Office of the Secretary of State

Bill Bradbury
Secretary of State

Jean Straight
Deputy Secretary of State

Audits Division

Charles A. Hibner, CPA
Director

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

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

February 7, 2008

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

Paul Cleary, Executive Director
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

On December 21, 2007, we issued our opinion on the Public Employees Retirement System's (system) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. In addition to our opinion letter, and in accordance with *Government Auditing Standards*, we also issued a 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* (internal control report).

In the internal control report, we referred to significant deficiencies in internal control that we would describe in a separate letter to management. Rather than presenting these matters in a separate letter, we are to report them within the internal control report. As a result, we are attaching a revised internal control report.

Please note that there is no effect on our opinion on the system's CAFR or other information presented in the internal control report. We ask that you provide this revised internal control report to anyone who requests or has received a copy of the system's CAFR.

We apologize for any inconvenience this may have caused. If you or your staff have questions regarding the reissued internal control report, please call me at (503) 986-2351.

Sincerely,
OREGON AUDITS DIVISION

Dale Bond

V. Dale Bond, CPA, CISA, CFE
Audit Manager

cc: James Dalton, Audit Committee Chair
David Tyler, Chief Financial Officer
Jason Stanley, Chief Audit Executive
Kris Kautz, Interim Director, Department of Administrative Services

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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

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 financial statements of the Oregon Public Employees Retirement System (system) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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*.

The system's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the system's responses and, accordingly, we express no opinion on them.

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

Bill Bradbury
Secretary of State

December 21, 2007

Findings and Responses

Reconciling Items Not Cleared Timely

The Oregon Public Employees Retirement System (system) has not promptly cleared reconciling items from three clearing accounts it uses to reconcile two subsidiary systems. The reconciling items exceeded $259 million as of June 30, 2007, a $10 million increase from June 30, 2006. Items totaling $205 million (79 percent) have remained in the clearing accounts for more than one year.

Reconciling items are recorded in the clearing accounts when a difference occurs between amounts reported in the Membership and Benefit Reserve subsidiary components of the system's Retirement Information Management System (RIMS). Each item remains in the clearing accounts until system staff can review and resolve the differences. Unresolved reconciling items could cause over or under payments of refunds or benefits.

We recommend system management take steps to resolve items in the clearing accounts in a timely manner.

PERS Management's Response

We agree with this finding and are working to resolve items in the clearing accounts in a timely manner. In 2005 the Oregon Supreme Court issued two significant rulings (the *Strunk* and *Eugene* cases) affecting all PERS benefit transactions completed from April 2000 to January 2006. Under that process, the transactions that generated the reconciling items in the retirement clearing account will be recalculated and the associated reconciling items will be eliminated. PERS plans to complete these adjustments by June 30, 2009. As of February 1, 2008, approximately $214 million (79 percent) of the clearing accounts are assigned to this process. This represents the items that have remained in the clearing account for more than one year. We now manually review and adjust the remaining accounts, on a monthly basis.

Weakness in Cash Controls

The *Oregon Accounting Manual* and the system's policies recommend procedures to perform timely reconciliations of cash recorded in agency records to amounts reported in statements from the Oregon State Treasurer's Office (treasury). Those reconciliations should be performed by persons not otherwise responsible for handling or recording cash and should be independently reviewed by management.

We found the system could improve controls over cash reconciliations. Specifically:

- Six monthly reconciliations of the primary suspense account used to distribute retirees' benefits took from four to seven months to complete;
- Not all reconciliations were reviewed within the required time period set by the system's policy;
- Not all reconciliations had evidence that a manager had performed the review; and
- Reconciling items totaling approximately $1.4 million in one account dated back to 1997. Inquiries of management disclosed that those items had cleared the treasury.

We recommend system management ensure cash reconciliations are completed in a timely manner and reviewed by a member of management in accordance with policy established in the *Oregon Accounting Manual*. Evidence of management's review should be documented. **We also recommend** system management take steps to clear the $1.4 million of reconciling items.

PERS Management's Response

We agree. All reconciliations had been worked on, but were not finalized in a timely fashion. We continue to work on the systemic problems (multiple interfacing sub-systems with no direct connectivity to SFMA) that produce the unreconciled differences and out-of-balance situations. Management reviews and approves all reconciliations on a monthly basis. We intend to complete these investigations, including the resolution of the $1.4 million, by no later than June 30, 2008.

Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Paul R. Cleary
Executive Director

David W. Tyler
Chief Financial Officer

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

PERS Oregon Public Employees Retirement System

Table of Contents

Introductory Section

Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System
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December 21, 2007

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, 2007. 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, 2007, PERS provided services to more than 320,000 members, beneficiaries, and retirees and to 873 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 its opinion is included in this report.

Management's Discussion and Analysis

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

Economic Condition and Major Initiatives

The economic condition of PERS is affected primarily by investment earnings. A comparative analysis of rates of return is presented on page 54 of this report.

Major Initiatives

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 member regular 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 dormant 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, 2007, PERS has completed 28.3 percent of these adjustments, which are scheduled through 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 November 2009.

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), 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, 2006 actuarial valuation PERS has a funded ratio of 110.5 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. The OIC's primary investment objective is to make PERS investment funds as productive as possible. At the same time, the OIC acts as a prudent investor in the management of the PERS portfolio.

An integral part of investment policy is the strategic asset allocation policy. The target investment portfolio mix at fair value as of June 30, 2007, is 33 percent domestic equities, 20 percent international equities, 12 percent alternative equities, 27 percent debt securities, and 8 percent real estate. On August 8, 2007, the OIC voted to decrease the allocation to domestic equities to 23 percent, increase the allocation of international equities to 23 percent, boost the allocation to real estate investments to 11 percent, and raise the alternative equities allocation to 16 percent. The allocation to debt securities will remain at 27 percent. The shift in asset allocation will take several years to accomplish and is intended to generate better returns while only marginally increasing overall risk. 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. The 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 exhibited high returns in fiscal year 2007 with a rate of return of 18.6 percent. This compares with 14.3 percent for fiscal year 2006. The fund's five-year return is 13.3 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

Public Plan Sponsor of the Year

PLANSPONSOR magazine, the nation's leading authority on retirement issues, selected PERS as the 2007 Public Plan Sponsor of the Year in recognition of PERS' strong investment performance and bold system reforms. PERS' reforms allowed the System to take advantage of good investment earnings and close a $17 billion pension-funding gap. Each year, the editors of *PLANSPONSOR* choose a plan sponsor that demonstrates leadership in providing a more secure retirement for workers. As Governor Ted Kulongoski noted, “This is a great honor for Oregon. It recognizes our collective effort to reform our public retirement system to deliver fairness and sustainability for both Oregon taxpayers and PERS members while maintaining a defined benefit program.”

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, 2006. 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 16 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 2007 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 fifth year the PPCC has offered the award to public retirement systems and the fourth 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, the OIC, the Office of the State Treasurer staff, the advisors and consultants, and the many other people who work so diligently to assure 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 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 the Department of Justice, 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 has been with Beaverton-based technology firm Tektronix since 1989. He currently serves as Senior Vice President, Corporate Development, responsible for Corporate Development, China Operations, Corporate Secretary, and Law Department. He also chairs the Tektronix Foundation. 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 advisory board for the Portland State University School of Business, 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, which in January 2005 acquired KinderCare Learning Centers Inc., where she has served as senior vice president, general counsel and corporate secretary 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. Kripalani was selected as one of 2002’s Outstanding Women in Business by the *Portland Business Journal*. She graduated from Portland State University *magna cum laude* with a bachelor’s degree in finance-law in 1983; her J.D., also *magna cum laude*, was granted by 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
  - **Steve Delaney**, Deputy Director
    - **Eric C. Sokol**, 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
    - **Steven P. Rodeman**, Administrator, Policy, Planning, and Legislative Analysis Division
      - Legislative Issues
      - Research and Risk Management
      - Social Security
      - Contested Case Hearings
      - Administrative Rules
    - **Patrick O. Teague**, 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.
Rapidigm, Inc.
Hepieric, Inc.

Auditor:
Secretary of State Audits Division

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, 2006

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

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

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2007 Award

Presented to

Oregon Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Financial Section

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Secretary of State

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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 then ended June 30, 2007, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4, the financial statements referred to above present only the system and do not purport to, and do not, present fairly the financial position of the state of Oregon as of June 30, 2007, 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, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2007, on our consideration of the system's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is separately presented in the Other Reports section as listed in the Table of Contents.

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

Our audit was conducted for the purpose of forming an opinion on the 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

Bill Bradbury
Secretary of State

December 21, 2007

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, 2007. 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, 2007, 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**

   a. Combining schedules show the detailed components of the Defined Benefit Pension Plan.
   b. Other schedules 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 pension 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 items Investment Expense and Securities Lending Expense reported in the Statements of Changes in Fiduciary Net Assets.

FINANCIAL HIGHLIGHTS

- PERS' assets exceed its liabilities at the close of fiscal year 2007, with $66,009.3 million held in trust for pension, Oregon Public Service Retirement Plan Individual Account Program (IAP), other postemployment benefits, other benefits, and deferred compensation benefits.
- Fiduciary net assets increased by $9,454.5 million, or 16.7 percent, during the fiscal year due primarily to continued strong investment returns.
- PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2006, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 110.5 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately $1.10 of net assets available for payment.
- Revenues (additions to fiduciary net assets) for fiscal year 2007 rose 43.2 percent to $12,318.5 million, which includes member and employer contributions of $1,249.3 million and net gains from investment activities totaling $11,066.3 million.
- Expenses (deductions from fiduciary net assets) increased slightly to $2,864.0 million, or 7.7 percent, during fiscal year 2007, from $2,659.8 million during fiscal year 2006.

FIDUCIARY NET ASSETS

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

- The net assets of the defined benefit pension plan increased approximately $8,548.7 million, or 15.7 percent, during the year ended June 30, 2007. Improving financial markets produced positive returns on PERS investments for the fifth year in a row.
- The net assets of the OPSRP IAP increased approximately $705.2 million, or 60.2 percent, during the year ended June 30, 2007, due to increases in member contributions and investment returns.
- The net assets of the deferred compensation plan increased approximately $145.2 million, or 17.5 percent, during the year ended June 30, 2007, primarily due to positive investment returns.
- The net assets of the Retirement Health Insurance Account increased approximately $53.0 million, or 27.1 percent, during the year ended June 30, 2007, due to increases in employer contributions and investment income.
- The net assets of the Retiree Health Insurance Premium Account increased approximately $1.5 million, or 24.2 percent, during the year ended June 30, 2007, due to increases in employer contributions and investment income.
- The net assets of the Standard Retiree Health Insurance Account increased approximately $0.8 million, or 12.8 percent, during the year ended June 30, 2007, 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	
	2007	2006	2007	2006	2007	2006
Cash and Receivables	$ 7,811,057	$ 4,090,961	$ 255,949	$ 132,123	$ 71,666	$ 5,291
Investments at Fair Value	62,513,633	53,487,100	1,816,784	1,106,772	910,860	831,409
Securities Lending Collateral	6,196,820	5,219,470	194,548	114,451	2,158	666
Other	24,153	16,742	955	757	—	—
Total Assets	76,545,663	62,814,273	2,268,236	1,354,103	984,684	837,366
Investment Purchases	7,379,206	3,092,653	193,891	64,482	271	2
Securities Lending Payable	6,196,820	5,219,470	194,548	114,451	2,158	666
Other Payables	77,695	158,953	3,100	3,649	4,854	4,519
Total Liabilities	13,653,721	8,471,076	391,539	182,582	7,283	5,187
Total Net Assets	$ 62,891,942	$ 54,343,197	$ 1,876,697	$ 1,171,521	$ 977,401	$ 832,179

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	
	2007	2006	2007	2006	2007	2006
Cash and Receivables	$ 32,296	$ 18,749	$ 1,218	$ 710	$ 6,876	$ 5,983
Investments at Fair Value	241,998	187,878	7,448	5,984	—	—
Securities Lending Collateral	25,477	19,122	844	623	2,529	781
Other	46	10	1	—	—	—
Total Assets	299,817	225,759	9,511	7,317	9,405	6,764
Investment Purchases	25,602	10,917	788	348	137	
Securities Lending Payable	25,477	19,122	844	623	2,529	781
Other Payables	18	18	12	12	33	37
Total Liabilities	51,097	30,057	1,644	983	2,699	818
Total Net Assets	$ 248,720	$ 195,702	$ 7,867	$ 6,334	$ 6,706	$ 5,946

CHANGES IN FIDUCIARY NET ASSETS

Revenues – Additions to Fiduciary Net Assets

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

- Member contributions to the defined benefit pension plan increased $4.1 million, or 42.3 percent from fiscal year 2006 to fiscal year 2007 due to an increase in service credit purchases and contributions attributable to prior years.
- Member contributions to the IAP increased $22.2 million, or 5.3 percent, due to employee salary increases and an increase in eligible employees during the year.
- Member contributions to the Standard Retiree Healthcare account increased 3.6 percent from $85.7 million in fiscal year 2006 to $88.8 million in fiscal year 2007, due to increases in healthcare costs.
- Member contributions to the deferred compensation plan rose 10.8 percent, from $59.7 million in fiscal year 2006 to $66.2 million in fiscal 2007. Active membership increased slightly from 18,237 to 18,754.
- Employer contributions to the defined benefit pension plan decreased $186.5 million, or 23.8 percent, in fiscal year 2007 due to reductions in contribution rates and fewer unfunded actuarial liability (UAL) lump-sum payments. Employer contributions were $783.9 million in fiscal year 2006 compared to $597.4 million in fiscal year 2007. UAL lump-sum payments were $161.8 million in fiscal 2006 and $10.5 million in fiscal 2007.
- Employer contributions to the Retirement Health Insurance Account increased $3.0 million, or 7.9 percent, compared to fiscal year 2006 due to an increase in the subject salaries on which payments are based.
- Employer contributions to the Retiree Health Insurance Premium Account increased $0.2 million, or 9.6 percent, compared to fiscal year 2006 due to an increase in the subject salaries on which payments are based.
- Net investment and other income in the defined benefit pension plan was $10,589.1 million, a $3,670.0 million, or 53.0 percent, increase over fiscal year 2006 income of $6,919.1 million due to continued strong investment returns.
- Net investment and other income in the IAP was $309.1 million in fiscal 2007, a 121.2 percent increase over fiscal 2007 net investment and other income of $139.7 million. Investment income increased substantially, reflecting the increase in contributions as well as strong investment returns.
- Net investment and other income in the Retirement Health Insurance Account was $39.6 million, a $16.3 million, or 70.0 percent, increase over fiscal 2006 income of $23.3 million. Strong investment returns and an improvement in funded status allowing for increased investment activity were responsible for these significant increases.
- Net investment and other income in the Retiree Health Insurance Premium Account was $1.3 million, a $0.5 million, or 67.2 percent, increase over fiscal 2006 income of $0.8 million. Strong investment returns and an improvement in funded status allowing for increased investment activity were responsible for these significant increases.
- Net investment and other income in the Standard Retiree Health Insurance Account was $0.6 million, a $0.2 million, or 37.0 percent, increase over fiscal 2006 income of $0.4 million.
- Net investment and other income in the deferred compensation plan was $129.5 million, a $58.8 million, or 83.3 percent, increase from fiscal year 2006 income of $70.7 million. Significant increases in contributions and strong investment returns were responsible for these increases.

