



# ***Oregon Public Employees Retirement System***

*An Agency of the State of Oregon*

***Comprehensive Annual Financial Report***

*For the Fiscal Year Ended June 30, 2001*

This *Comprehensive Annual Financial Report* honors the many Oregon public employees who continue to make significant contributions to their communities after they retire. The individuals pictured at the beginning of each section came from widely divergent occupations and now volunteer their skills and expertise to organizations that work for a better Oregon. The other thing they have in common is they are retirees of the Oregon Public Employees Retirement System.

Cover photo: Mel is a volunteer at Silver Falls State Park.

*Oregon Public Employees  
Retirement System  
An Agency of the State of Oregon*

*Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended June 30, 2001*

*James M. Voytko*  
Executive Director

*Dale S. Orr*  
Chief Financial Officer

## Table of Contents

### INTRODUCTORY SECTION

- 2 Letter of Transmittal
- 5 Certificate of Achievement
- 6 Chair's Report
- 7 Board of Trustees
- 8 PERS Organizational Chart

### FINANCIAL SECTION

- 10 Independent Auditor's Report

#### General Purpose Financial Statements

- 12 Statements of Plan Net Assets - Defined Benefit Pension Plan and Postemployment Healthcare Plan and Balance Sheets - Other Fiduciary Funds
- 13 Statements of Changes in Plan Net Assets - Defined Benefit Pension Plan and Postemployment Healthcare Plan
- 14 Statement of Revenues, Expenditures, and Changes in Fund Equity - Expendable Trust Fund
- 15 Notes to Financial Statements

#### Required Supplementary Information

- 25 Schedules of Funding Progress
- 26 Schedules of Employer Contributions
- 27 Notes to Required Supplementary Information

#### Supporting Schedules

- 28 Schedule of Plan Net Assets - Defined Benefit Pension Plan
- 29 Schedule of Changes in Plan Net Assets - Defined Benefit Pension Plan
- 30 Schedule of Plan Net Assets - Postemployment Healthcare Plan
- 31 Schedule of Changes in Plan Net Assets - Postemployment Healthcare Plan
- 32 Schedule of Administrative Expenses
- 32 Schedule of Payments to Consultants
- 33 Summary of Investment Fees, Commissions, and Expenses
- 34 Independent Auditor's Report on Internal Controls and Compliance

### INVESTMENT SECTION

- 38 Investment Officer's Report
- 39 Description of Investment Policies
- 40 Investment Results
- 41 Investment Target and Actual Allocations
- 42 Schedule of Largest Assets Held
- 43 Schedule of Fees and Commissions
- 43 Schedule of Broker Commissions
- 44 Investment Summary

### ACTUARIAL SECTION

- 46 Actuary's Certification Letter
- 48 Actuarial Assumptions and Methods

#### Actuarial Schedules

- 50 Schedule of Active Member Valuation Data
- 50 Schedule of Retirees and Beneficiaries
- 51 Summary of Actuarial and Unfunded Actuarial Liabilities
- 51 Solvency Test
- 51 Recommended vs. Actual Contributions

#### Plan Summary

- 52 Summary of Plan Provisions
- 56 Analysis of Financial Experience
- 56 Independent Actuarial Review Opinion

### STATISTICAL SECTION

- 58 Revenues by Source
- 59 Expenses by Type
- 60 Schedule of Benefit Expenses by Type
- 60 Schedule of Earnings and Distribution
- 61 Schedule of Average Benefit Payments
- 61 Schedule of Benefit Recipients by Type of Benefit
- 62 Retirement System Membership - Calendar Year
- 62 Retirement System Membership - Fiscal Year
- 63 Schedule of Participating Employers

# *Introductory Section*



*Joan gives many volunteer hours with both animals and incarcerated youth.*



Letter of Transmittal



**Oregon**

John A. Kitzhaber, M.D., Governor

**Public Employees Retirement System**

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

December 10, 2001

Board of Trustees  
Oregon Public Employees Retirement System  
Tigard, Oregon 97281

