2007	66,152,631	N/A	N/A	129,511,435	195,664,066
2008	70,448,534	N/A	N/A	(74,030,166)	(3,581,632)

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 Employer contributions for fiscal years 2000 and thereafter include employer prepayments of the unfunded actuarial liabilities.

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

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 1,325,715,141	$ 15,666,811	$ 50,530,792	$ 1,391,912,744	$ 2,911,771,213
1,423,192,357	18,568,579	51,726,463	1,493,487,399	6,557,650,171
1,558,218,989	25,374,819	46,243,701	1,629,837,509	(4,086,575,036)
1,667,133,815	17,456,752	46,086,912	1,730,677,479	(2,772,111,559)
1,978,887,202	16,784,817	42,640,295	2,038,312,314	2,407,655,893
2,495,222,891	26,318,257	42,193,518	2,563,734,666	7,970,650,595
2,340,813,964	34,683,299	60,241,863	2,435,739,126	4,076,418,521
2,371,628,570	27,582,755	33,172,837	2,432,384,162	5,280,246,295
2,574,588,942	35,620,392	41,222,535	2,651,431,869	8,548,745,174
2,768,305,300	33,050,622	50,660,781	2,852,016,703	(4,881,650,547)

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 14,045,802	$ 475,878	$ N/A	$ 14,521,680	$ 79,186,227
26,484,319	607,203	N/A	27,091,522	84,261,720
28,387,233	589,512	N/A	28,976,745	(47,351,948)
41,149,643	685,523	N/A	41,835,166	(36,227,861)
33,596,122	660,144	N/A	34,256,266	32,010,686
40,377,599	759,180	N/A	41,136,779	95,216,610
39,406,579	703,809	N/A	40,110,388	69,938,098
40,544,067	884,438	N/A	41,428,505	88,967,984
49,835,260	606,410	N/A	50,441,670	145,222,396
50,366,273	800,668	N/A	51,166,941	(54,748,573)

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
1999	$ N/A	$ 34,930,816	0.65%	$ 871,629	$ 35,802,445
2000	N/A	40,216,109	0.70	7,755,534	47,971,643
2001	N/A	42,294,496	0.70	(4,089,006)	38,205,490
2002	N/A	40,154,004	0.64	(4,290,677)	35,863,327
2003	N/A	41,248,903	0.64	2,890,216	44,139,119
2004	N/A	40,619,811	0.64	20,706,960	61,326,771
2005	N/A	37,308,769	0.64	17,106,276	54,415,045
2006	N/A	38,162,075	0.59	23,296,256	61,458,331
2007	N/A	41,171,759	0.59	39,609,224	80,780,983
2008	N/A	27,783,093	0.37	(10,246,057)	17,537,036

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
1999	$ N/A	$ 2,351,814	0.16%	$ (16,164)	$ 2,335,650
2000	N/A	1,026,624	0.07	584,686	1,611,310
2001	N/A	1,178,373	0.07	(280,574)	897,799
2002	N/A	1,424,727	0.09	(155,146)	1,269,581
2003	N/A	1,599,744	0.09	46,286	1,646,030
2004	N/A	3,100,423	0.16	642,012	3,742,435
2005	N/A	2,344,259	0.16	594,376	2,938,635
2006	N/A	2,190,254	0.13	777,757	2,968,011
2007	N/A	2,399,843	0.13	1,301,049	3,700,892
2008	N/A	1,791,179	0.10	(312,725)	1,478,454

Standard Retiree Health Insurance Account[1]

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

1 Standard Retiree Health Insurance Account was added to the System in July 1, 1999.

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 22,233,420	$ 1,693,569	$ N/A	$ 23,926,989	$ 11,875,456
22,608,438	1,827,016	N/A	24,435,454	23,536,189
23,239,431	1,916,176	N/A	25,155,607	13,049,883
23,627,238	782,513	N/A	24,409,751	11,453,576
23,906,241	724,104	N/A	24,630,345	19,508,774
24,632,880	708,696	N/A	25,341,576	35,985,195
25,282,377	777,979	N/A	26,060,356	28,354,689
26,059,316	887,743	N/A	26,947,059	34,511,272
26,887,060	876,363	N/A	27,763,423	53,017,560
27,624,361	899,601	N/A	28,523,962	(10,986,926)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 857,207	$ 96,408	$ N/A	$ 953,615	$ 1,382,035
902,695	117,218	N/A	1,019,913	591,397
947,685	102,327	N/A	1,050,012	(152,213)
1,155,018	231,241	N/A	1,386,259	(116,678)
1,367,993	116,422	N/A	1,484,415	161,615
1,656,993	62,320	N/A	1,719,313	2,023,122
1,922,701	81,816	N/A	2,004,517	934,118
2,120,368	143,252	N/A	2,263,620	704,391
2,047,322	119,875	N/A	2,167,197	1,533,695
1,906,431	104,880	N/A	2,011,311	(532,857)