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 $219.0 million, or 9.0 percent due to an increase in service retirements during the year.
- IAP benefit and other payments increased $22.6 million, or 107.7 percent. Refund of contributions and benefits paid were minimal in the prior fiscal year, which was the third year of the plan.
- Deferred compensation benefit and other payments increased $9.0 million, or 21.8 percent, due to an increase in the number of retirements during the year.
- Retirement Health Insurance Account benefit and other payments increased $0.8 million, or 3.0 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 4.3 percent, from prior-year payments due to decreases in administrative expenses.
- Standard Retiree Health Insurance Account healthcare and other payments increased $3.1 million, or 3.6 percent, from prior-year payments due to increases in premium payments.

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	
	2007	2006	2007	2006	2007	2006
Additions:						
Member Contributions	$ 13,681	$ 9,612	$ 439,720	$ 417,556	$ 66,153	$ 59,724
Employer Contributions	597,372	783,921	—	—	—	—
Net Investment and Other Income (Loss)	10,589,124	6,919,097	309,127	139,736	129,511	70,672
Total Additions	11,200,177	7,712,630	748,847	557,292	195,664	130,396
Deductions:						
Pension Benefits	2,568,492	2,371,629	36,379	14,792	49,835	40,544
Other	82,940	60,755	7,292	6,237	607	884
Total Deductions	2,651,432	2,432,384	43,671	21,029	50,442	41,428
Net Increase (Decrease)	8,548,745	5,280,246	705,176	536,263	145,222	88,968
Net Transfers	—	(25,360)	—	25,360	—	—
Net Change	$ 8,548,745	$ 5,254,886	$ 705,176	$ 561,623	$ 145,222	$ 88,968

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	
	2007	2006	2007	2006	2007	2006
Additions:						
Member Contributions	$ —	$ —	$ —	$ —	$ 88,765	$ 85,662
Employer Contributions	41,172	38,162	2,400	2,190	—	—
Net Investment and Other Income (Loss)	39,609	23,296	1,301	778	568	414
Total Additions	80,781	61,458	3,701	2,968	89,333	86,076
Deductions:						
OPEB Benefits	26,887	26,059	2,047	2,121	86,598	83,475
Other	876	888	120	143	1,974	2,039
Total Deductions	27,763	26,947	2,167	2,264	88,572	85,514
Net Increase (Decrease)	53,018	34,511	1,534	704	761	562
Net Transfers	—	—	—	—	—	—
Net Change	$ 53,018	$ 34,511	$ 1,534	$ 704	$ 761	$ 562

PLAN MEMBERSHIP

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

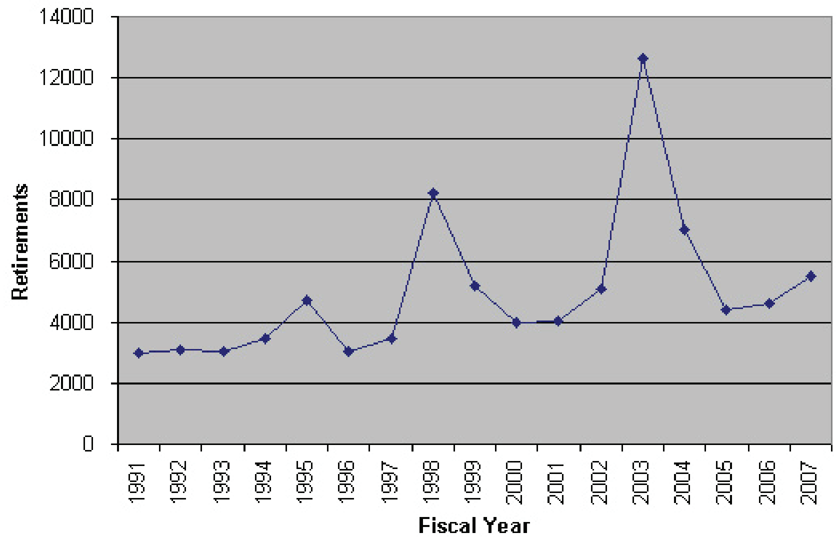
TABLE 5
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2007	2006 [1]	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	96,030	94,429	1.7%
Police and Fire	7,338	7,090	3.5
Total	103,368	101,519	1.8
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	144,482	144,675	(0.2)
Police and Fire	12,043	12,023	0.0
Nonvested:			
General	59,302	29,452	101.4
Police and Fire	3,234	1,554	108.1
Total	217,061	187,704	15.6

[1] Does not include OPSRP members. Information is not available.

Service retirements increased for the second consecutive year. Service retirements in fiscal year 2007 were 5,502 compared to 4,635 in fiscal year 2006, an increase of 18.7 percent. The number of members eligible to retire is increasing, thus accounting for the upward trend.

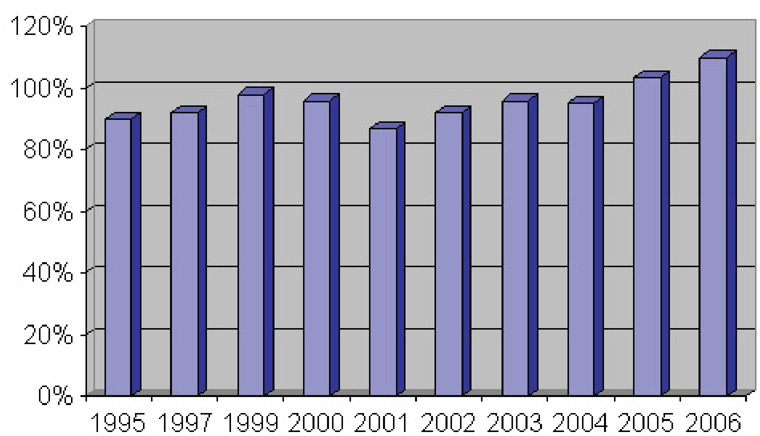
TABLE 6
SERVICE RETIREMENTS
By Fiscal Year



FUNDING STATUS

The System's Unfunded Actuarial Liability (UAL) as of December 31, 2006, was a $5,056.7 million surplus, which was derived using the projected unit credit actuarial cost method. The 2006 UAL surplus increased by $3,303.9 million, or 188.5 percent, from $1,752.8 million in 2005. The effects of several bills passed by the 2003 Oregon Legislature as well as strong investment returns over the last five years have resulted in a significant reduction in the UAL. 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 2007 investment returns for several major asset classes in the portfolio exceeded their respective benchmarks, and the total portfolio value increased by 18.6 percent. Domestic and international equities increased approximately \$3,920.0 million, and alternative equities increased approximately \$2,431.8 million due to improvements in global equity markets. Investments in fixed income securities increased approximately \$2,669.8 million as a result of purchases made in accordance with the Oregon Investment Council's asset allocation policy. Real Estate performance was above the benchmark, increasing approximately \$850.0 million. As in the prior fiscal year, all real estate segments, including direct properties, opportunistic partnerships, and the public REIT portfolio, performed well. One-year returns on asset classes and comparative benchmarks are presented in the table below.

TABLE 8
INVESTMENT RETURN
Periods Ending June 30:

	2007	2006
Total Portfolio	18.6%	14.3%
Total Portfolio, Excluding Variable	17.4	14.4
Domestic Stocks	19.7	10.7
Benchmark: Russell 3000 Index	20.1	9.6
International Stocks	30.0	30.3
Benchmark: Custom Index[1]	30.2	28.4
Fixed Income Segment	7.0	0.9
Benchmark: Custom Index[2]	6.4	-0.2
Real Estate[3]	20.2	31.7
Benchmark: NCREIF	16.6	20.2
Private Equity[4]	25.9	25.1
Benchmark: Russell 3000 + 300 bps	14.4	17.4

1 Morgan Stanley Capital International All Country World Index ex-US Free 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 improved during the fiscal year due to strong investment returns. Table 8 above shows portfolio returns and indexes, which are reflective of the market environment.

Benefit payments increased slightly in fiscal year 2007 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 10.3 percent, effective February 1, 2007. This increase in benefits was due to investment gains experienced by the Variable Annuity Account for the period November 1, 2005, through October 31, 2006.

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 June 30, 2007

	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	$ 3,365,240,742	$ 132,637,431	$ 16,223,737	$ 651,302
Receivables:				
Employer	23,887,764	—	1,427,609	83,314
Plan Member	—	13,579,326	—	—
Interest and Dividends	208,852,830	5,954,329	793,124	24,410
Investment Sales and Other Receivables	4,212,230,472	102,592,489	13,693,318	453,603
Total Receivables	4,444,971,066	122,126,144	15,914,051	561,327
Due from Other Funds	844,903	1,185,714	158,694	4,976
Investments:				
Debt Securities	17,620,415,723	510,950,465	68,059,222	2,094,640
Equity	33,018,615,547	951,784,976	126,778,915	3,901,840
Real Estate	4,562,610,280	135,820,702	18,091,483	556,797
Alternative Equity	7,311,985,102	218,227,371	29,068,151	894,622
Restricted Investment Contracts	6,631	636	—	—
Total Investments	62,513,633,283	1,816,784,150	241,997,771	7,447,899
Securities Lending Cash Collateral	6,196,820,235	194,547,764	25,476,959	844,178
Prepaid Expenses and Deferred Charges	11,851,945	348,232	45,703	1,406
Property and Equipment at Cost, Net of Accumulated Depreciation	12,300,999	606,338	—	—
Total Assets	**76,545,663,173**	**2,268,235,773**	**299,816,915**	**9,511,088**
Liabilities:				
Investment Purchases and Accrued Expenses	7,379,206,302	193,890,653	25,602,456	787,376
Deposits and Other Liabilities	67,144,057	1,904,961	—	—
Due Other Funds	1,349,384	737,204	17,874	12,117
Bonds/COPs Payable	9,102,241	457,743	—	—
Deferred Revenue	98,676	—	—	—
Securities Lending Collateral Due Borrowers	6,196,820,235	194,547,764	25,476,959	844,178
Total Liabilities	**13,653,720,895**	**391,538,325**	**51,097,289**	**1,643,671**
Net Assets Held in Trust for Benefits (Schedules of Funding Progress are presented on page 41.)	**$ 62,891,942,278**	**$ 1,876,697,448**	**$ 248,719,626**	**$ 7,867,417**

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

Employee Benefit Plan Standard Retiree Health Insurance Account	Deferred Compensation Plan	2007	2006
$ 6,666,166	$ 71,314,912	$ 3,592,734,290	$ 2,955,716,225
—	—	25,398,687	28,812,665
209,666	—	13,788,992	14,433,875
—	282,818	215,907,511	157,869,863
—	68,415	4,329,038,297	1,093,874,244
209,666	351,233	4,584,133,487	1,294,990,647
—	—	2,194,287	3,108,766
—	279,463,151	18,480,983,201	15,811,170,989
—	631,397,343	34,732,478,621	30,812,469,829
—	—	4,717,079,262	3,867,079,133
—	—	7,560,175,246	5,128,415,449
—	—	7,267	8,332
—	910,860,494	65,490,723,597	55,619,143,732
2,529,095	2,157,563	6,422,375,794	5,355,112,632
—	—	12,247,286	3,219,120
—	—	12,907,337	14,290,025
9,404,927	**984,684,202**	**80,117,316,078**	**65,245,581,147**
137,098	270,985	7,599,894,870	3,168,401,099
—	—	69,049,018	105,331,654
32,467	45,241	2,194,287	3,108,766
—	—	9,559,984	54,137,368
—	4,809,376	4,908,052	4,611,178
2,529,095	2,157,563	6,422,375,794	5,355,112,632
2,698,660	**7,283,165**	**14,107,982,005**	**8,690,702,697**
$ 6,706,267	**$ 977,401,037**	**$ 66,009,334,073**	**$ 56,554,878,450**

Statements of Changes in Fiduciary Net Assets - Pension and Other Postemployment Plans For the Year Ended June 30, 2007

			Defined Benefit OPEB Plans	
	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Individual Account Program	Retirement Health Insurance Account	Retiree Health Insurance Premium Account
Additions:				
Contributions:				
Employer	$ 597,372,229	$ —	$ 41,171,759	$ 2,399,843
Plan Member	13,680,980	439,720,328	—	—
Total Contributions	611,053,209	439,720,328	41,171,759	2,399,843
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	9,146,516,132	231,452,247	33,923,508	1,057,048
Interest, Dividends, and Other Investment Income	1,719,358,373	85,115,182	6,713,489	214,198
Total Investment Income	10,865,874,505	316,567,429	40,636,997	1,271,246
Less Investment Expense	297,321,774	8,856,862	1,175,931	36,105
Net Investment Income	10,568,552,731	307,710,567	39,461,066	1,235,141
Securities Lending Income:				
Securities Lending Income	311,568,215	7,945,490	1,168,413	36,416
Less Securities Lending Expense	292,024,105	7,442,987	1,094,518	34,112
Net Securities Lending Income	19,544,110	502,503	73,895	2,304
Other Income	1,026,993	913,716	74,263	63,604
Transfers in	—	—	—	—
Total Additions	11,200,177,043	748,847,114	80,780,983	3,700,892
Deductions:				
Benefits	2,568,492,114	36,379,230	—	—
Recovery of Overpaid Benefits	—	—	—	—
Death Benefits	6,096,828	—	—	—
Refunds of Contributions	41,222,535	—	—	—
Administrative Expense	35,620,392	7,291,683	876,363	119,875
Healthcare Premium Subsidies	—	—	26,887,060	2,047,322
Retiree Health Care Expense	—	—	—	—
Transfers out	—	—	—	—
Total Deductions	2,651,431,869	43,670,913	27,763,423	2,167,197
Net Increase (Decrease)	**8,548,745,174**	**705,176,201**	**53,017,560**	**1,533,695**
Net Assets Held in Trust for Benefits				
Beginning of Year	54,343,197,104	1,171,521,247	195,702,066	6,333,722
End of Year	**$ 62,891,942,278**	**$ 1,876,697,448**	**$ 248,719,626**	$ **7,867,417**

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

Employee Benefit Plan: Standard Retiree Health Insurance Account	Deferred Compensation Plan	2007	2006
$ —	$ —	$ 640,943,831	$ 824,273,710
88,765,182	66,152,631	608,319,121	572,554,166
88,765,182	66,152,631	1,249,262,952	1,396,827,876
—	102,264,526	9,515,213,461	5,845,069,889
562,169	28,708,163	1,840,671,574	1,547,758,042
562,169	130,972,689	11,355,885,035	7,392,827,931
—	2,306,632	309,697,304	264,874,351
562,169	128,666,057	11,046,187,731	7,127,953,580
—	—	320,718,534	229,852,680
—	—	300,595,722	210,449,017
—	—	20,122,812	19,403,663
5,606	845,378	2,929,560	6,636,801
—	—	—	50,250,313
89,332,957	195,664,066	12,318,503,055	8,601,072,233
—	49,835,260	2,654,706,604	2,472,267,459
—	—	—	(51,260,798)
—	—	6,096,828	5,957,975
—	—	41,222,535	33,172,837
1,973,750	606,410	46,488,473	37,774,761
—	—	28,934,382	28,179,684
86,598,610	—	86,598,610	83,475,045
—	—	—	50,250,313
88,572,360	50,441,670	2,864,047,432	2,659,817,276
760,597	**145,222,396**	**9,454,455,623**	**5,941,254,957**
5,945,670	832,178,641	56,554,878,450	50,613,623,493
$ 6,706,267	**$ 977,401,037**	**$ 66,009,334,073**	**$ 56,554,878,450**

Notes to the Financial Statements
June 30, 2007

(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:

	6/30/2007
General	96,030
Police and Fire	7,338
Total	103,368

Current employees and terminated employees entitled to benefits but not yet receiving them:

Vested:	
General	142,482
Police and Fire	12,043
Nonvested:	
General	59,302
Police and Fire	3,234
Total	217,061

Participating Employers

	6/30/2007
State Agencies	116
Political Subdivisions	483
Community Colleges	17
School Districts	257
Total	873

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, 2007, there were 66,894 active and 23,880 inactive for a total of 90,774 Tier One members and 63,169 active and 19,577 inactive for a total of 82,746 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, 2007, there were 34,485 active and 9,056 inactive for a total of 43,541 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 20, 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" stock 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 $70^1/_2$ years.