We are pleased to submit the Annual Report of the Oregon Public Employees Retirement System (PERS or "the System") for the fiscal year ended June 30, 2001. PERS management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The report is divided into five sections: (1) an Introductory Section, which contains this transmittal letter, the Chair's Report, administrative organization, and the Certificate of Achievement for Excellence in Financial Reporting; (2) the Financial Section, which contains the Independent Auditor's Report by the Oregon Audits Division, the financial statements of the System, and certain required supplementary information; (3) an Investment Section, which contains the Investment Officer's report on investment activity, investment policies, investment results, and various investment schedules; (4) the Actuarial Section, which contains the Actuary's Certification Letter and the results of the most recent actuarial valuation; and (5) a Statistical Section, which includes significant data pertaining to PERS.

This report includes all funds over which the Board of Trustees 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. PERS currently provides services to over 293,000 members and retirees and to over 850 employers.

**Major Initiatives**

Three major events and initiatives have dominated PERS during the past year. First, a preliminary opinion was issued by the Marion County Circuit Court in a lawsuit brought against PERS by a number of employers and members. The initial opinion states that PERS had incorrectly applied state statute regarding the matching of interest in member variable accounts at the time of retirement, not funded a statutorily required contingency reserve, and inappropriately distributed 1999 earnings. Although this opinion still has not been finalized or settlement determined, any opinion will most likely be appealed by one or more of the litigants. The impact on PERS is difficult to assess; however, most possible outcomes will have a larger impact on PERS' administration than on the overall financial health of the fund.

Second, PERS completed a major initiative to pool local employers for actuarial purposes. This initiative was an important cornerstone in the Board's ongoing goal to stabilize local employer rates. The 2001 Oregon Legislature passed Senate Bill 134 which, in part, abolishes the local government pool and allows local governments to join a pool which includes the state of Oregon and community colleges. PERS has begun another initiative to encourage local employers to join the new pool. This work is to be completed before the end of 2001.

Third, the PERS Board is reviewing the actuarial equivalency factors used to calculate member monthly benefits. The factors currently in use date from 1978. The Board is exploring the feasibility of updating the factors to recognize the increasing longevity of retirees. The financial impact on the System could be minor or significant depending on the implementation option selected by the Board. This initiative should be completed by the end of 2002.

**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), 26 (postemployment healthcare plans), and 32 (deferred compensation plans).

**Internal Controls**

Management is responsible for establishing and maintaining a system of internal controls to protect PERS assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. This internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. An internal auditor, who reports to the Board of Trustees, reviews internal controls for compliance and effectiveness.

**Additions to Plan Net Assets**

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through income earned on investments. Contributions, investment, and other income for fiscal year 2001

totaled a loss of \$2,350.0 million. This was a decrease of \$10,494.3 million (128.9 percent) from fiscal year 2000. A summary of additions to plan net assets is as follows:

	2001	2000	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	\$ 415,657,726	\$ 385,114,819	\$ 30,542,907	7.9%
Employer Contributions	682,483,623	1,063,893,331	(381,409,708)	(35.9)
Contributions from Other Sources	20,278,204	19,121,874	1,156,330	6.0
Net Investment and Other Income	(3,468,438,513)	6,676,108,376	(10,144,546,889)	(152.0)
<b>Total</b>	<b><u>\$(2,350,018,960)</u></b>	<b><u>\$ 8,144,238,400</u></b>	<b><u>\$ (10,494,257,360)</u></b>	<b><u>(128.9)%</u></b>

Member contributions increased by \$30.5 million (7.9 percent) and employer contributions decreased \$381.4 million (35.9 percent) over the previous year. The increase in member contributions can be attributed to a continued increase in membership and in salaries on which the contribution amounts are based. The decrease in employer contributions resulted from several large, local employers making additional, unscheduled contributions to reduce unfunded actuarial liabilities the previous year.