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

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

Defined Benefit Pension Plan[2]

Calendar Year	Member Contributions	Employer Contributions: Dollars[3]	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1998	$ 318,434,441	$ 452,088,742	8.72%	$ 3,976,901,225	$ 4,747,424,408
1999	347,053,753	981,343,197	17.70	7,455,428,861	8,783,825,811
2000	358,532,128	617,392,002	10.52	140,492,280	1,116,416,410
2001	385,221,900	715,640,552	11.52	(2,704,326,428)	(1,603,463,976)
2002	397,510,787	1,705,408,456	26.39	(3,453,139,033)	(1,350,219,790)
2003	404,989,521	3,726,733,326	58.44	8,841,448,116	12,973,170,963
2004	14,180,906	1,035,192,490	18.39	5,883,962,236	6,933,335,632
2005	8,354,073	1,165,678,216	18.51	6,045,479,892	7,219,512,181
2006	10,751,524	605,587,796	8.27	7,920,833,371	8,537,172,691
2007	16,130,758	744,532,532	10.47	5,587,420,758	6,348,084,048

Oregon Public Service Retirement Plan[4]
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

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
1998	$ 40,915,041	$ N/A	N/A%	$ 57,926,233	$ 98,841,274
1999	40,900,068	N/A	N/A	96,754,765	137,654,833
2000	48,984,327	N/A	N/A	(18,990,331)	29,993,996
2001	42,815,469	N/A	N/A	(44,610,460)	(1,794,991)
2002	51,123,470	N/A	N/A	(50,282,443)	841,027
2003	50,217,519	N/A	N/A	99,459,493	149,677,012
2004	59,671,251	N/A	N/A	68,420,696	128,091,947
2005	56,557,468	N/A	N/A	49,783,696	106,341,164
2006	63,268,289	N/A	N/A	90,212,220	153,480,509
2007	67,874,937	N/A	N/A	65,816,348	133,691,285

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 Employer contributions for calendar year 1999 and thereafter include prepayments of the unfunded actuarial liability.
4 The Oregon Public Service Retirement Plan was added to the System in January 2004.

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 1,290,165,970	$ 15,991,040	$ 58,616,445	$ 1,364,773,455	$ 3,382,650,953
1,404,568,279	17,636,439	47,338,113	1,469,542,831	7,314,282,980
1,509,574,384	22,240,490	48,558,962	1,580,373,836	(463,957,426)
1,626,837,851	20,934,512	42,537,159	1,690,309,522	(3,293,773,498)
1,746,727,771	16,156,679	39,767,828	1,802,652,278	(3,152,872,068)
2,305,913,864	23,026,963	44,485,825	2,373,426,652	10,599,744,311
2,432,307,750	29,965,677	75,329,010	2,537,602,437	4,395,733,195
2,372,895,822	32,264,214	42,143,663	2,447,303,699	4,772,208,482
2,514,479,244	29,588,997	61,059,360	2,605,127,601	5,932,045,090
2,630,279,015	37,662,196	38,197,392	2,706,138,603	3,641,945,445

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 22,421,987	$ 546,997	$ N/A	$ 22,968,984	$ 75,872,290
25,252,693	568,686	N/A	25,821,379	111,833,454
34,886,565	619,774	N/A	35,506,339	(5,512,343)
29,114,174	660,738	N/A	29,774,912	(31,569,903)
41,926,056	691,968	N/A	42,618,024	(41,776,997)
38,162,887	745,559	N/A	38,908,446	110,768,566
41,080,360	748,208	N/A	41,828,568	86,263,379
38,351,898	878,538	N/A	39,230,436	67,110,728
40,706,739	684,991	N/A	41,391,730	112,088,779
50,697,210	763,382	N/A	51,460,592	82,230,693