3. Disability Benefits

A member who has accrued 10 years or more 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-, or 20-year period.

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 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 trust. 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 873 participating employers. The plan is closed to new entrants after 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, 2007, all PERS employers contributed 0.59 percent of PERS-covered salaries to fund RHIA benefits based on the December 31, 2003 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 37,100 for the fiscal year ended June 30, 2007. As of December 31, 2006, there were 84,452 active and 11,456 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 is closed to new entrants after 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, 2007, state agencies contributed 0.13 percent of PERS-covered salaries to fund RHIPA benefits, based on the December 31, 2003 actuarial valuation. The number of active plan RHIPA participants was 792 for the fiscal year ended June 30, 2007. As of December 31, 2006, there were 22,590 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, and 43 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
  - Defined Contribution Plan
  - Postemployment Healthcare Plan
    - Retirement Healthcare Insurance Account
    - Retiree Healthcare Insurance Premium Account
    - Employee Benefit Trust - Standard Retiree Health Insurance Account
- Deferred Compensation Fund:
  - Deferred Compensation 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 2007.

	Legislatively Approved Budget	Actual	Unobligated Balance at June 30, 2007
2005-2007 Biennium:			
Personal Services	$ 46,953,971	$ 42,789,618	$ 4,164,353
Services and Supplies	39,041,564	34,483,379	4,558,185
Capital Outlay	1,033,494	3,963,961	(2,930,467)
Special Payments	5,638,107,837	5,232,322,701	405,785,136
Debt Service	5,720,950	5,720,950	-
Total	$ 5,730,857,816	$ 5,319,280,609	$411,577,207

Total Deductions July 1, 2005 - June 30, 2007 Budgetary Basis (non-GAAP)	$ 5,319,280,609
Biennium Adjustments to Deductions	
Add:	
Depreciation Expense	1,463,843
Accrued IAP Third-Party Administration Fee	184,130
Increase in Compensated Absences	127,714
Recovery of Overpaid Benefits (Strunk/Eugene)	51,260,798
Accrued IAP Benefits	3,700,982
Accrued Tier One, Tier Two, and OPSRP Benefits	15,602,917
Deduct:	
FY06 Budgetary Expenditures	2,501,283,837
Capital Outlay	81,155
Principal Payment Portion of Debt Service	2,365,000
Increase in Prepaids	284,795
Decrease in Accrued Expenses	4,760
Retirement Benefits Attributable to Allocated Annuity Contracts	23,554,014
Statement of Changes in Fiduciary Net Assets	$ 2,864,047,432

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. Direct investments in real estate are reported at values provided by investment managers based on periodic appraisals, conducted every two or three years.

Investments in real estate partnerships are reported at values provided by general partners. These values are based on discounted cash flows, comparable sales, capitalization rates applied to net operating income, or cost if none of the preceding fit a property's attributes and strategy.

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, Other Postemployment Benefit Plans, and the OPSRP Pension Program.

1. PERS Defined Benefit Plan and Postemployment Healthcare Plan Contributions

Contribution Rate Summary

	State and Local Government Rate Pool			School Pool[2]	Non-Pooled	
	State Agencies[1]	Community Colleges[2]	Political Subdivisions[2,3]		Political Subdivisions[2,3]	Judiciary
Employee IAP	6.00%	6.00%	6.00%	6.00%	6.00%	0.00%
PERS Defined Benefit Plan						
Employee Normal Cost	0.00%	0.00%	0.00%	0.00%	0.00%	7.00%
Employer Normal Cost	12.30	11.39	—	12.82	—	21.08
Unfunded Actuarial Liability	(3.61)	4.34	—	4.15	—	2.30
Total PERS Defined Benefit	8.69%	15.73%	15.81% [3]	16.97%	14.60%[3]	23.38%
OPSRP Pension Program						
Employer Normal Cost						
General Service	8.04%	8.04%	8.04%	8.04%	8.04%	—%
Police and Fire	11.65	11.65	11.65	11.65	11.65	—

1 Includes UAL payment rate offset.
2 Does not include UAL payment rate offsets.
3 Political subdivisions are valued separately for the Defined Benefit Plan. Group average rates shown are as of the December 31, 2003 actuarial valuation.

Employer contribution rates for state agencies were 8.69 percent, community colleges 15.73 percent, schools 16.97 percent, and judiciary 23.38 percent of PERS-covered salaries, effective July 1, 2005. Political subdivisions are divided between those that joined the State and Local Government Rate Pool and those that have not. Rates for both pooled and non-pooled political subdivisions vary by employer with the average rate being 15.81 percent for pooled political subdivisions and 14.60 percent for non-pooled employers (see table above for average rates).

Employer contribution rates during the period were based on the December 31, 2003 actuarial valuation, which became effective July 1, 2005. The state of Oregon and certain schools, community colleges, and political subdivisions have made UAL payments, and their rates have been reduced.

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, 2003, judiciary, state agencies, and certain political subdivisions had an increase in employer contribution rates. Schools and other political subdivisions also experienced an increase in their employer contribution rates. 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. Due to a significant increase in employer contribution rates, based on the December 31, 2003 valuation, the Board implemented a phase-in of the new rates with one half of the increase effective July 1, 2005, and the second half effective July 1, 2007.

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 January 1, 2004, were 8.04 percent of covered salaries for general service employees and 11.65 percent of covered salaries for police and fire employees. Each of these rates includes a component related to disability benefits for general service and police and fire members.

PERS' former consulting actuary, Milliman Consultants and Actuaries, based on the demographic and economic assumptions used for the PERS Defined Benefit Plan, provided employer rates used during the period. Because this is a new pension program for members joining the System on or after August 29, 2003, membership size and demographic experience was not sufficient to conduct a meaningful valuation until December 31, 2005. That valuation will become the basis for adjusting employer rates effective July 1, 2007.

B. Actuarial Cost Method and Assumptions

The employer contribution rates effective July 1, 2005, through June 30, 2007, were set using the entry age 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 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 (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year) and (2) an actuarially determined amount for funding a disability benefit component. A rate component for an unfunded actuarial accrued liability may be added in the future when the first rate setting valuation for the OPSRP Pension Program is conducted. Beginning with the December 31, 2004 valuation, the Board has adopted the projected unit credit actuarial cost method for calculating all employer contributions, which will affect rates beginning July 1, 2007.

The funded status of 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)
RHIA						
12/31/2006	$221.5	$511.8	$290.4	43.3%	$7,326.8	**4.0**
RHIPA						
12/31/2006	$7.0	$23.4	$16.4	29.9%	$1,946.8	**0.8**

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 actuary 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, 2005 valuation.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions include techniques that are 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:

	RHIA	RHIPA
Valuation date	December 31, 2006	December 31, 2006
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Amortized as a level percentage of payroll PUC implementation UAL (3 year); amortization period is open with remaining UAL (21 year); amortization period being closed	Amortized as a level percentage of payroll PUC implementation UAL (3 year); amortization period is open with remaining UAL (21 year); amortization period being closed
Equivalent single amortization period	30 years	30 years
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Investment rate of return	8.00 percent	8.00 percent
Healthcare cost trend rate	None. Statute stipulates $60 monthly payment for healthcare insurance.	Graded from 9.0 percent in 2007 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 $9,148.6 million as of June 30, 2007, 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 $23,322.7 million as of June 30, 2007, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

c. Benefit Reserve

The Benefit Reserve of $23,091.2 million as of June 30, 2007, 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, to be 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, 2007, the balance of this reserve was $1,635.4 million, and the Board has not adopted a funding policy.

e. Board Actions Affecting Reserves

As part of its December 31, 2006 earnings crediting decision, in consultation with its actuary and attorneys, the Board decided to leave a balance of $295.3 million in the Contingency and Employer Contingency Reserves. The basis for this decision was that the Board determined that reserve level to be adequate for the risks it was anticipated to cover and that there were more effective methods of stabilizing employer contribution rates than reserving against volatility in investment earnings.

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, 2007, the balance of this reserve was $270.3 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, 2007, the reserve had a balance of $25.0 million.

h. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2007, 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, 2007, the balance of this designation was $5,177.9 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 administrative expenses. As of June 30, 2007, the balance of this account was $220.8 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, 2007, the balance of this account was $248.7 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, 2007, the balance of this account was $7.9 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, 2007, the balance of this account was $6.7 million.

D. Administrative Costs

Costs for administering the System are funded from investment earnings and administrative fees collected from members and are allocated to all plans and programs administered by the System.

(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.

B. Equipment and Fixtures

Equipment and fixtures are recorded at cost. These are items which are not consumed in the normal course of operations, have a useful life of more than two years, and whose value is $5,000 or more. Depreciation is computed using the

	Beginning of Year	Increases	Decreases	End of Year
Property and Equipment				
Furniture and Equipment	1,477,562	26,890	(641,090)	863,362
Data Processing Software	7,349,539			7,349,539
Data Processing Hardware	3,184,177	54,265		3,238,442
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	20,391,822	81,155	(641,090)	19,831,887
Accumulated Depreciation				
Furniture and Equipment	(1,050,715)	(145,117)	641,090	(554,742)
Data Processing Software	(1,102,431)	(734,954)		(1,837,385)
Data Processing Hardware	(2,294,389)	(396,759)		(2,691,148)
Building and Building Improvements	(1,654,262)	(187,013)		(1,841,275)
Total Accumulated Depreciation	(6,101,797)	(1,463,843)	641,090	(6,924,550)
Net Property and Equipment	14,290,025	(1,382,688)	—	12,907,337

Depreciation Expense	Amount
Defined Benefit Pension Plan Depreciation	1,382,998
Oregon Public Sevice Retirement Plan Individual Account Program Depreciation	80,845
Total Depreciation Expense	1,463,843

straight-line method over the assets' estimated useful lives. Useful lives range from three to 10 years.

(6) Deposits and Investments

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, and they are carried at cost. The 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.

Cash and cash equivalents in the 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 the OSTF is a pool, PERS' share of the risk is difficult to estimate. As of June 30, 2007, the carrying amount of PERS' deposits in the Oregon Short Term Fund totaled $296.5 million, and the corresponding bank balance was $147.2 million.

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. As of June 30, 2007, there was $3,296.2 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers, of which $3,296.1 million was exposed to custodial credit risk. PERS does not have a custodial credit risk policy for uninsured, uncollateralized deposits.

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. At June 30, 2007, $169.4 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 the right presents the fair value of investments held by the state of Oregon for PERS as of June 30, 2007.

a. Credit Risk Debt Securities

The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in PERS' investment funds.

It is the OIC's policy that no more than 30 percent of the debt securities portfolio 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. As of June 30, 2007, the fair value of below grade investments is $2,520.2 million, or 13.6 percent, of the debt securities portfolio, and

Depository Account	Bank Balance
Insured	$ 100,000
Oregon Short Term Fund	147,238,464
Uninsured and uncollateralized	3,296,146,581
Total deposits	$ 3,443,485,045

Investments at June 30, 2007	Fair Value
U.S. Treasury Obligations	$ 129,076,891
U.S. Federal Agency Mortgage Securities	5,418,671,167
U.S. Federal Agency Debt	127,641,093
U.S. Treasury Obligations – Strips	127,693,267
U.S. Treasury Obligations – TIPS	345,458,271
International Debt Securities	2,073,609,610
Corporate Bonds	3,262,231,124
Municipal Bonds	15,877,815
Collateralized Mortgage Obligations	2,111,434,159
Asset-Backed Securities	733,167,230
Futures and Options	64,760,583
Mutual Funds – Domestic Fixed Income	3,106,099,727
Mutual Funds – International Fixed Income	965,262,264
Total Debt Securities Investments	18,480,983,201
Restricted Investment Contracts	7,267
Total Debt Investments	18,480,990,468
Domestic Equity Securities	11,360,277,191
International Equity Securities	13,101,005,461
Mutual Funds – Domestic Equity	8,421,984,782
Mutual Funds – International Equity	1,849,211,187
Limited Partnerships	5,036,789,526
Venture Capital	11,992
Leveraged Buyouts	2,523,373,728
Real Estate and Real Estate Mortgages	4,717,079,262
Total PERS Investments	**$ 65,490,723,597**

Debt Investments at June 30, 2007	Fair Value
Quality Rating	
AAA	$ 10,222,850,719
AA	2,337,960,962
A	878,705,760
BBB	1,737,235,430
BB	1,061,355,937
B	904,528,782
CCC	104,175,763
CC	3,348,900
C	2,503,772
D	3,431,517
Unrated	440,847,923
Total Credit Risk – Debt Securities	17,696,945,465
U.S. Government and Agency Securities	784,037,736
Restricted Investment Contracts	7,267
Total Debt Investments	**$ 18,480,990,468**

the weighted quality rating average is AA-.

The third table on the right shows the quality ratings for debt investments as of June 30, 2007.