The Board of Trustees did not change rates during the 2001 fiscal year. However, employer rates were lowered July 1, 2001, for state agencies and most local governments based on the December 31, 1999 valuation. Rates for school districts were increased on July 1, 2001, as a result of the 1999 valuation, but were not increased as much as they would have been if the rates had been based upon the December 31, 1997 valuation. These rate reductions resulted mainly from higher than expected earnings achieved by the fund's portfolio for the two year valuation period. Typically, if rates are expected to increase, the Board of Trustees defers rate increases for two-and-a-half years after the valuation date to allow for employer budgeting. If rates are projected to decrease the lower rate is implemented one-and-a-half years after the valuation date.

Investment and other income in the 2001 fiscal year suffered a \$3,468.4 million loss which represents a \$10,144.5 million decline in earnings from 2000. The decrease was due to negative earnings in most of the investment components of the fund's portfolio.

#### ***Deductions To Plan Net Assets***

Benefit payments, refunds of contributions to members who terminate employment, health insurance premium subsidies, and administrative costs comprise the expenses of the agency. A summary of deductions from plan net assets by expense category is as follows:

	2001	2000	Increase (Decrease) Amount	Increase (Decrease) Percentage
Benefits	\$ 1,578,497,193	\$ 1,442,314,231	\$ 136,182,962	9.4%
Refunds	46,243,701	65,706,671	(19,462,970)	(29.6)
Administrative Expenses	27,584,697	20,680,727	6,903,970	33.4
Other Expenses	64,018,157	59,448,485	4,569,672	7.7
<b>Total</b>	<b><u>\$ 1,716,343,748</u></b>	<b><u>\$ 1,588,150,114</u></b>	<b><u>\$ 128,193,634</u></b>	<b><u>8.1%</u></b>

The total deductions to plan net assets, excluding investment service charges, were \$1,716.3 million for the fiscal year ended June 30, 2001. This was an increase of \$128.2 million (8.1 percent) over the previous year, due mainly to a \$136.2 million increase in benefit payments.

#### ***Investments***

The Oregon Investment Council (OIC) has statutory authority (ORS 293.701) to establish policies for the investment and reinvestment of PERS funds. The primary investment objective of the OIC is to make PERS investment funds as productive as possible. At the same time, the OIC is to act as a prudent investor in the management of the PERS portfolio. Descriptions of specific OIC policies regarding diversification, performance objectives, and asset allocation are found on pages 39 to 41.

## Oregon Public Employees Retirement System

As of June 30, 2001, investments at fair value totaled \$37,157.2 million. This compares with \$40,806.7 million as of June 30, 2000. PERS' investment portfolio exhibited poor returns in 2001 with a loss of 8.1 percent. This compares with a positive return of 20.0 percent for 2000. The fund's five year return is 11.6 percent, exceeding the pension system's actuarial assumed rate of 8.0 percent.

The asset composition of the total portfolio at June 30, 2001, is shown in the supporting schedule on page 44. The Investment Officer's Report is found on page 38.

### **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. PERS' funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of employer payroll. 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 the returns on those investments increases the funding base and allows for a more stable employer contribution rate.

PERS continues to be a well-funded pension system with a funding ratio of 96 percent (see page 51). The System's unfunded actuarial liability as of December 31, 2000, was \$1,545.9 million, which was derived using the entry age cost method (see Summary of Actuarial and Unfunded Actuarial Liabilities on page 51). The 2000 unfunded actuarial liability increased by \$602.8 million (63.9 percent) from \$943.1 million in 1999. This decline in funding status resulted from a combination of poor portfolio returns and from some employers opting to defer implementing rate increases, as allowed by the Board of Trustees.

### **Other Information**

#### **Professional Services**

Professional consultants are appointed by the Board of Trustees to perform services essential to the efficient operation of PERS. The audit opinion from the Oregon Audits Division and certification from the PERS actuary are included in this report. The consultants appointed by the Board are listed in the organizational chart on page 8.

#### **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* for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (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 a period of one year only. PERS has received a Certificate of Achievement for the last ten consecutive years. We believe our current report continues to conform with the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

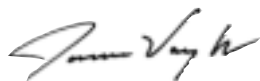
#### **Acknowledgements**

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. Special recognition is extended to Gene Chouinard, CPA, who coordinated the compilation of the report.