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
1998	$ N/A	$ 33,705,606	0.65%	$ 666,017	$ 34,371,623
1999	N/A	37,376,705	0.66	6,649,301	44,026,006
2000	N/A	41,061,988	0.66	302,467	41,364,455
2001	N/A	41,754,333	0.67	(4,658,153)	37,096,180
2002	N/A	41,355,199	0.65	(7,434,689)	33,920,510
2003	N/A	40,789,302	0.65	23,713,608	64,502,910
2004	N/A	37,923,918	0.56	16,550,236	54,474,154
2005	N/A	39,202,772	0.58	20,112,501	59,315,273
2006	N/A	39,481,902	0.54	28,532,583	68,014,485
2007	N/A	35,457,965	0.45	22,089,579	57,547,544

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
1998	$ N/A	$ 2,244,871	0.16%	$ 216,169	$ 2,461,040
1999	N/A	1,743,362	0.10	424,114	2,167,476
2000	N/A	1,121,770	0.06	14,417	1,136,187
2001	N/A	1,329,246	0.07	(180,170)	1,149,076
2002	N/A	1,581,544	0.09	(272,924)	1,308,620
2003	N/A	2,175,955	0.13	728,395	2,904,350
2004	N/A	2,678,731	0.14	550,508	3,229,239
2005	N/A	2,454,389	0.13	679,346	3,133,735
2006	N/A	2,284,194	0.14	920,910	3,205,104
2007	N/A	2,148,731	0.03	688,777	2,837,508

Standard Retiree Health Insurance Account[2]

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

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

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 22,007,220	$ 1,556,428	$ N/A	$ 23,563,648	$ 10,807,975
22,411,800	1,777,895	N/A	24,189,695	19,836,311
22,909,640	1,843,153	N/A	24,752,793	16,611,662
23,505,793	1,961,990	N/A	25,467,783	11,628,397
23,679,226	402,662	N/A	24,081,888	9,838,622
24,236,456	467,080	N/A	24,703,536	39,799,374
24,991,280	712,195	N/A	25,703,475	28,770,679
25,601,296	698,986	N/A	26,300,282	33,014,991
26,552,598	978,785	N/A	27,531,383	40,483,102
27,244,840	888,308	N/A	28,133,148	29,414,396

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 787,735	$ 553,983	$ N/A	$ 1,341,718	$ 1,119,322
908,988	107,147	N/A	1,016,135	1,151,341
873,353	138,941	N/A	1,012,294	123,893
1,038,690	85,124	N/A	1,123,814	25,262
1,291,244	127,636	N/A	1,418,880	(110,260)
1,519,455	219,529	N/A	1,738,984	1,165,366
1,735,776	63,256	N/A	1,799,032	1,430,207
2,070,218	117,939	N/A	2,188,157	945,578
2,158,432	140,794	N/A	2,299,226	905,878
1,923,159	111,240	N/A	2,034,399	803,109

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

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

Fiscal Year	Service Benefits	Disability Benefits Duty	Disability Benefits Non-Duty	Death Benefits	Refunds	Total
1999	$ 1,254,516,309	$ 6,747,274	$ 53,102,285	$ 11,349,273	$ 50,530,792	$ 1,376,245,933
2000	1,350,313,078	7,328,142	56,328,089	9,223,048	51,726,463	1,474,918,820
2001	1,478,544,032	7,822,924	62,163,492	9,688,541	46,243,701	1,604,462,690
2002	1,578,535,743	8,496,606	69,979,830	10,121,636	46,086,912	1,713,220,727
2003	1,888,912,273	9,102,457	74,949,807	5,922,665	42,640,295	2,021,527,497
2004	2,395,783,190	10,035,722	80,793,817	8,610,162	42,193,518	2,537,416,409
2005	2,233,603,114	10,929,003	85,709,442	10,572,405	60,241,863	2,401,055,827
2006	2,264,988,154	11,371,883	89,310,558	5,957,975	33,172,837	2,404,801,407
2007	2,462,885,953	12,113,128	93,493,033	6,096,828	41,222,535	2,615,811,477
2008	2,646,746,186	13,363,139	96,763,796	11,432,179	50,660,781	2,818,966,081

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

Calendar Year	Tier One Earnings/(Loss) Available for Crediting	Credited Tier One	Credited Tier Two[4]	Variable Earnings/(Loss) Credited	Individual Account Program
1998	15.43%	14.10%	13.63%	21.45%	
1999	24.89	11.33[2]	21.97	28.83	
2000	0.63	8.00	0.54	(3.24)	
2001	(7.17)	8.00	(6.66)	(11.19)	
2002	(8.93)	8.00	(8.93)	(21.51)	
2003	23.79	8.00[2]	22.00	34.68	
2004	13.80	8.00	13.27	13.00	12.77%[3]
2005	13.74	8.00	18.31	8.29	12.80
2006	15.57	8.00	15.45	15.61	14.98
2007	10.22	7.97	9.47	1.75	9.46

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

Operating information schedules on the following pages do not include information from other postemployment plans as the information was not available.