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. The OIC has no formal policy regarding the holding of securities by a custodian or counterparty. At June 30, 2007, all securities were registered in the state of Oregon's name and were held at State Street Bank, except for $1,065.9 million in uninsured domestic equity investments held by a subcustodian, the Northern Trust Company, not held in the state's name. This amount represents 1.6 percent of the fair value of investments at June 30, 2007.

c. Concentrations of Credit Risk

The OIC expects investment managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

- 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, 2007, there were no single issuer debt investments that exceeded the above guidelines. Investments in one issuer, the Federal National Mortgage Association, were $4,717.7 million, or 7.1 percent, of plan net assets at June 30, 2007. No other investments in any one issuer represent 5 percent or more of plan net assets.

There is no limit on single issuer investments for domestic equities, although the amount that may be invested in domestic equities is targeted at 28 to 38 percent of PERS' portfolio. At June 30, 2007, domestic equities were 28.6 percent of total assets. Policy states that the asset class will be diversified across the U.S. stock market. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management. The policy for international equity investing is the same as that of the domestic equity portfolio in that holdings are diversified across stock markets outside of the United States. Passive and active investment strategies are employed, and several active managers invest in different market segments. The target allocation range for international equities is 15 to 25 percent of PERS' portfolio. At June 30, 2007, 21.6 percent of total assets were invested in international equities.

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 debt investment portfolio will maintain an average bond duration level of plus or minus 20 percent of the benchmark duration. As of June 30, 2007, the average duration of PERS' debt investment portfolio was 4.96 years, 5.31 percent higher than the benchmark duration of 4.71 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

Schedule of Interest Rate Risk — Segmented Time Distribution Investment Maturities at June 30, 2007

	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total Fair Value
U.S. Treasury Obligations	$ 2,994,480	$ 383,599,181	$ (420,046,505)	$ 162,529,735	$ 129,076,891
U.S. Federal Agency Mortgage Securities	273,144,303	31,527,719	55,032,878	5,058,966,267	5,418,671,167
U.S. Federal Agency Debt	3,481,469	58,982,547	51,427,040	13,750,037	127,641,093
U.S. Treasury Obligations – Strips	—	68,623,519	—	59,069,748	127,693,267
U.S. Treasury Obligations – TIPS	—	1,408,713	241,563,040	102,486,518	345,458,271
International Debt Securities	376,009,214	493,455,920	628,712,133	575,432,343	2,073,609,610
Corporate Bonds	433,647,250	989,144,484	1,258,181,311	581,258,079	3,262,231,124
Municipal Bonds	4,339,744	—	—	11,538,071	15,877,815
Collateralized Mortgage Obligations	1,007,653,613	56,885,230	147,752,989	899,142,327	2,111,434,159
Asset-Backed Securities	279,175,973	260,226,508	103,582,316	90,182,433	733,167,230
Futures and Options	(685,586,909)	895,234,773	(125,361,040)	(19,526,241)	64,760,583
Mutual Funds – Domestic Fixed Income	57,728,085	1,790,562,016	1,222,475,295	35,334,331	3,106,099,727
Mutual Funds – International Fixed Income	—	11,772,801	771,155,564	182,333,899	965,262,264
Insurance Contracts	—	—	—	—	—
Restricted Investment Contracts	7,267	—	—	—	7,267
Total Debt Investments	**$ 1,752,594,489**	**$ 4,380,686,773**	**$ 4,595,211,659**	**$ 7,752,497,547**	**$ 18,480,990,468**

method is presented in the schedule below. In this schedule Domestic Fixed Income Mutual Funds of $861.3 million and International Fixed Income Mutual Funds of $501.2 million are reported using duration instead of average maturity.

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 debt investment portfolio may be invested in non-dollar denominated securities. As of June 30, 2007, approximately 4.6 percent of the debt investment portfolio was invested in non-dollar denominated securities. Policies for the equity portion of PERS' portfolio are silent regarding this risk, although investment manager contracts provide guidelines that vary from manager to manager.

International Cash and Cash Equivalents and Investments at Fair Value in U.S. Dollars at June 30, 2007

Currency	Cash and Cash Equivalents	Equity	Debt	Total
Argentine peso	$ 125,526	$ —	$ 19,323,829	$ 19,449,355
Australian dollar	(3,803,123)	480,709,452	4,985,808	481,892,137
Brazilian real	1,012,500	138,102,933	68,276,582	207,392,015
Canadian dollar	3,035,593	416,574,545	(130,492,189)	289,117,949
Chilean peso	174,426	5,847,126	—	6,021,552
Chinese renminbi	(18)	—	—	(18)
Colombian peso	21,776,891	2,440,214	1,890,034	26,107,139
Czech koruna	192	523,479	—	523,671
Danish krone	269,980	42,573,482	66,872,762	109,716,224
Egyptian pound	(2,874,978)	19,614,434	16,278,090	33,017,546
Euro	70,322,979	3,830,040,684	185,113,649	4,085,477,312
Hong Kong dollar	3,768,139	406,444,332	—	410,212,471
Hungarian forint	312,829	22,185,985	7,383,605	29,882,419
Indonesian rupiah	107,705	48,834,617	16,046,995	64,989,317
Israeli shekel	166,433	26,790,991	—	26,957,424
Japanese yen	23,289,270	2,272,819,415	458,341,370	2,754,450,055
Jordanian dinar	1	—	—	1
Malaysian ringgit	13,405	30,979,431	—	30,992,836
Mexican peso	974,565	67,010,315	49,325,273	117,310,153
New Russian ruble	(4,716)	—	—	(4,716)
New Taiwan dollar	11,102,286	206,981,138	—	218,083,424
New Turkish lira	1,548,889	144,102,078	738,435	146,389,402
New Zealand dollar	149,304	24,981,982	35,703,103	60,834,389
Norwegian krone	(1,378,626)	94,395,280	—	93,016,654
Pakistan rupee	1,307,949	19,158,589	—	20,466,538
Peruvian nouveau sol	30	733,500	—	733,530
Philippine peso	67,472	12,175,727	—	12,243,199
Polish zloty	1,237,586	8,666,735	—	9,904,321
Pound sterling	21,265,588	2,263,163,426	56,127,087	2,340,556,101
Singapore dollar	536,223	218,479,517	—	219,015,740
South African rand	1,610,605	105,532,889	1,372,990	108,516,484
South Korean won	2,383,317	416,249,331	—	418,632,648
Sri Lankan rupee	—	1,938,114	—	1,938,114
Swedish krona	630,722	251,005,601	—	251,636,323
Swiss franc	9,334,365	598,682,472	—	608,016,837
Thai baht	409,402	39,349,829	—	39,759,231
Uruguayan peso	465,442	—	458,134	923,576
Venezuelan bolivar	12,451	7	—	12,458
Zimbabwe dollar	18,944	611,264	—	630,208
Total Subject to Foreign Currency Risk	169,369,548	12,217,698,914	857,745,557	13,244,814,019
International Securities Denominated in U.S. Dollars	—	2,732,517,734	2,181,126,317	4,913,644,051
Total International Cash and Cash Equivalents and Investments	**$ 169,369,548**	**$ 14,950,216,648**	**$ 3,038,871,874**	**$ 18,158,458,070**

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 does not hold or issue derivative financial instruments for trading purposes.

PERS reports investments in accordance with GASB Technical Bulletin 2003-01. The standard provides disclosure requirements for governmental units holding derivatives that are 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.

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	$ 820,150,704
U.S. Agency Securities	504,845,607
Domestic Equity Securities	2,408,713,459
Domestic Debt Securities	341,103,843
International Equity Securities	2,351,132,645
International Debt Securities	273,125,735
Total	**$ 6,699,071,993**

Collateral	Fair Value
Cash	$ 6,390,501,045
Securities	544,340,378
Total	**$ 6,934,841,423**

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, 2007, is effectively one day. On June 30, 2007, PERF had no credit risk exposure to borrowers because the amounts the PERF owes borrowers exceed the amounts borrowers owe PERF. The fair values of the collateral received and the securities on loan from PERF as of June 30, 2007, including accrued income, were $6,934.8 million and $6,699.1 million, respectively. For the fiscal year ended June 30, 2007, total income from securities lending activity was $320.7 million, and total expenses for the period were $300.6 million for net income of $20.1 million.

Cash balances held by the state treasury are invested in the Oregon Short Term Fund (OSTF), as is the cash of other state agencies. As of June 30, 2007, the fair values of the collateral received and the securities on loan, including accrued income, from the OSTF were $3,890.8 million and $3,816.3 million, respectively. PERF's allocated portions of the collateral received and securities on loan were $54.1 million and $53.1 million, respectively. These amounts are not included in the table above.

(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 which have higher rental rates due to inflation. Fiscal year 2007 operating lease expenses were $108,695.

	Operating Leases
2008	$ 6,618
Thereafter	0
Total Future Minimum Lease Payments	**$ 6,618**

The schedule to the right summarizes the minimum lease payments for operating leases in effect as of June 30, 2007.

(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, 2007, the fair value of investments was $910.9 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.

PERS contracts with CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain the 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 nine 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, 2007, was 18,754.

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, 2007, 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 1992 PERF entered into an agreement to guarantee $50 million in taxable special revenue obligation bonds issued by the Port of Portland on behalf of a start-up aircraft maintenance company (PAMCO) at Portland International Airport. The company ceased operations at the end of October 1993. The Office of the State Treasurer liquidated the PAMCO bonds with investment proceeds on behalf of the PERF in April 2007.

In 1996 PERF purchased the land and began construction on a new 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 on 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 on 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”	$ 5,420,000	4.410	May 1, 2017	March 1, 2002

The table below summarizes all future PERS building COPs payments of principal and interest for each fiscal year during the next five-year period ending June 30, 2012, and the period ending June 30, 2017. The current portion of the PERS building debt is $425,000.

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "B" Principal	Series "B" Interest	Total Expenses
2008	$ 425,000	$ 282,375	$ 707,375
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
2013-2017	3,060,000	498,225	3,558,225
Total	**$ 5,420,000**	**$ 1,682,750**	**$ 7,102,750**

In 2004 COPs, Series A, 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 on 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"	$ 4,090,000	3.200%	May 1, 2009	June 16, 2004

The table below summarizes all future Series A COP payments of principal and interest for each fiscal year until repayment in the fiscal period ending June 30, 2009. The current portion of OPSRP computer system debt is $2,015,000.

OPSRP Computer System Debt Service Requirements to Maturity

Fiscal Year	Series "A" Principal	Series "A" Interest	Total Expenses
2008	$ 2,015,000	$ 133,075	$ 2,148,075
2009	2,075,000	72,625	2,147,625
Total	**$ 4,090,000**	**$ 205,700**	**$ 4,295,700**

The following table summarizes the changes in long-term debt for the year ended June 30, 2007:

Long-Term Debt Activity

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amounts Due Within One Year
PAMCO Principal	$ 42,200,000	$ —	$ 42,200,000	$ —	$ —
PERS Building Principal	5,825,000	—	405,000	5,420,000	425,000
OPSRP Computer System	6,050,000	—	1,960,000	4,090,000	2,015,000
Plus: Premium (Net)	320,575	—	41,386	279,189	41,499
Less: Deferred Gain (Net)	(258,207)	—	(29,002)	(229,205)	(29,081)
Total Bonds/COPs Payable	**$ 54,137,368**	**$ —**	**$ 44,577,384**	**$ 9,559,984**	**$ 2,452,418**

(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. On October 11, 2007, the Oregon Supreme Court issued a decision accepting most aspects of the special master's recommendation, but reducing the award of fees and costs to approximately $2.12 million. Payment was made in November 2007.

B. City Of Eugene v. State Of Oregon, PERB, et al.

The Marion County District Court determined that certain rate orders the Board issued in 1998 and 2000 were erroneous and remanded so that the Board could revise the rate orders. After appealing the decision, the Board and petitioners entered into a settlement agreement. Intervenors, who are PERS members, sought to continue the appeal of part of the trial court's judgment. On August 11, 2005, the Oregon Supreme Court determined that the appeal by the intervenors was moot by virtue of the settlement agreement between the Board and the employers.

On June 30, 2006, upon intervenor-appellants' Petition for Reconsideration, the Supreme Court vacated the part of the trial court's judgment that was on appeal. On August 30, 2006, intervenors filed a petition for attorneys' fees and costs in the circuit court. This case was settled in October 2007. The settlement provided $60,000 in attorneys fees and costs to petitioners.

C. Henderson, et al. v. State Of Oregon, et al.

This case was filed on 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*, on September 20, 1978. The case alleges that revised actuarial equivalency factors adopted by the Board violate this permanent injunction. The district court granted summary judgment to the Board, 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 on 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 on February 1, 2007. On April 18, 2007, the district court granted summary judgment to the Board. Plaintiffs appealed to the Ninth Circuit, and briefing was completed November 12, 2007. Counsel is unable to provide an opinion as to the outcome.

D. Robertson, et al. v. Governor Theodore Kulongoski, et al.

In this case, originally filed in the U.S. District Court for the District of Oregon on July 22, 2003, petitioners challenge three provisions under the Contract Clause of the U.S. Constitution and sued the state of Oregon and the members of the Board in their official capacities. The trial court granted summary judgment to the Board on all claims and the petitioners appealed to the U.S. Court of Appeals for the Ninth Circuit. On October 24, 2006, the court of appeals affirmed the judgment of the district court. On May 14, 2007, the U.S. Supreme Court denied petitioners' petition for certiorari.

E. White, et al. v. PERB

These consolidated cases, before Judge Kantor in Multnomah County Circuit Court, challenge the City of Eugene settlement (see p. 38); the reallocation of 1999 earnings; the adoption of new rate orders for employers; and the allocation of 2003 earnings. Various local PERS employers intervened and also began a separate action in Marion County Circuit Court (Canby, see below). On October 27, 2005, defendants filed motions for judgment on the pleadings and to dismiss. Judge Kantor heard oral argument on these motions December 16, 2005.

On April 4, 2006, while the motions were under submission, petitioners dismissed their claims regarding the 1999 and 2003 earnings allocations without prejudice, based on actions taken by PERB. In addition, the Supreme Court vacated part of the trial court's judgment in City of Eugene (see p. 38), in light of which Judge Kantor requested comments on the effect of the decision on White. On September 27, 2006, the Court denied the motions without an opinion and directed the parties to agree on a discovery schedule. Discovery is ongoing. Counsel is unable to provide an opinion as to the outcome.

F. Arken v. PERB, and Robinson v. PERB

These cases are before Judge Kantor in Multnomah County Circuit Court. In Arken, filed on January 30, 2006, petitioners challenge the Board's withholding of certain retirees' COLAs for 2003 through 2006 and the Board's pursuit of overpayments based on the 1999 earnings crediting decision at issue in City of Eugene (see p. 38). In Robinson, filed on May l, 2006, petitioners challenged the Board's pursuit of overpayments on different grounds. The parties filed cross-motions for summary judgment. On June 20, 2007, Judge Kantor ruled in favor of the petitioners in both Arken and Robinson on the grounds argued by the Robinson petitioners. On August 16, 2007, Judge Kantor heard oral arguments on several motions in Robinson and Arken, including petitioners' motion for reconsideration in Arken. Judge Kantor indicated he would issue another order clarifying his decision and ruling on the motions. Counsel is unable to provide an opinion as to the outcome.