This report is being mailed to all PERS employers. Summary financial information will be reported in PERS' newsletter, *Perspectives*, which is distributed to active and retired members.

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

Respectfully submitted,



James M. Voytko  
Executive Director



Dale S. Orr  
Chief Financial Officer



Certificate of Achievement

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Oregon Public Employees Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2000

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.



*Thomas A. Gruve*  
President

*Jeffrey L. Essler*  
Executive Director

Chair's Report



Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

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

December 10, 2001

Dear PERS Members:

The 2000-2001 fiscal year included a session of the Oregon Legislature. Senate Bill 134, which passed, includes a provision that will benefit many PERS-covered local government employers. This bill allows local governments to join the existing state/community college actuarial pool. PERS has long had an actuarial pool for state agencies/community colleges and another for schools. The contribution rates of local governments have been calculated individually which, in some cases, has led to significant fluctuations. Those who join the pool can expect significantly less rate volatility.

SB 134 also increased the membership of the PERS Board to 12 and changed the makeup so that the public and private sectors are each represented by six members. The Board will gradually evolve to this new configuration as current members complete their terms and new members are appointed to replace them.

Another of SB 134's provisions allows retiring members to receive both their member account and a matching amount from employer reserves in a lump-sum payment. This "double lump sum" provision will become effective January 1, 2003. It will be of benefit to members who desire greater control over their retirement benefit and will reduce costs to employers by eliminating the annual cost-of-living increases for retirees who elect this option.

The legislature also directed staff to explore more efficient and cost-effective strategies to provide necessary information to members. The staff has responded to this challenge in a variety of ways. Individual counseling appointments have been replaced by a greater emphasis on group counseling, printed material targeted to specific groups, and more effective telephone counseling. A new group counseling presentation for members one year from retirement was developed and staff is testing video conferencing. We anticipate that members will respond favorably to these initiatives.

In last year's report we mentioned a lawsuit brought against PERS by a few local government employers. The suit was joined by two PERS members on behalf of members generally. In July 2001, the Marion County Circuit Court judge issued a ruling in which parts of the suit were sustained and parts were dismissed.

Two rulings adverse to PERS are of particular significance. On one issue the court ruled in favor of employers by upholding plaintiffs' contention that PERS has paid benefits incorrectly. The court ruled that the current Money Match method of using employer funds to match a retiring member's entire account balance, including amounts in the variable account, is not supported in statute.

The court also ruled that the Board lacked authority to post earnings to employer accounts for 1999 as if those funds had been invested in the variable account. The Board's action was contested by parties to the suit representing PERS members.

The court did not impose or suggest remedies for any of the rulings favoring plaintiffs. Instead, the court directed that remedies would be determined in a subsequent court proceeding. As this issue went to press, that proceeding had not yet been scheduled.

It is worth noting that after many years of extraordinary advances in the investment markets, we have entered a period marked by declines, particularly in equity values. Such fluctuations are anticipated and while the Plan's financial indicators will decline in tandem with the investment markets, the ability of the retirement system to meet its obligations is not in question.

For the 10th year in a row, the Government Finance Officers Association awarded PERS the Certificate of Achievement for Excellence in Financial Reporting for the agency's *Comprehensive Annual Financial Report*. The Board once again congratulates Fiscal Services staff for their excellent work.

Sincerely,

Emile Holeman, Chairman

**Board of Trustees**



**Emile Holeman**  
Chair  
Term expires 9-15-2001



**Patricia Brown**  
Vice-Chair  
Term expires 9-15-2001



**Steven Bjerke**  
Term expires 12-15-2002



**Christine Brown**  
Term expires 9-15-2001



**Mark Gardiner**  
Term expires 9-30-2002



**Jeanne Garst**  
Term expires 9-20-2001



**Elizabeth Harchenko**  
Term expires 12-15-2002



**Glenn Harrison**  
Term expires 6-30-2003



**Dawn Morgan**  
Term expires 9-19-2001



**George Russell**  
Term expires 6-30-2003



**Todd Schwartz**  
Term expires 12-9-2002

**Board of Trustees**

The PERS Board is made up of eleven members. All are appointed by the governor and confirmed by the Senate. Terms are three years.