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1998 to June 30, 2008	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
1999 Average Monthly Benefit	$ 331.63	$ 714.50	$1,275.66	$1,902.32	$2,904.88	$3,980.59	$4,640.63	$2,493.92
Final Average Salary	$2,265.49	$2,499.50	$2,854.10	$3,409.28	$4,011.49	$4,616.92	$4,684.38	$3,659.45
Number of Active Retirees	383	578	709	902	931	1,312	429	5,244
2000 Average Monthly Benefit	$ 285.84	$ 741.84	$1,193.68	$1,907.88	$2,887.79	$3,999.73	$4,725.32	$2,297.48
Final Average Salary	$2,109.85	$2,533.14	$2,953.16	$3,421.77	$4,015.67	$4,938.44	$5,053.21	$3,651.77
Number of Active Retirees	426	572	550	635	711	935	243	4,072
2001 Average Monthly Benefit	$ 352.33	$ 678.40	$1,199.05	$1,854.19	$2,821.26	$3,928.14	$4,250.38	$2,205.30
Final Average Salary	$2,303.11	$2,532.06	$3,011.91	$3,437.01	$4,055.26	$4,801.90	$4,606.24	$3,627.86
Number of Active Retirees	504	533	602	642	750	932	250	4,213
2002 Average Monthly Benefit	$ 498.57	$ 821.90	$1,197.96	$1,902.70	$2,793.41	$4,076.59	$4,679.49	$2,527.75
Final Average Salary	$2,376.97	$2,602.96	$3,027.71	$3,571.73	$4,173.21	$4,880.62	$4,996.44	$3,879.13
Number of Active Retirees	334	564	711	691	1,037	1,252	373	4,962
2003 Average Monthly Benefit	$ 736.95	$ 993.60	$1,338.32	$1,919.03	$2,825.34	$4,120.17	$5,075.67	$2,740.22
Final Average Salary	$2,388.65	$2,553.95	$3,143.79	$3,679.72	$4,279.14	$4,977.88	$5,380.53	$4,066.31
Number of Active Retirees	588	1,168	1,579	1,786	2,527	2,934	1,128	11,710
2004 Average Monthly Benefit	$ 837.54	$ 849.63	$1,193.52	$1,749.67	$2,643.81	$3,843.25	$4,459.86	$2,404.63
Final Average Salary	$2,214.35	$2,558.29	$3,013.83	$3,550.05	$4,081.27	$4,686.85	$4,885.67	$3,795.48
Number of Active Retirees	299	605	841	957	1,150	1,455	334	5,641
2005 Average Monthly Benefit	$ 719.33	$ 850.02	$1,238.04	$1,753.84	$2,672.54	$3,843.50	$4,101.42	$2,241.68
Final Average Salary	$2,141.89	$2,798.95	$2,928.16	$3,396.32	$4,032.10	$4,559.45	$4,075.33	$3,598.23
Number of Active Retirees	241	468	528	562	539	851	122	3,311
2006 Average Monthly Benefit	$ 742.48	$ 799.44	$1,142.82	$1,694.29	$2,625.39	$3,763.83	$4,166.35	$2,205.30
Final Average Salary	$2,323.92	$2,973.25	$3,487.19	$3,733.63	$4,243.00	$4,870.62	$4,695.58	$3,945.30
Number of Active Retirees	224	477	622	679	613	903	174	3,692
2007 Average Monthly Benefit	$ 714.30	$ 796.57	$1,144.67	$1,678.92	$2,517.14	$3,769.88	$4,356.10	$2,255.15
Final Average Salary	$2,598.40	$3,260.12	$3,490.21	$4,056.87	$4,792.02	$5,356.36	$5.353.30	$4,370.51
Number of Active Retirees	273	555	600	789	609	1,064	276	4,166
2008 Average Monthly Benefit	$ 782.02	$ 792.72	$1,169.04	$1,594.77	$2,330.66	$3,766.99	$4,558.25	$2,287.37
Final Average Salary	$2,413.20	$3,128.72	$4,123.47	$4,426.39	$4,809.71	$5,661.52	$6,064.27	$4,699.63
Number of Active Retirees	251	453	556	743	654	1,003	299	3,959
Total Average Monthly Benefit	**$ 328.85**	**$587.28**	**$975.15**	**$1,514.48**	**$2,344.80**	**$3,464.49**	**$3,761.78**	**$2,009.73**
Final Average Salary	**$2,061.99**	**$2,415.79**	**$2,815.15**	**$3,293.14**	**$3,883.62**	**$4,612.61**	**$4,581.85**	**$3,589.60**
Number of Active Retirees	**8,533**	**13,033**	**15,048**	**17,583**	**18,645**	**22,520**	**10,359**	**105,721**