G. 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. Counsel is unable to provide an opinion as to the outcome.

H. Canby Utility Board, et al. v. State Of Oregon, PERB

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

I. 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; Canby Utility Board v. State of Oregon

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

J. Best, et al. v. PERB, et al.

This case was filed solely for purposes of enforcement. All issues in Best are the same as the Strunk and Robertson cases. On October 5, 2005, plaintiffs' counsel presented a stipulated order to the court abating the case for two years pending the Ninth Circuit Court of Appeals ruling in Robertson (see p. 38). Defendants' counsel requested that plaintiffs dismiss the case in light of the Supreme Court's denial of certiorari in Robertson. Plaintiffs' counsel filed a motion to extend abatement for another two years, until the Arken and Robinson cases are resolved. On October 26, 2007, the Court denied plaintiffs' motion, indicating that the case should be dismissed.

K. Dahlin, et al. v. PERB

The issues in this case were the same as those in the Strunk case. Dahlin was abated pending the Oregon Supreme Court's judgment in *Dahlin v. Public Employees Retirement Board, et al.*, a sister case to Strunk. On October 8, 2007, plaintiffs' counsel filed a notice of dismissal.

L. Howser, et al. v. PERS

This case was filed as a putative class action by two PERS duty disability beneficiaries, suing on behalf of themselves and others similarly situated. The plaintiffs alleged they were overcharged for state and/or federal taxes as a result of PERS miscategorizing their benefits on the annual 1099R tax forms which PERS supplied to them. Plaintiffs' position was that all or part of the benefits were not includable as income under state and federal law, and were therefore not taxable, and that due to PERS' delay, plaintiffs could no longer seek refunds for their overpayment of taxes.

Plaintiffs sought from PERS and the Board unspecified money damages, as well as compensation for damages caused by PERS' supposedly negligent actions in causing plaintiffs to overpay taxes. Prejudgment and postjudgment interest were also demanded.

The parties are pursuing settlement of the case. The parties entered into a settlement agreement on October 4, 2006, that would (a) certify a class; and (b) establish a procedure whereby any class members could make claims for overpaid taxes.

That settlement agreement was preliminarily approved by the court subject to a fairness hearing. On November 17, 2006, the court held such a hearing and heard the objections of some class members. The court overruled those objections and granted final approval. Since then, however, due to real and perceived deficiencies in the PERS database used to notify class members of the settlement, the court ordered additional class notices to be sent, delaying the settlement process. Another fairness hearing was held November 2007, at which the court reaffirmed its approval of the parties' settlement agreement. PERS will begin processing claims by class members as they are presented. It is projected that approximately 110 class members will present claims.

The total possible exposure cannot accurately be determined with certainty at this time, because class members have not presented their claims to PERS. Analysis by Oregon Department of Revenue, based on PERS data, suggests maximum exposure to be between $1.5 million and $2.0 million. Based on a sampling of data regarding selected class members, the total payout, beginning in early 2008, will be between $750,000 and $1 million. Payments to claimants are expected to be paid by the Department of Administrative Services' Risk Management Division (RMD), and PERS will be affected primarily through RMD's future assessments to PERS.

(11) Other Matters

Kantor Decision

Based on 2005 Oregon Supreme Court decisions in the Strunk and City of Eugene cases and on the settlement agreement in the Eugene case, PERS reallocated 1999 earnings to Tier One member regular accounts at 11.33 percent instead of 20 percent. *Arken v. PERB*, filed on January 30, 2006, and *Robinson v. PERB*, filed on May 1, 2006, challenged the Board's recovery of overpayments made based on the 20 percent crediting rate. On June 20, 2007, Multnomah County Circuit Judge Henry Kantor issued an opinion and order finding that PERS could not seek recovery from benefit recipients for these overpayments.

Judge Kantor held a status conference for all parties in the Arken/Robinson cases on August 16, 2007, to clarify the scope of his June 20, 2007 ruling on calculating benefits based on 11.33 percent versus 20 percent earnings in 1999. The Judge recognized that correcting benefits to be based on 11.33 percent crediting was not covered by his June order.

Judge Kantor indicated that 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 payment 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.

(12) Change in Accounting Principle

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans with an implementation for periods beginning after December 15, 2005. PERS adopted the new pronouncement for the fiscal year ended June 30, 2007. The adoption of GASB Statement No 43. required PERS to present within the financial statements separate columns for each postemployment healthcare plan and expand note disclosures related to the health care plans. No balances were restated.

Required Supplementary Information
Schedules of Funding Progress
(dollar amounts in millions)[1]

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[2]						
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[3]	89.8
12/31/2001[4]	39,772.7	37,258.3	(2,514.4)	106.7	6,254.0	(40.2)
12/31/2002[4]	35,446.9	38,947.0	3,500.1	91.0	6,383.5	54.8
12/31/2003[4]	42,753.3	44,078.1	1,324.8	97.0	6,248.5	21.2
12/31/2004[5,6]	45,581.1	47,398.6	1,817.5	96.2	6,772.4[7]	26.8
12/31/2005[6]	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)
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[3]	7.3
12/31/2001[4]	76.6	533.2	456.6	14.4	6,254.0	7.3
12/31/2002[4]	87.4	542.3	454.9	16.1	6,383.5	7.1
12/31/2003[4]	117.1	522.5	405.4	22.4	6,248.5	6.5
12/31/2004[6]	148.0	556.9	408.9	26.6	6,772.4[7]	6.0
12/31/2005	181.0	495.9	314.9	36.5	6,791.9	4.6
12/31/2006	221.5	511.8	290.4	43.3	7,326.8	4.0
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[3]	1.4
12/31/2001[4]	2.9	29.6	26.7	9.8	1,954.1	1.4
12/31/2002[4]	2.9	30.1	27.2	9.6	1,741.9	1.6
12/31/2003[4]	4.0	25.0	21.0	16.0	1,711.9	1.2
12/31/2004[6]	5.2	28.2	23.0	18.4	1,851.4[7]	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	29.9	1,946.8	0.8

Notes:

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

2 Includes UAAL for Multnomah Fire District ($239 million as of December 31, 2006).

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

4 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.

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

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

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

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

Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
Defined Benefit Pension Plan		
12/31/2006	$ 938.6	55.8%[1,2]
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
12/31/1997	440.0	100.0
Postemployment Healthcare Plan - Retirement Health Insurance Account[4]		
12/31/2006	$ 39.6	99.7%
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
12/31/1997	30.7	100.0
Postemployment Healthcare Plan - Retiree Health Insurance Premium Account[5]		
12/31/2006	$ 2.3	98.3%
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
12/31/1997	2.3	100.0

1 The Annual Required Contribution is based on the July 1, 2005 rates developed in the December 31, 2003 Milliman valuation prior to the phase-in the rate increase and adjusted for supplemental payments since December 31, 2003. For most employers, the actual amount contribued in 2006 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, 2006
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 three-year rolling period. The remainder of the UAL for Tier One/Tier Two benefits is amortized over a closed period ending December 31, 2027, and the UAL for OPSRP benefits is amortized over a closed 16-year period.
Equivalent Single Amortization Period	
Pension	8 years
RHIA	30 years
RHIPA	30 years
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 9.0 percent in 2007 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 June 30, 2007

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2007	Totals 2006
Assets:					
Cash and Cash Equivalents	$ 3,236,002,627	$ 21,807,046	$ 107,431,069	$ 3,365,240,742	$ 2,835,632,115
Receivables:					
Employer	20,227,588	3,660,176	—	23,887,764	27,198,879
Plan Members	—	—	—	—	—
Interest and Dividends	198,838,902	668,461	9,345,467	208,852,830	154,088,089
Investment Sales and Other Receivables	3,477,855,143	11,547,419	722,827,910	4,212,230,472	1,070,932,982
Total Receivables	3,696,921,633	15,876,056	732,173,377	4,444,971,066	1,252,219,950
Interaccount Receivables and Payables	16,823,465	(614,078)	(16,209,387)	—	—
Due from Other Funds	844,903		—	844,903	3,108,691
Investments:					
Debt Securities	17,062,682,326	57,361,698	500,371,699	17,620,415,723	15,158,205,206
Equity	31,783,912,109	106,851,849	1,127,851,589	33,018,615,547	29,551,830,797
Real Estate	4,535,597,194	15,247,870	11,765,216	4,562,610,280	3,773,363,899
Alternative Equities	7,287,485,873	24,499,229	—	7,311,985,102	5,003,693,043
Restricted Investment Contracts	1,543	5,088	—	6,631	7,526
Total Investments	60,669,679,045	203,965,734	1,639,988,504	62,513,633,283	53,487,100,471
Securities Lending Cash Collateral	6,084,113,212	24,021,834	88,685,189	6,196,820,235	5,219,469,763
Prepaid Expenses and Deferred Charges	11,774,035	77,910	—	11,851,945	3,138,747
Property and Equipment at Cost, Net of Accumulated Depreciation	7,395,182	4,905,817	—	12,300,999	13,602,843
Total Assets	**73,723,554,102**	**270,040,319**	**2,552,068,752**	**76,545,663,173**	**62,814,272,580**
Liabilities:					
Investment Purchases and Accrued Expenses	6,626,266,934	21,545,200	731,394,168	7,379,206,302	3,092,652,849
Deposits and Other Liabilities	66,122,424	—	1,021,633	67,144,057	105,331,654
Due Other Funds	1,349,384	—	—	1,349,384	75
Bonds/COPs Payable	5,440,296	3,661,945	—	9,102,241	53,460,053
Deferred Revenues	98,676	—	—	98,676	161,082
Securities Lending Cash Collateral Due Borrowers	6,084,113,212	24,021,834	88,685,189	6,196,820,235	5,219,469,763
Total Liabilities	**12,783,390,926**	**49,228,979**	**821,100,990**	**13,653,720,895**	**8,471,075,476**
Net Assets Held in Trust for Pension Benefits	**60,940,163,176**	**220,811,340**	**1,730,967,762**	**62,891,942,278**	**54,343,197,104**

Schedule of Changes in Plan Net Assets - Defined Benefit Pension Plan For the Year Ended June 30, 2007

	Regular Account	Oregon Public Service Retirement Plan Pension Program	Variable Account	Totals 2007	Totals 2006
Additions:					
Contributions:					
Employer	$ 496,211,162	$ 101,161,067	$ —	$ 597,372,229	$ 783,921,381
Plan Member	12,962,688	—	718,292	13,680,980	9,611,666
Total Contributions	509,173,850	101,161,067	718,292	611,053,209	793,533,047
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	8,868,417,929	22,379,566	255,718,637	9,146,516,132	5,669,466,796
Interest, Dividends, and Other Investment Income	1,676,299,363	11,931,315	31,127,695	1,719,358,373	1,486,731,185
Total Investment Income	10,544,717,292	34,310,881	286,846,332	10,865,874,505	7,156,197,981
Less Investment Expense	293,089,563	988,894	3,243,317	297,321,774	257,201,406
Net Investment Income	10,251,627,729	33,321,987	283,603,015	10,568,552,731	6,898,996,575
Securities Lending Income:					
Securities Lending Income	307,675,492	765,187	3,127,536	311,568,215	225,330,546
Less Securities Lending Expense	288,313,198	716,794	2,994,113	292,024,105	206,311,314
Net Securities Lending Income	19,362,294	48,393	133,423	19,544,110	19,019,232
Other Income	937,503	89,490	—	1,026,993	1,081,603
Transfers in					24,889,790
Total Additions	10,781,101,376	134,620,937	284,454,730	11,200,177,043	7,737,520,247
Deductions:					
Benefits	2,516,912,088	133,750	51,446,276	2,568,492,114	2,416,931,393
Recovery of Overpaid Benefits					(51,260,798)
Death Benefits	6,096,828	—	—	6,096,828	5,957,975
Refunds of Contributions	40,504,853	—	717,682	41,222,535	33,172,837
Administrative Expense	28,115,512	6,318,314	1,186,566	35,620,392	27,582,755
Interaccount Transfers	(113,863,345)	—	113,863,345	—	
Transfers out					25,360,523
Total Deductions	2,477,765,936	6,452,064	167,213,869	2,651,431,869	2,457,744,685
Net Increase (Decrease)	**8,303,335,440**	**128,168,873**	**117,240,861**	**8,548,745,174**	**5,279,775,562**
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	52,636,827,736	92,642,467	1,613,726,901	54,343,197,104	49,063,421,542
End of Year	**60,940,163,176**	**220,811,340**	**1,730,967,762**	**62,891,942,278**	**54,343,197,104**

Schedule of Administrative Expenses
For the Years Ended
June 30, 2007 and 2006

	2007	2006
Personal Services:		
Staff Salaries	$ 14,756,703	$ 13,494,366
Social Security	1,126,858	1,018,971
Retirement	2,725,825	2,622,571
Insurance	3,710,126	3,283,794
Assessments	103,756	115,988
Total Personal Services	22,423,268	20,535,690
Professional Services:		
Actuarial	495,321	323,143
Data Processing	2,372,229	1,573,220
Audit	326,932	181,548
Legal Counsel	1,094,546	737,539
Medical Consultants	85,687	89,076
Training and Recruitment	274,701	239,703
Contract Services	11,272,065	6,496,085
Healthcare Fees	2,462,183	2,339,001
Total Professional Services	18,383,664	11,979,315
Communications:		
Printing	94,952	83,692
Telephone	228,442	245,387
Postage	525,924	500,814
Travel	63,808	84,347
Total Communications	913,126	914,240
Rentals:		
Office Space	404,616	408,233
Equipment	108,356	227,560
Total Rentals	512,972	635,793
Miscellaneous:		
Central Government Charges	584,073	627,550
Supplies	516,601	304,839
Maintenance	954,958	668,336
Non-Capitalized Equipment	236,085	94,391
Depreciation	1,463,843	1,446,719
COP Amortization	499,883	567,888
Total Miscellaneous	4,255,443	3,709,723
Total Administrative Expenses	**$ 46,488,473**	**$ 37,774,761**

Schedule of Payments to Consultants and Contractors
For the Years Ended
June 30, 2007 and 2006

	Commission / Fees		
Individual or Firm	**2007**	**2006**	**Nature of Service**
Orrick, Herrington & Sutcliffe LLP	$ 581,698	$ 33,974	Legal
Ice Miller®	48,098	44,029	Legal
Bullivant Houser Bailey PC	33,362	3,934	Legal
Oregon Department of Justice	375,141	363,098	Legal
Saber Solutions, Inc.	5,855,758	1,828,313	Technology
Provaliant, Inc.	1,257,360	854,360	Technology
Rapidigm, Inc.	25,000	239,928	Technology
Dye Management Group, Inc.	-	318,872	Technology
Hepieric, Inc.	7,200	132,656	Technology
Meridian Technology Group	-	40,880	Technology
Mercer Human Resource Consulting LLC	581,659	364,254	Actuarial
Oregon Audits Division	320,141	166,735	Audit
Benefits Partners	75,226	68,301	Health Insurance
Lawrence Duckler, MD	10,418	20,775	Medical
CitiStreet	1,958,939	1,985,826	IAP Administration

Summary of Investment Fees, Commissions, and Expenses
For the Years Ended June 30, 2007 and 2006

	2007	2006
International Equity Fund Managers		
Acadian Asset Management, Inc.	$ 3,602,049	$ 3,224,320
AllianceBernstein International	6,044,546	3,753,786
AQR Capital Management	1,733,368	—
Arrowstreet Capital, LP	4,492,826	3,175,214
Barclays Global Investors	5,328,611	5,432,848
Brandes Investment Partners LLC	4,179,710	3,381,342
Fidelity Management Trust Co.	3,015,936	2,752,229
Genesis Investment Management, Ltd.	2,925,351	2,824,530
Marvin & Palmer Associates, Inc.	1,771,976	2,755,146
Pictet Asset Management Limited	2,974,833	—
TT International Co., Ltd.	3,010,790	2,606,698
Walter Scott & Partners Limited	2,727,782	3,199,527
Other International Equity Fund Managers	767,753	2,430,688
Domestic Equity Fund Managers		
AllianceBernstein Domestic Equity	1,666,612	2,614,993
Alliance Capital Management	1,338,906	2,147,576
AQR Capital Management	2,123,757	—
Ark Asset Management	2,665,043	2,438,304
Aronson+Johnson+Ortiz	2,055,303	1,940,240
Barclays Global Investors	9,749,649	5,210,909
The Boston Company Asset Management, LLC	2,393,564	—
Franklin Asset Management	2,182,536	2,037,239
Froley Revy Equity	848,549	1,413,011
Goldman Sachs	3,221,277	9,409,662
Mazama Capital Management	1,984,525	1,845,421
MFS Institutional Advisors, Inc.	2,888,871	2,150,456
Nicholas Applegate Capital Management	2,837,642	2,327,897
Northern Trust Company	938,787	1,133,872
PIMCO	2,458,239	1,767,035
Wanger Asset Management, LP	4,448,391	3,837,935
Wellington Management Company, LLP	2,678,249	3,148,206
Wells Capital Management	2,298,147	2,146,494
Winslow Capital Management, Inc.	324,918	1,426,616
Other Domestic Equity Fund Managers	38,242	2,041,410
Debt Securities Managers		
Alliance Capital Management	3,018,092	2,712,204
BlackRock Asset Management	2,874,281	2,723,848
Fidelity Management Trust Co.	3,594,294	3,291,613
Wellington Management Company, LLP	2,167,513	2,022,624
Western Asset Management Company	2,120,301	1,932,478
Other Fixed Income Managers	52,759	124,685
Leveraged Buyout Manager		
Kohlberg Kravis Roberts & Co.	12,728,969	4,210,536
Custodian		
State Street Bank	211,235	351,297
Alternative Equity Managers		
Affinity Equity Partners	1,114,760	—
Aquiline Capital Partners	6,220,368	—
Aurora Equity Partners	1,183,515	—
Bear Stearns Merchant Banking	2,163,135	—
Black Diamond Capital Management	2,601,638	1,497,731
CCMP Asia Opportunity	1,313,313	1,002,740
CVC Capital Partners	2,652,756	2,607,827
Centerbridge Partners	3,370,330	—
Coller Capital	1,801,301	—
Court Square Capital Partners	1,255,540	—
Elevation Partners	1,323,798	1,169,328
Endeavor Capital Partners	2,185,368	—
Fisher Lynch Capital	2,249,000	—
Grove Street Advisors, LLC	4,093,750	4,250,000
Palamon European Equity	2,303,522	2,436,826
Pathway Private Equity	3,073,370	1,875,000
Providence Equity Partners	1,681,405	—
Rhone Group	1,319,965	—
Solera Partners	1,734,171	1,093,008
TPG Partners	7,895,051	112,050
Terra Firma Investments	3,057,340	—
Vestar Capital	1,054,201	1,430,306
Other Alternative Equity Fund Managers	15,640,932	21,153,295
Real Estate Fees and Expenses	28,561,471	68,090,069
Real Estate Bond Expenses	23,991,345	4,161,679
State Treasury Fees	4,049,659	4,094,436
Securities Lending Fees	300,595,722	210,449,018
Brokerage Commissions	40,569,263	34,133,582
Other Investment Fees and Expenses	20,752,457	11,769,838
Deferred Compensation Investment Fees and Expenses	2,306,632	2,053,746
Total Investment Fees, Commissions, and Expenses	**$ 610,293,026**	**$ 475,323,368**

Office of the Secretary of State

Bill Bradbury
Secretary of State

Jean Straight
Deputy Secretary of State

Audits Division

Charles A. Hibner, CPA
Director

255 Capitol Street NE, Suite 500
Salem, OR 97310

(503) 986-2255
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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

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 financial statements of the Oregon Public Employees Retirement System (system) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. Deficiencies that we consider to be significant deficiencies in internal control over financial reporting will be described in a separate letter to management.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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

Bill Bradbury
Secretary of State

December 21, 2007

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Investment Section

Investment Officer's Report

OREGON INVESTMENT COUNCIL

350 WINTER STREET, SUITE 100
SALEM, OR 97301-3896

September 30, 2007

Dear PERS Members:

The Oregon Public Employee Retirement Fund (OPERF) completed another outstanding year, returning 18.6 percent for the year ended June 2007. More importantly, over the past three- and five-year periods, respectively, OPERF has returned an average annual return of 15.6 percent and 13.4 percent. When compared against other large public pension funds, this performance stacks up quite favorably and easily exceeds the return assumed by the actuary of eight percent annually.

The Federal Reserve Board appears to have completed its recent cycle of rate increases, and global equity markets responded with continued productivity and profit growth. Against this backdrop, both domestic and international equities performed quite favorably with the Russell 3000 Index returning 20.1 percent for the year and international equities, as represented by the MSCI ACWI Ex-US Index, delivering just over 30 percent. Additionally, OPERF benefited from its emerging market exposure, a market that was up over 45 percent for the year. With five solid years of equity performance, we have prudently tempered our expectations for the next five years.

OPERF continues to benefit from its exposure to more illiquid investments in private equity and real estate as well. These asset classes returned 25.9 percent and 20.2 percent, respectively, to OPERF over the past fiscal year. The Oregon Investment Council (OIC) has an established policy of targeting 12 percent of the overall fund to private equity and eight percent to real estate. An asset/liability study presented to the OIC in August 2007 resulted in changing these strategic allocations to 16 percent and 11 percent respectively.

OPERF's regular account performance of 18.6 percent exceeded the OIC's target policy benchmark by nearly 1.3 percent and the eight percent actuarial discount rate by 10.6 percent. The benchmark relative out-performance was led by real estate, private equity, and fixed income. While domestic equity and international equity slightly lagged their benchmarks over the past year, longer term performance has been stellar, and the absolute returns of 19.7 percent and 30.0 percent, respectively, are nonetheless exceptional.

Recognizing the continued globalization of the world's markets, the OIC adopted an eight percent allocation to equity managers who will be allowed to pursue stocks without consideration for country borders. We fully expect the current divide between "US" and "non-US" equity allocations to continue to decline in the years ahead.

In closing, the Investment Division of the Office of the State Treasurer, along with the OIC and PERS were honored this past year by *PLANSPONSOR* magazine as the Public Plan Sponsor of the Year. OPERF was chosen for implementing highly successful pension reforms and for outstanding investment performance; among the comments made regarding the investment portfolio were the following: "The Oregon Investment Council (OIC), which oversees OPERS' fund investments, has a long history of exploring fruitful new investment areas for public funds, demonstrating an open mind to new ideas, a disciplined approach, and a commitment to monitoring results. Throughout, the teams at OPERS and OIC have demonstrated the innovative approach and commitment to excellence in process and result that have earned them recognition as Plan Sponsor of the Year." Nevin E. Adams, Editor-in-Chief of *PLANSPONSOR* magazine concluded by stating that "America's workforce faces some daunting challenges in the years to come. It is a pleasure to be able to acknowledge the efforts of plan sponsors such as Oregon Public Employees Retirement System in helping them prepare for a financially secure retirement."

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

Ronald D. Schmitz

Ronald D. Schmitz

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 Senate confirmation. The state treasurer serves as the remaining voting member of the council. In addition, the director of the Public Employees Retirement System serves as a non-voting member of the OIC.

ORS 293.701 defines the investment funds over which the OIC has responsibility. Included are the Public Employees Retirement Fund (PERF) and the Deferred Compensation Fund. The 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. The OIC is also responsible for providing an examination of the effectiveness of the investment program.

The 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, the 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, the OIC must act with prudence when selecting agents and delegating authority.

The OIC has approved the following asset classes for the PERF: Oregon Short-Term Fund, Fixed Income, Real Estate, Equities, Alternative Equities, and Venture Capital Partnerships. The OIC must approve, in advance, the purchase of investments in a new asset class not described above. Individual investments that will require more than 10.0 percent of the funds allocated to a single asset class require the OIC's advance and explicit approval.

The 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.

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

The 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.

The 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.

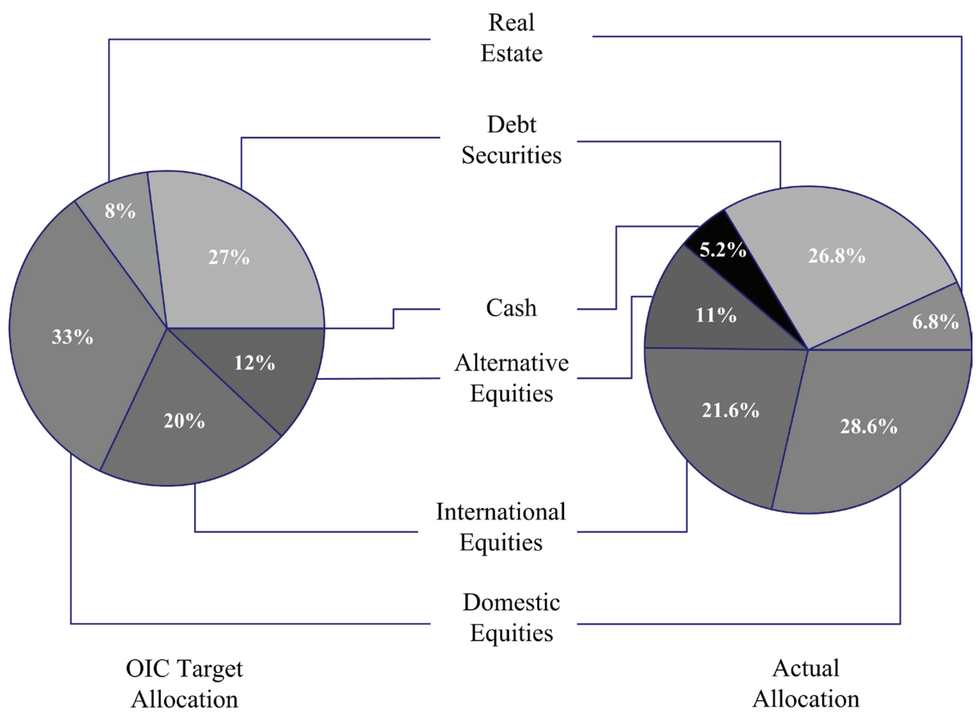
Investment Results

	Periods Ending June 30, 2007		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio	18.6%	15.6%	13.4%
Total Portfolio, Excluding Variable	17.4	13.4	11.9
Domestic Stocks	19.7	12.7	12.1
Benchmark: Russell 3000 Index	20.1	12.4	11.5
International Stocks	30.0	25.6	20.3
Benchmark: Custom Index[1]	30.2	25.0	19.9
Fixed Income Segment	7.0	5.5	6.6
Benchmark: Custom Index[2]	6.4	4.5	5.1
Real Estate[3]	20.2	27.7	21.7
Benchmark: NCREIF Index	16.6	17.4	13.7
Private Equity[4]	25.9	29.8	18.5
Benchmark: Russell 3000 +300 bps	14.4	14.5	11.9

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 Free 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 30,2007



	Low Range	High Range	OIC Target Allocation
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	22.0	32.0	27.0
Real Estate	5.0	11.0	8.0
Domestic Equity	28.0	38.0	33.0
International Equity	15.0	25.0	20.0
Alternative Equity	9.0	15.0	12.0
	79.0 %	124.0 %	100.0 %

	Actual Allocation
Cash	5.2 %
Debt Securities	26.8
Real Estate	6.8
Domestic Equity	28.6
International Equity	21.6
Alternative Equity	11.0
	100.0 %

List of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2007

Shares	Description	Fair Value
2,728,613	Exxon Mobil Corp.	$ 228,876,058
4,544,506	JPMorgan Chase & Co.	220,181,800
3,410,996	CitiGroup, Inc.	174,949,985
3,990,621	General Electric Co.	152,760,972
2,006,606	Altria Group, Inc.	140,743,345
366,440	Nestlé SA	139,328,525
4,871,534	Cicso Systems, Inc.	135,672,222
4,133,778	Microsoft Corporation	121,822,438
1,884,320	Proctor & Gamble Co.	115,301,541
219,864	Google, Inc.	115,072,420
	Total	**$ 1,544,709,306**

Largest Bond Holdings (by Fair Value)
June 30, 2007

Par Value	Description	Fair Value
$ 953,650,000	Federal National Mortgage Association TBA 6.0% Due 7-01-2037 Rating AAA	$ 943,144,973
585,650,000	Federal National Mortgage Association TBA 5.5% Due 7-01-2037 Rating AAA	564,557,464
536,800,000	Federal National Mortgage Association TBA 5.0% Due 7-01-2037 Rating AAA	502,662,848
300,400,000	Federal National Mortgage Association TBA 5.5% Due 8-01-2037 Rating AAA	289,451,832
214,770,000	Federal National Mortgage Association TBA 5.0 % Due 8-01-2037 Rating AAA	201,078,413
156,550,000	Federal National Mortgage Association TBA 6.5 % Due 7-01-2037 Rating AAA	158,005,430
145,951,000	U.S. Treasury Notes 4.75 % Due 5-31-2012	144,818,419
142,345,000	U.S. Treasury Notes 4.625% Due 10-31-2011	140,685,257
114,886,124	U.S. Treasury Inflation Indexed Notes 2.0 % Due 1-15-2014	110,433,138
106,674,751	U.S. Treasury Inflation Indexed Notes 2.375% Due 1-15-2017	104,196,776
	Total	**$ 3,159,034,550**