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2008

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	21,487	17,336	181	254	3,467	249	3,446	4,874	3,931	1,416	633	4,172	2,391	624
501 - 1000	17,406	14,243	118	781	1,961	303	3,001	5,186	4,130	1,900	590	1,369	918	312
1001 - 1500	13,372	11,108	88	752	1,207	217	2,085	3,861	3,552	1,723	429	789	712	221
1501 - 2000	10,555	8,921	97	627	734	176	1,526	2,921	2,952	1,339	358	638	639	182
2001 - 2500	8,748	7,714	65	422	435	112	1,152	2,449	2,478	1,147	231	524	621	146
2501 - 3000	7,343	6,654	45	295	301	48	991	2,025	2,249	1,071	244	276	377	110
3001 - 3500	6,416	5,924	35	199	229	29	799	1,750	2,299	990	194	144	186	54
3501 - 4000	5,413	5,144	18	109	125	17	524	1,467	2,092	924	182	87	100	37
4001 - 4500	4,787	4,607	13	61	98	8	442	1,197	2,022	872	126	33	70	25
4501 - 5000	3,370	3,237	10	38	84	1	287	887	1,457	586	98	13	34	8
5001 - 5500	2,411	2,330	5	25	49	2	187	598	1,052	480	59	10	21	4
5501 - 6000	1,567	1,513	5	20	29	-	92	353	742	321	34	3	16	6
6000 plus	2,846	2,756	1	16	72	1	164	601	1,389	598	46	11	31	6
Totals	**105,721**	**91,487**	**681**	**3,599**	**8,791**	**1,163**	**14,696**	**28,169**	**30,345**	**13,367**	**3,224**	**8,069**	**6,116**	**1,735**

*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.

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

Retirement System Membership at June 30:

	2003	2004	2005	2006	2007	2008
State Agencies	42,263	41,818	39,588	36,817	42,906	41,872
School Districts	63,132	62,804	58,566	55,493	65,792	69,840
Political Subdivisions	54,374	56,186	51,768	48,442	55,850	55,740
Inactive Members	53,815	48,627	48,017	46,952	52,513	46,356
Total Non-Retired	213,584	209,435	197,939	187,704	217,061	213,808
Retired Members and Beneficiaries	91,526	98,686	100,124	101,519	103,368	105,721
Total Membership	305,110	308,121	298,063	289,223	320,429	319,529
Administrative Expense	$ 19,059,635	$ 30,097,192	$ 42,534,651	$ 37,776,761	$ 46,488,473	$44,748,419
Pension Roll (one month)	$ 189,744,852	$ 207,501,846	$ 184,518,138	$ 205,232,050	$216,137,975	$230,863,092

Schedule of Principal Participating Employers Current Fiscal Year 2008

	2008		2006	
	Number of Current Employees	Percent of Total System	Number of Current Employees	Percent of Total System
State of Oregon	41,872	25.01%	37,973	24.23%
Oregon Health & Science University	5,953	3.56	4,988	3.18
Portland Public Schools	5,413	3.23	4,984	3.18
Salem-Keizer Public Schools	4,505	2.69	3,948	2.52
Multnomah County	4,324	2.58	4,047	2.58
Beaverton School District	4,289	2.56	3,488	2.23
City of Portland	4,055	2.42	3,509	2.24
Portland Community College	2,377	1.42	2,849	1.82
Hillsboro School District	2,286	1.37	1,974	1.26
Eugene School District	1,993	1.19	1,864	1.19
All Others*	90,385	53.97	87,074	55.57
Totals	167,452	100.00%	156,698	100.00%
* “All Others” consisted of:				
Counties	12,774	7.63%	12,381	7.90%
Municipalities	13,049	7.79	11,410	7.28
School Districts	51,354	30.67	49,710	31.73
Community Colleges	6,569	3.92	6,635	4.23
Other Political Subdivisions	6,639	3.96	6,938	4.43
Total All Others	90,385	53.97%	87,074	55.57%