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, 2007

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Debt Securities Managers	$ 18,480,990,468	$ 13,827,240	0.074819
Equity Managers	34,732,478,621	91,716,739	0.264066
Venture Capital Managers	11,992	—	0.000000
KKR Leveraged Buyouts	2,523,373,728	12,728,969	0.504442
Alternative Equity Managers (Limited Partnerships)	5,036,789,526	71,288,529	1.415357
Real Estate Managers	4,717,079,262	28,561,471	0.605491
Total Assets Under Management	**$ 65,490,723,597**		
Other Investment Service Fees:			
Securities Lending Fees		300,595,722	
Investment Consultants		2,213,844	
Commissions and Other Fees		89,360,512	
Total Investment Service and Managers' Fees		**$ 610,293,026**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2007

Broker's Name	Commission	Shares / Par	Commission per Share
Goldman, Sachs & Co.	$ 4,307,586	$ 287,908,388	0.01496
Merrill Lynch, Pierce, Fenner & Smith, Inc.	3,740,473	352,988,452	0.01060
Credit Suisse First Boston Corporation	3,094,227	648,259,399	0.00477
Bear, Stearns & Co., Inc.	2,756,791	76,760,714	0.03591
Lehman Brothers, Inc.	2,354,609	177,749,333	0.01325
UBS Securities Inc.	1,962,795	152,537,706	0.01287
Citigroup Global Markets Inc.	1,776,696	197,147,866	0.00901
J.P. Morgan Securities, Inc.	1,549,349	154,385,394	0.01004
Morgan Stanley & Co., Incorporated	1,516,334	153,624,203	0.00987
Investment Technology Group, Inc.	1,490,544	106,560,945	0.01399
Deutsche Bank	1,438,138	226,444,543	0.00635
Citation Group	821,092	22,164,754	0.03704
Weeden & Co.	746,979	35,721,335	0.02091
Société Générale	702,806	43,393,282	0.01620
Frank Russell Company	569,517	16,375,161	0.03478
Nomura Securities International, Inc.	509,244	78,668,138	0.00647
Credit Lyonnais Securities	501,323	221,964,849	0.00226
Instinet Corporation	492,862	39,116,185	0.01260
Liquidnet, Inc.	485,649	19,652,498	0.02471
MacQuirie Securities	467,834	42,936,424	0.01090

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, 2007	Percent of Total Fair Value
Debt Securities		
U.S. Government Securities	$ 602,228,429	0.92%
U.S. Agency Securities	5,546,312,260	8.47
Domestic Debt Securities	3,278,108,939	5.01
Domestic Mutual Funds	3,106,099,727	4.74
International Debt Securities	2,073,609,610	3.17
Global Mutual Funds	965,262,264	1.47
Asset-Backed Securities and Insurance Contracts	2,909,361,972	4.44
Total Debt Securities	**18,480,983,201**	**28.22**
Equity		
Domestic Equity Securities	11,360,277,191	17.35
Domestic Mutual Funds	8,421,984,782	12.86
International Equity Securities	13,101,005,461	20.01
Global Mutual Funds	1,849,211,187	2.82
Total Equity	**34,732,478,621**	**53.04**
Real Estate		
Real Estate	3,475,943,937	5.31
Limited Partnerships	1,240,189,235	1.89
Real Estate Mortgages	946,090	0.00
Total Real Estate	**4,717,079,262**	**7.20**
Alternative Equity		
Limited Partnerships	5,036,789,526	7.69
Venture Capital	11,992	0.00
Leveraged Buyouts	2,523,373,728	3.85
Total Alternative Equity	**7,560,175,246**	**11.54**
Restricted Investment Contracts	7,267	0.00
Total Fair Value	**$ 65,490,723,597**	**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

December 5, 2007

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, 2006, 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 2006 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 2007 Comprehensive Annual Financial Report (CAFR) based on the December 31, 2006 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

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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December 5, 2007
Retirement Board
Oregon Public Employees Retirement System

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

All members hired prior to August 29, 2003, are covered under Chapter 238. These benefits are administered using some cost-sharing pools and some independent employer valuations. All school districts share costs through the school district pool. Some local governments have joined the State and Local Government Rate Pool to share costs. There are also 166 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.

As noted above, Mercer prepared the Schedule of Employer Contributions exhibit for 2006. Our understanding is that prior schedules were prepared by Oregon PERS. Due to the significant contribution rate increases indicated by the December 31, 2003 valuation, the Board elected to phase-in the rate increases to allow employers time to adjust. Consequently, the schedule indicates that 55.8 percent of the pension annual required contribution (ARC) was contributed in 2006.

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

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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December 5, 2007
Retirement Board
Oregon Public Employees Retirement System

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, ASA, EA, MAAA
Principal

Matt Larrabee, FSA, EA, MAAA
Principal

WRH/MRL/wrh:dah:scg

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, actuarial valuation 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.
Unfunded Actuarial Liability (UAL) amortization	The UAL is currently amortized as a level percentage of combined valuation payroll (Tier One/Tier Two plus OPSRP payroll) over the period from the valuation date to December 31, 2027. As of December 31, 2006, the amortization period is 21 years. When the amortization period reaches 20 years, the period for the existing UAL will continue to decline until it is paid off and new gains and losses recognized in each odd-year valuation will be amortized over a period of 20 years from that valuation.
Amortization of change in UAL due to change in actuarial cost method	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 actuarial valuation. 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 actuarial valuation.

Mortality

The following mortality tables were used in the December 31, 2006 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, 2006 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, 2006 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, 2006 valuation. These rates were first adopted December 31, 2005, but were adjusted for certain age ranges in the December 31, 2006 experience study.

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	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
70			100.0	100.0	100.0	100.0	100.0

Retirement from Dormant Status

Dormant members are assumed to retire at Normal Retirement Age (Age 58 for Tier One, age 60 for Tier Two, 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 %

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

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:

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.

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. The rates for local general service females were first adopted December 31, 2001. All other rates were adopted effective December 31, 2005.

Activities	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%

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	20.00		
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			100.00	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

A summary of key changes implemented since the December 31, 2005 valuation are described briefly below and are described in additional detail in the systemwide valuation report.

Changes in Actuarial Methods and Allocation Procedures

18-Month Delay

Employer contribution rates become effective 18-months after the valuation date in odd-numbered years. In the past there has been an adjustment to the rate calculated as of the valuation date to take into account the 18-month delay. This adjustment has been eliminated.

Rate Collar

In prior valuations, the rate collar has applied to the total pension and retiree medical rate for the rate pool. The retiree medical rates have now been excluded from the rate collar calculation.

Allocation of Liability for Service Segments

Over the course of a member's working career, a member may work for more than one employer covered under the Tier One/ Tier Two plan. Since employer contribution rates are developed on an individual employer basis, the member's liability is allocated between such a member's various Tier 1/Tier 2 employers. In prior valuations, the member's liability has been allocated in proportion to the member's account balance attributable to each employer (the Money Match methodology). A member's actuarial accrued liability is now allocated among employers based on a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires.

Changes in Assumptions

OPSRP Administrative Expense

The annual OPSRP administrative expense assumption has been increased from $6.7 million to $8.5 million.

Total Lump Sum at Retirement

The percentage of active members electing a total lump sum at retirement is now projected to decline over time due to the cessation of contributions to Tier One / Tier Two member accounts.

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	160,447	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	

[1] Participating employers are defined for this purpose as any employer with covered payroll during the prior year.

[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

[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)[5]

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)
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)
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)
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)
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	221.5	511.8	290.4	43.3	6,336.4	4.6
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	29.9	1,665.7	1.0

Notes:

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

[2] Excludes UAAL for Multnomah Fire District ($139 million as of 12/31/2006).

[3] Covered payroll is shown for the rate group. 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 1/1/2006.

[5] 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	
	2006	2005
Age and Service Retirements from Active Status	$ (192.6)	$ (55.5)
Disability Retirements from Active Status	(12.8)	(11.6)
Active Mortality and Withdrawal	20.9	18.2
Pay Increases	(23.3)	41.7
Contributions	36.3	(419.7)
Interest Crediting Experience	(79.3)	—
Investment Income	2,699.0	1,819.7
Retirement, Mortality, and Lump Sums from Dormant Status	94.0	81.7
Retiree and Beneficiary Mortality	(52.4)	(44.7)
Other	(116.7)	(315.7)
Gain (or Loss) During Year From Financial Experience	**2,373.1**	**1,114.1**
Non-Recurring Items		
Deployment of Reserves	N/A	1,389.2
Assumption Changes	(74.0)	27.2
Composite Gain (or Loss) During Year	$ **2,299.2**	$ **2,530.5**

[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)[8]

	Actuarial Accrued Liability						
Valuation Date[1]	Active Member Contributions	Retired Members and Beneficiaries	Other Members	Valuation Asssets[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	56,844.9	100	100	134

[1] An extensive revision of the actuarial assumptions occurs prior to each odd-year valuation; therefore, the figures are not directly comparable.

[2] Effective with the 12/31/2002 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 12/31/2003 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 1/1/2006.

[8] 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 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.

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 receive an increase to their monthly retirement benefit equal to the greater of the increase under Senate Bill 656 (SB 656) or House Bill 3349 (HB 3349).

SB 656 Increase

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

HB 3349 Increase

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

Early Retirement Eligibility	**Police and Fire**	Age 50 or 30 years of service
	Judges	Age 60
	General Service	Age 55 or 30 years of service
Early Retirement Allowance	Normal retirement allowance, actuarially reduced to early retirement age. However, there is no reduction applied if a member has completed 30 years of service (25 years for police and fire members) or for judges in Plan B.	
Vesting	Five years or attainment of normal retirement age.	
Termination Benefits	**Non-Vested**	Payment of member's account balance. For judges, the account balance is forfeited.
	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 ten years of service (six years, if a judge), but prior to normal retirement eligibility.
Disabiliy 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) 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 as though no variable annuity program existed. 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) Covered for eight years before retirement, (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 in the table below) 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
Changes in Plan Provisions	HB 2285 retroactively eliminated the break-in-service rules that moved members to OPSRP for the future accrual of benefits if they incurred a break-in-service. Consequently, Tier One and Tier Two members will always remain Tier One and Tier Two members unless they withdraw or incur a loss of membership.	

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 ten 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	• HB 2285 retroactively replaced the OPSRP provisions for the accrual of retirement credit with provisions identical to those in Tier One and Tier Two. It also eliminated the requirement in OPSRP that the salary of a part-time employee be grossed up to full-time salary for calculation of final average salary. • HB 2285 retroactively eliminated the break-in-service rules that moved members to OPSRP for the future accrual of benefits if they incurred a break-in-service. Consequently, Tier One and Tier Two members will always remain Tier One and Tier Two members unless they withdraw or incur a loss of membership.	

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Statistical Section

Statistical Notes

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

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and well-being have changed over time. Financial information is presented on an accrual basis. The decrease in Defined Benefit Pension member contributions is offset by the increase in the Oregon Public Service Retirement Plan's Individual Account Program increase of 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 years 1998 and 2003 show large increases in retirements due to members applying before pending policy changes and legislation became effective.

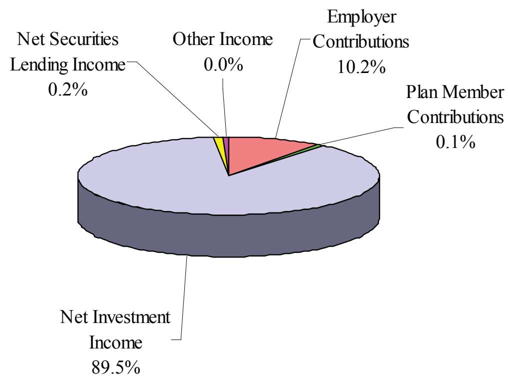
The Schedule of Benefit Recipients by Benefit Type shows retired members by benefit level, benefit types, and payment options selected.

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.

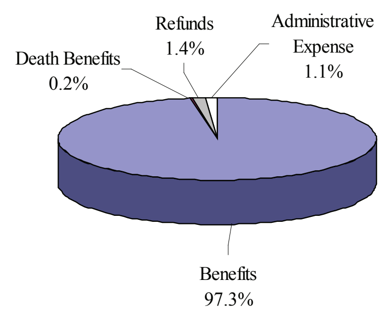
The Schedule of Principal Participating Employers shows the 10 employers with the largest number of current employees, along with aggregate information for the remaining employers with current employees.

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

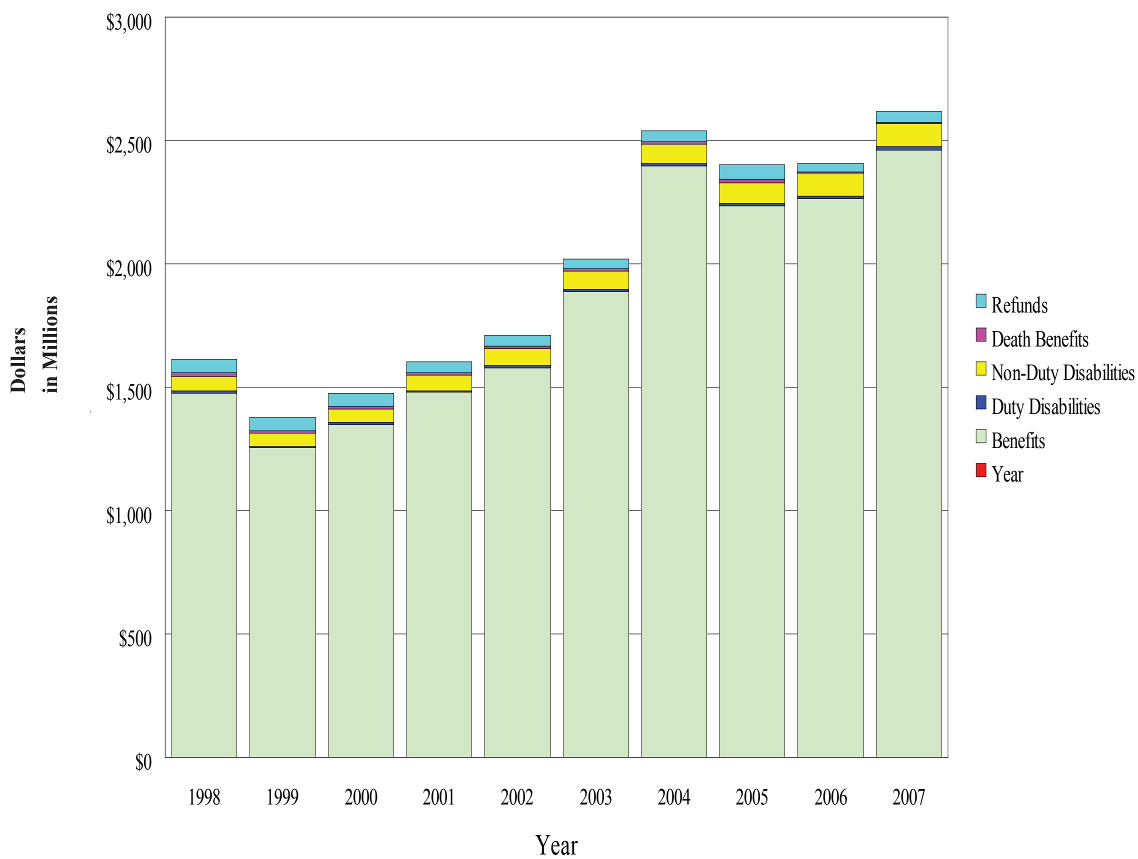
Defined Benefit Pension Plan
Additions by Source
for the Fiscal Year Ended June 30, 2007



Defined Benefit Pension Plan
Deductions by Type
for the Fiscal Year Ended June 30, 2007



Benefit Expense By Type



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

Defined Benefit Pension Plan[2]

Fiscal Year	Member Contributions	Employer Contributions: Dollars[1]	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1998	$ 322,378,126	$ 455,531,987	8.86 %	$ 4,861,851,105	$ 5,639,761,218
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	597,372,230	8.70	10,589,123,834	11,200,177,044

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

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
1998	$ 51,781,886	$ N/A	N/A%	$ 62,151,320	$ 113,933,206
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

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

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

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

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
$ 1,556,536,964	15,183,982	56,893,468	1,628,614,414	4,011,146,804
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
2,574,588,941	35,620,392	41,222,537	2,651,431,870	8,548,745,174

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 36,226,625	$ 546,537	$ N/A	$ 36,773,162	$ 77,160,044
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

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
1998	$ N/A	$ 34,240,702	0.65%	$ 293,094	$ 34,533,796
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

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
1998	$ N/A	$ 2,184,696	0.16%	$ (509,648)	$ 1,675,048
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

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

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
$ 21,694,039	$ 1,360,099	$ N/A	$ 23,054,138	$ 11,479,658
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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 743,880	$ 62,321	$ N/A	$ 806,201	$ 868,847
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

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

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

Defined Benefit Pension Plan[3]

Calendar Year	Member Contributions	Employer Contributions: Dollars[2]	Employer Contributions: Percent of Annual Covered Payroll	Net Investment and Other Income	Total Additions by Source
1997	$ 291,120,161	$ 440,001,230	8.81%	$ 4,582,430,090	$ 5,313,551,481
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

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

Deferred Compensation Plan[5]

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

1 Calendar year-end information is provided because earnings are distributed as of December 31.
2 Employer contributions for calendar year 1999 and thereafter include prepayments of the unfunded actuarial liabilities.
3 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.
4 The Oregon Public Service Retirement Plan was added to the System in January 2004.
5 Deferred Compensation information prior to 1998 is not available.

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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 1,275,138,266	$ 13,377,687	$ 56,034,638	$ 1,344,550,591	$ 3,969,000,890
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

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

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

Changes in Plan Net Assets
For the Last Ten Years Ended December 31:

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
1997	$ N/A	$ 30,629,501	0.59%	$ 71,465	$ 30,700,966
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

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
1997	$ N/A	$ 2,280,793	0.16%	$ (531,914)	$ 1,748,879
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

Standard Retiree Health Insurance Account[1]

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

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 December 31: (continued)

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 21,348,770	$ 1,414,330	$ N/A	$ 22,763,100	$ 7,937,866
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

Benefits	Administrative Expenses	Refunds	Total Deductions by Type	Changes In Plan Net Assets
$ 707,658	$ 63,112	$ N/A	$ 770,770	$ 978,109
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

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)

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

		Disability Benefits				
Fiscal Year	Service Benefits	Duty	Non-Duty	Death Benefits	Refunds	Total
1998	$ 1,475,748,935	$ 8,424,021	$ 61,959,497	$ 10,404,511	$ 56,893,468	$ 1,613,430,432
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

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

		Credited			
Calendar Year	Tier One Earnings/(Loss) Available for Crediting	Tier One	Tier Two[4]	Variable Earnings/(Loss) Credited	Individual Account Program
1997	20.42%	18.70 %	20.42 %	28.87 %	
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

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

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1997 to June 30, 2007	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
1998 Average Monthly Benefit	$ 274.67	$ 628.71	$1,109.08	$1,689.75	$2,645.14	$3,665.43	$4,329.18	$2,411.07
Final Average Salary	$2,043.54	$2,393.72	$2,682.87	$3,194.68	$3,894,31	$4,568,58	$4,609,49	$3,633.30
Number of Active Retirees	473	808	881	1,498	1,577	2,053	904	8,194
1999 Average Monthly Benefit	$ 325.82	$ 702.71	$1,252.34	$1,864.01	$2,847.93	$3,918.07	$4,564.88	$2,447.26
Final Average Salary	$2,250.92	$2,493.99	$2,861.04	$3,408.00	$4,014.13	$4,616.10	$4,702.39	$3,658.55
Number of Active Retirees	391	580	715	904	931	1,320	429	5,270
2000 Average Monthly Benefit	$ 280.01	$ 725.74	$1,166.88	$1,863.17	$2,829.86	$3,934.05	$4,689.21	$2,256.37
Final Average Salary	$2,139.96	$2,565.28	$2,959.35	$3,443.48	$4,122.71	$4,942.07	$5,134.20	$3,672.56
Number of Active Retirees	429	576	553	640	713	941	245	4,097
2001 Average Monthly Benefit	$ 345.26	$ 658.82	$1,172.14	$1,806.70	$2,760.57	$3,838.88	$4,165.05	$2,151.43
Final Average Salary	$2,384.91	$2,618.14	$3,048.55	$3,520.63	$4,162.44	$4,871.02	$4,742.83	$3,695.02
Number of Active Retirees	507	538	606	651	751	935	249	4,237
2002 Average Monthly Benefit	$ 488.59	$ 799.44	$1,175.24	$1,866.49	$2,722.85	$3,992.01	$4,611.64	$2,472.12
Final Average Salary	$2,579.62	$2,673.82	$3,145.81	$3,705.81	$4,277.21	$4,970.15	$5,237.45	$3,990.65
Number of Active Retirees	335	572	713	698	1,035	1,256	374	4,983
2003 Average Monthly Benefit	$ 729.03	$ 979.15	$1,312.50	$1,882.80	$2,777.68	$4,055.28	$5,001.54	$2,693.96
Final Average Salary	$2,609.95	$2,691.60	$3,294.80	$3,804.35	$4,395.27	$5,158.48	$5,596.73	$4,217.82
Number of Active Retirees	587	1,170	1,586	1,805	2,537	2,938	1,128	11,751
2004 Average Monthly Benefit	$ 829.88	$ 847.39	$1,173.62	$1,722.46	$2,611.10	$3,795.58	$4,402.29	$2,373.75
Final Average Salary	$2,355.01	$2,692.41	$3,180.23	$3,736.30	$4,222.97	$4,960.11	$5,328.99	$3,988.15
Number of Active Retirees	300	608	837	961	1,147	1,460	332	5,645
2005 Average Monthly Benefit	$ 695.64	$ 830.11	$1,210.76	$1,729.93	$2,609.12	$3,768.98	$4,102.26	$2,192.36
Final Average Salary	$2,194.16	$2,860.86	$3,122.27	$3,578.48	$4,302.91	$4,821.43	$4,880.86	$3,796.53
Number of Active Retirees	245	472	533	564	537	854	117	3,322
2006 Average Monthly Benefit	$ 724.81	$ 785.31	$1,120.90	$1,662.85	$2,577.88	$3,688.71	$4,106.53	$2,163.05
Final Average Salary	$2,382.81	$3,040.37	$3,559.86	$3,858.78	$4,424.21	$4,990.16	$5,050.71	$4,063.82
Number of Active Retirees	226	478	620	675	610	902	174	3,685
2007 Average Monthly Benefit	$ 755.05	$ 772.17	$1,138.44	$1,659.53	$2,480.90	$3,726.72	$4,335.30	$2,255.49
Final Average Salary	$3,004.83	$3,359.18	$3,538.30	$4,019.94	$4,776.61	$5,411.88	$5,398.85	$4,444.61
Number of Active Retirees	202	438	488	658	503	892	219	3,400
Total Average Monthly Benefit	**$ 300.74**	**$559.04**	**$937.43**	**$1,469.83**	**$2,285.37**	**$3,369.15**	**$3,638.18**	**$1,939.28**
Final Average Salary	**$2,090.13**	**$2,419.85**	**$2,798.97**	**$3,271.10**	**$3,890.39**	**$4,618.87**	**$4,597.18**	**$3,583.18**
Number of Active Retirees	**8,521**	**12,864**	**14,810**	**17,142**	**18,173**	**21,632**	**10,226**	**103,368**

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2007

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	22,325	18,094	179	277	3,534	241	3,765	4,939	3,983	1,476	602	4,420	2,489	651
501 - 1000	17,326	14,180	117	806	1,920	303	3,117	5,059	4,041	1,951	538	1,394	906	320
1001 - 1500	13,126	10,932	86	757	1,143	208	2,129	3,765	3,415	1,702	399	790	701	225
1501 - 2000	10,223	8,687	92	604	679	161	1,542	2,791	2,805	1,320	332	626	633	174
2001 - 2500	8,412	7,428	60	426	390	108	1,161	2,345	2,348	1,132	210	486	591	139
2501 - 3000	7,103	6,485	43	262	275	38	989	1,952	2,145	1,068	232	260	355	102
3001 - 3500	6,203	5,749	29	196	203	26	771	1,678	2,260	981	171	133	154	55
3501 - 4000	5,164	4,931	16	97	107	13	497	1,398	2,012	882	166	78	99	32
4001 - 4500	4,404	4,236	11	59	93	5	414	1,097	1,844	817	115	27	70	20
4501 - 5000	3,101	2,981	12	37	68	3	249	834	1,326	567	86	12	23	4
5001 - 5500	2,143	2,082	6	19	35	1	173	517	926	434	47	12	26	8
5501 plus	3,838	3,710	3	33	92	—	219	807	1,884	796	68	12	42	10
Totals	**103,368**	**89,495**	**654**	**3,573**	**8,539**	**1,107**	**15,026**	**27,182**	**28,989**	**13,126**	**2,966**	**8,250**	**6,089**	**1,740**

*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:

	2002	2003	2004	2005	2006	2007
State Agencies	43,947	42,263	41,818	39,588	36,817	42,906
School Districts	67,124	63,132	62,804	58,566	55,493	65,792
Political Subdivisions	55,991	54,374	56,186	51,768	48,442	55,850
Inactive Members	48,725	53,815	48,627	48,017	46,952	52,513
Total Non-Retired	215,787	213,584	209,435	197,939	187,704	217,061
Retired Members and Beneficiaries	86,082	91,526	98,686	100,124	101,519	103,368
Total Membership	301,869	305,110	308,121	298,063	289,223	320,429
Administrative Expense	$ 19,681,933	$ 19,059,635	$ 30,097,192	$ 42,534,651	$ 37,776,761	$ 46,488,473
Pension Roll (one month)	$ 135,201,238	$ 189,744,852	$ 207,501,846	$ 184,518,138	$ 205,232,050	$216,137,975

Schedule of Principal Participating Employers Current Fiscal Year 2007

	2007		2006	
	Number of Current Employees	Percent of Total System	Number of Current Employees	Percent of Total System
State of Oregon	42,906	26.08%	37,973	24.23%
Oregon Health & Science University	5,781	3.51	4,988	3.18
Portland Public Schools	5,554	3.38	4,984	3.18
Salem-Keizer Public Schools	4,660	2.83	3,948	2.52
Multnomah County	4,428	2.69	4,047	2.58
Beaverton School District	4,243	2.58	3,488	2.23
City of Portland	4,001	2.43	3,509	2.24
Portland Community College	2,309	1.40	2,849	1.82
Eugene School District 4J	2,136	1.30	1,864	1.19
Hillsboro School District #1J	2,059	1.25	1,974	1.26
All Others*	86,471	52.55	87,074	55.57
Totals	164,458	100.00%	156,698	100.00%
* "All Others" consisted of:				
Counties	13,369	8.12%	12,381	7.90%
Municipalities	12,350	7.51	11,410	7.28
School Districts	47,262	28.72	49,710	31.73
Community Colleges	6,250	3.80	6,635	4.23
Other Political Subdivisions	7,240	4.40	6,938	4.43
Total All Others	86,471	52.55%	87,074	55.57%

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

Schedule of Participating Employers (873)

State (116)

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
Insurance Pool Governing Board
Judges PERS
Judicial Department
Land Use Board of Appeals
Landscape Architects Board
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 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 (483)

Adair Village, City of
Albany, City of
Amity, City of
Amity Fire District
Applegate Valley RFPD 9
Arch Cape Service District
Ashland, City of
Ashland Parks Commission
Astoria, City of
Athena, City of
Aumsville, City of
Aumsville RFPD
Aurora, City of
Aurora RFPD
Baker, City of
Baker County
Baker County Library District
Baker Valley Irrigation District
Bandon, City of
Banks, City of
Banks Fire District 13
Bay City, City of
Beaverton, City of
Bend, City of
Bend Metropolitan Park and Recreation District
Benton County
Black Butte Ranch RFPD
Black Butte Ranch Service District
Boardman, City of
Boardman RFD
Boring RFD 59
Brookings, City of
Brownsville RFPD
Burns, City of
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 Behavorial Health
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
Mill City, City of
Mill City RFPD
Millersburg, City of
Millington RFPD
Milton-Freewater, City of
Milwaukie, City of
Mist-Birkenfeld RFPD
Mohawk Valley RFD
Molalla, City of
Molalla RFPD 73
Monmouth, City of
Monroe, City of
Monroe RFPD
Moro, City of
Mt. Angel, City of
Mt. Angel Fire District
Mt. Vernon, City of
Mulino Water District 23
Multnomah County
Multnomah County Drainage District 1
Multnomah County RFPD 14
Myrtle Creek, City of
Myrtle Point, City of
Nehalem Bay Health District
Nehalem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend, City of
North Clackamas County Water Commission
North Douglas County Fire and EMS
North Lincoln Fire & Rescue District 1
North Marion County Communications
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Northwest Senior and Disability Services
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Ochoco Irrigation District
Odell RFPD
Odell Sanitary District
Ontario, City of
Oregon Cascades West COG
Oregon City, City of
Oregon Community College Association
Oregon Consortium, The
Oregon Coastal Zone Management Association
Oregon Health & Science University
Oregon School Boards Association
Oregon Trail Library District
Owyhee Irrigation District
Parkdale RFPD
Pendleton, City of
Philomath, City of
Philomath 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
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 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
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 (257)

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
Challenge 2000, Incorporated
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
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
Eddyville Charter 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.
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
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
Oregon Virtual School of Bend-Lapine
Phoenix School, The
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Portland Village School
Region 9 ESD
Ridgeline Montessori Charter School
Rimrock Academy Charter School
Riverside Project High School
Sage Community School
Sand Ridge Charter School
Scappoose School District 1J
Self-Enhancement Inc.
Sheridan Japanese School Foundation
Sherman CSD
Siletz Valley Early College Academy
Siletz Valley School
South Coast ESD Region 7
South Columbia Family School
South Harney School District 33
South Wasco County School District 1
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 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