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

Schedule of Participating Employers (887)

State (117)

Appraiser Certification and Licensure Board
Board of Accountancy
Board of Architect Examiners
Board of Chiropractic Examiners
Board of Engineering Examiners
Board of Geologists
Board of Investigators
Board of Medical Examiners
Board of Pharmacy
Board of Optometry
Board of Psychologist Examiners
Bureau of Labor and Industries
Chancellor's Office
Commission on Judicial Fitness
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 Resources
Department of Justice
Department of Land Conservation and Development
Department of Military — Federal Employees
Department of Revenue
Department of State Police
Department of Transportation
Department of Veterans' Affairs
District Attorneys Department
Division of State Lands
Eastern Oregon University
Economic Development Department
Employment Department
Employment Relations Board
Forestry Department
Geology and Mineral Industries
Government Standards and Practices Commission
Health Related Licensing Boards
Indian Services Commission
Industries for the Blind
Insurance Pool Governing Board
Judges PERS
Judicial Department
Land Use Board of Appeals
Landscape Contractors Advisory Board
Legislative Administration Committee
Legislative Assembly
Legislative Committees
Legislative Fiscal Office
Long Term Care Ombudsman
Military Department
Office of the Governor
Office of Legislative Counsel
Office of 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 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 Hazelnut Commission
Oregon Health Licensing Office
Oregon Hop Commission
Oregon Housing Agency
Oregon Institute of Technology
Oregon Liquor Control Commission
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 Trawling 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 Parole
State Board of Tax Practitioners
State Lottery Commission
State Marine Board
State Parks and Recreation Department
Teacher Standards and Practices
Travel Information Council
University of Oregon
Water Resources Department
Western Oregon University

Political Subdivisions (490)

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
Athena Cemetery Maintenance District 1
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 RFD
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 RFD
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 Service
Clackamas County
Clackamas County Fair
Clackamas County Fire District 1
Clackamas County Vector Control District
Clackamas River Water
Clatskanie, City of
Clatskanie Library District
Clatskanie People's Utility District
Clatskanie RFPD
Clatsop County
Clatsop County 4-H and Extension Service District
Clean Water Services
Cloverdale RFPD
Coburg, City of
Coburg RFPD
Colton RFPD 70
Columbia, City of
Columbia County
Columbia County 911 Communications District
Columbia Drainage Vector Control District
Columbia Health District
Columbia River Fire and Rescue
Columbia River PUD
Community Services Consortium
Condon, City of
Coos Bay, City of
Coos County
Coos County Airport District
Coquille, City of
Corbett Water District
Cornelius, City of
Corvallis, City of
Cottage Grove, City of
Crescent RFPD
Creswell, City of
Crook County
Crook County RFPD 1
Crooked River Ranch RFPD
Crystal Springs Water District
Culver, City of
Curry County
Curry Public Library District
Dallas, City of
Dayton, City of
Depoe Bay, City of
Depoe Bay RFPD
Deschutes County
Deschutes County RFPD 2
Deschutes Public Library District
Deschutes Valley Water District
Dexter RFPD
Douglas County
Douglas County RFPD
Douglas County Soil and Water
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
Green Sanitary District
Gresham, City of
Halsey, City of
Halsey-Shedd RFPD
Happy Valley, City of
Harbor Water PUD
Harney County
Harney District Hospital
Harrisburg, City of
Harrisburg RFPD
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 North Bend City
Housing Authority of Portland
Hubbard, City of
Hubbard RFPD
Huntington, City of
Ice Fountain Water District
Illinois Valley RFD
Imbler, City of
Imbler RFPD
Independence, City of
Irrigon, City of
Jackson County
Jackson County Fire District 3
Jackson County Fire District 4
Jackson County Fire District 5
Jackson County Fire District 6
Jackson County Vector Control District
Jacksonville, City of
Jefferson, City of
Jefferson County
Jefferson County EMS District
Jefferson County Library District
Jefferson County RFPD 1
Jefferson County SWCD
Jefferson RFPD
Job Council
John Day, City of
Jordan Valley, City of
Joseph, City of
Josephine County
Junction City RFPD
Junction City, City of
Keizer RFPD
Keizer, City of
Keno RFPD
King City, City of
Klamath County
Klamath County Emergency Communications District
Klamath County Fire District 1
Klamath Falls, City of
Klamath Housing Authority
Klamath Vector Control District
Knappa Svensen Burnside RFPD
La Grande, City of
La Pine RFPD
Lafayette, City of
Lake County
Lake County 4-H and Extension Service
Lake County Library
Lake Oswego, City of
Lakeside, City of
Lakeside Water District
Lakeview, Town of
Lane Council of Governments
Lane County
Lane County Fair Board
Lane County Fire District 1
Lane Rural Fire Rescue
League of Oregon Cities
Lebanon Aquatic District
Lebanon, City of
Lebanon Fire District
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
Metro Area Communication Commission
Mid-Columbia Center for Living
Mid-Columbia Council of Governments
Mill City, City of
Mill City RFPD
Millersburg, City of
Millington RFPD
Milton-Freewater, City of
Milton-Freewater Cemetery Maintenance Disctict 3
Milwaukie, City of
Mist-Birkenfeld RFPD
Mohawk Valley RFD
Molalla, City of
Molalla RFPD 73
Monmouth, City of
Monroe, City of
Monroe RFPD
Moro, City of
Mt. Angel, City of
Mt. Angel Fire District
Mt. Vernon, City of
Mulino Water District 23
Multnomah County
Multnomah County Drainage District 1
Multnomah County RFPD 14
Myrtle Creek, City of
Myrtle Point, City of
Nehalem Bay Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell RFPD
Odell Sanitary District
Ontario, City of
Oregon Cascades West COG
Oregon City, City of
Oregon Community College Association
Oregon Consortium, The
Oregon Coastal Zone Management Association
Oregon Health & Science University
Oregon School Boards Association
Oregon Small Schools Association
Oregon Trail Library District
Owyhee Irrigation District
Parkdale RFPD
Pendleton, City of
Philomath, City of
Philomath RFPD
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
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 4-201
Rogue River Valley Irrigation District
Roseburg, City of
Roseburg Urban Sanitary Authority
Rural Road Assessment District 3
Rural Road District 4
Salem, City of
Salem Housing Authority
Salmon Harbor and Douglas County
Sandy, City of
Sandy RFPD 72
Santa Clara RFPD
Scappoose, City of
Scappoose Public Library
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 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 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
Tillamook Fire District
Tillamook People's Utility District
Toledo, City of
Tri-City Water and Sanitary Authority
Tri-County Cooperative Weed Management Area
Troutdale, City of
Tualatin, City of
Tualatin Valley Fire and Rescue
Tualatin Valley Irrigation District
Tualatin Valley Water District
Turner, City of
Turner RFPD
Umatilla, City of
Umatilla County
Umatilla County Soil and Water District
Umatilla County Special Library District
Umatilla RFPD 7-405
Union, City of
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 RFPD
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 RFPD 5
Winston-Dillard Water District
Wood Village, City of
Woodburn, City of
Woodburn RFPD
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 (263)

Alliance Charter Academy
Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Ballston Community School
Beaverton School District 45J
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Cascade Heights Public Charter School
Central Curry School District 1
City View Charter School
Clackamas County ESD
Clackamas CSD 3
Clackamas CSD 7J
Clackamas CSD 12
Clackamas CSD 35
Clackamas CSD 46
Clackamas CSD 53
Clackamas CSD 62
Clackamas CSD 86
Clackamas CSD 108
Clackamas CSD 115
Clatskanie School District 6J
Clatsop CSD 1C
Clatsop CSD 4
Clatsop CSD 8
Clatsop CSD 10
Clatsop CSD 30
Columbia CSD 13
Columbia CSD 47 J
Columbia CSD 502
Columbia Gorge Education Service District
Condon Admin. School District 25J
Coos CSD 8
Coos CSD 9
Coos CSD 13
Coos CSD 31
Coos CSD 41
Coos CSD 54
Crook CSD
Curry CSD 2CJ
Curry CSD 17
Dayton School District 8
Deschutes CSD 1
Deschutes CSD 2J
Deschutes CSD 6
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
Douglas County ESD
EagleRidge High School
Eddyville Charter School
Forest Grove Community School
Fossil School District 21J
Four Rivers Community School
Gilliam CSD 3
Grant School District 3
Grant County ESD
Grant CSD 4
Grant CSD 8
Grant CSD 16J
Grant CSD 17
Greater Albany Public Schools 8J
Harney ESD Region 17
Harney CSD 3
Harney CSD 4
Harney CSD 5
Harney CSD 7
Harney CSD 10
Harney CSD 13
Harney CSD 16
Harney CSD 28
Harney CSD UH1J
Harrisburg School District 7
High Desert Education Service District
Hillsboro School District 1J
Hood River CSD 1
Howard Street Charter School, Inc.
Inavale Community Partners
Ione School District
Jackson CSD 4

Jackson CSD 5
Jackson CSD 6
Jackson CSD 9
Jackson CSD 35
Jackson CSD 59
Jackson CSD 91
Jackson CSD 94
Jackson CSD 549C
Jefferson County ESD
Jefferson CSD 4
Jefferson CSD 8
Jefferson CSD 41
Jefferson CSD 509J
Jordan Valley School District 3
Josephine County UJ School District
Josephine CSD 7
Kings Valley Charter School
Klamath CSD CU
Klamath Falls City Schools
KORE Educators
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
Lincoln CSD
Linn CSD 9
Linn CSD 55
Linn CSD 95C
Linn CSD 129J
Linn CSD 552C
Linn Benton Lincoln ESD
Lourdes Charter School
Luckiamute Valley Charter School
Madrone Trail Public Charter School
Malheur ESD Region 14
Malheur CSD 8C
Malheur CSD 12
Malheur CSD 26C
Malheur CSD 29
Malheur CSD 61
Malheur CSD 66
Malheur CSD 81
Malheur CSD 84
Marion CSD 1
Marion CSD 4J
Marion CSD 5
Marion CSD 14CJ
Marion CSD 15
Marion CSD 24J
Marion CSD 45
Marion CSD 91
Marion CSD 103C
Mastery Learning Institute
Morrow CSD
Mosier Community School
Multisensory Institute Teaching Children
Multisensory Learning Academy
Multnomah County ESD
Multnomah CSD 1
Multnomah CSD 3
Multnomah CSD 7
Multnomah CSD 10
Multnomah CSD 28-302 JT
Multnomah CSD 39
Multnomah CSD 51JT
Multnomah CSD R-40
Nixyaawii Community School
North Central ESD
North Santiam School District 29J
North Powder School District
North Wasco CSD 21
Northwest Regional ESD
Opal School
Oregon Connections Academy
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Ridgeline Montessori Charter School
Rimrock Academy Charter School
Sage Community School
Sand Ridge Charter School
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan Japanese School Foundation
Sherman CSD
Sherwood Charter School
Siletz Valley Early College Academy
Siletz Valley School
Sisters Charter School
South Coast ESD Region 7
South Columbia Family School
South Harney School District 33
South Wasco County School District 1
Southwest Charter School
Southern Oregon ESD
Springwater Environmental Sciences School
Sweet Home Charter School
The Emerson School
The Lighthouse School
The Village School
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 21
Tillamook CSD 56
Tillamook CSD 101
Trillium Charter School
Umatilla County Administrative School District 1R
Umatilla Morrow ESD
Umatilla CSD 2R
Umatilla CSD 5
Umatilla CSD 6R
Umatilla CSD 7
Umatilla CSD 8R
Umatilla CSD 16R
Umatilla CSD 29RJ
Umatilla CSD 61R
Umatilla CSD 80R
Union-Baker ESD
Union CSD 1
Union CSD 5
Union CSD 11
Union CSD 15
Union CSD 23
Upper Chetco Charter School
Wallowa County Region 18 ESD
Wallowa CSD 6
Wallowa CSD 12
Wallowa CSD 21J
Wallowa CSD 54
Wasco CSD 29
Washington CSD 15
Washington CSD 13
Washington CSD 23J
Washington CSD 88J
Washington CSD 511JT
West Lane Technical Learning Center
Wheeler CSD 1
Wheeler CSD 55U
Willamette ESD
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J

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