Three of the trustees must represent the private sector. Eight of the trustees must represent the public sector. Of the eight public sector members, four must be from management and four from collective bargaining units. One must be retired.

**Public Employees Retirement System Organizational Chart**

**Retirement Board**



**James M. Voytko**  
Executive Director



**David Bailey**  
Deputy Director

- **Actuary:**  
Mark O. Johnson, F.S.A.,  
Milliman USA
- **Legal Counsel:**  
Robert W. Muir, Assistant  
Attorney General, Oregon  
Department of Justice
- **Insurance Consultant:**  
B.W. Reed Benefits, Inc.
- **Medical Advisor:**  
Lawrence Duckler, M.D.
- Internal Auditor
- Health Insurance
- Personnel Services
- Executive Support



**Marsha Bacon**  
Administrator, Customer  
Services Division

- Communications
- Deferred Compensation  
Program
- Member Counseling
- Electronic Text Processing



**Steve Delaney**  
Administrator, Policy, Planning  
and Program Analysis

- Legislative Issues
- Research and Risk  
Management
- Social Security
- Contested Case Hearings
- Administrative Rules



**Ed Johnson**  
Administrator, Information  
Services Division

- Image and Information  
Management
- Information Services
- Technical Operations
- Software Engineering



**Dale Orr**  
Administrator, Fiscal  
Services Division

- Financial Reporting
- Fiscal Operations
- Auxiliary Services



**Jacqueline Reep**  
Administrator, Processing and  
Data Quality Division

- Membership/  
Employer Relations
- Specialty Services
- Retirement Services

# *Financial Section*



*Bart volunteers at the Japanese Garden, the Chinese Garden, and the Portland Art Museum.*



Independent Auditor's Report

OFFICE OF THE  
SECRETARY OF STATE  
Bill Bradbury  
Secretary of State



AUDITS DIVISION  
Cathy Pollino  
Director

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

---

*Auditing for a Better Oregon*

The Honorable John Kitzhaber, M.D.  
Governor of Oregon  
254 State Capitol  
Salem, Oregon 97310-4047

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

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the Oregon Public Employees Retirement System (PERS), an agency of the state of Oregon, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of PERS' 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 present only the state of Oregon's Public Employee's Retirement System (PERS), which includes the state of Oregon's Public Employees Retirement Fund, a pension trust fund, and the state of Oregon's Deferred Compensation Fund, an expendable trust fund. The PERS financial statements are not intended to present fairly the financial position of the state of Oregon and the results of its operations 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 status of the defined benefit pension plan and the postemployment healthcare plan; and the financial position of the deferred compensation fund of PERS as

of June 30, 2001, and the changes in the financial status of the defined benefit pension plan and the postemployment healthcare plan; and the results of operations of the deferred compensation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

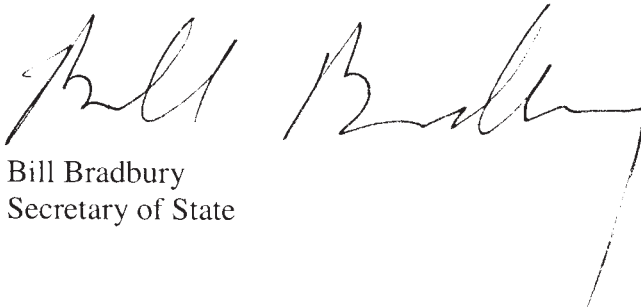
The accompanying information listed as required supplementary information in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of PERS. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The other data in this report, designated as the introductory section, investment section, actuarial section, and statistical section in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2001, on our consideration of PERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

OREGON AUDITS DIVISION



Bill Bradbury  
Secretary of State

December 10, 2001

**Statements of Plan Net Assets -  
Defined Benefit Pension Plan and Postemployment Healthcare Plan  
and Balance Sheets - Other Fiduciary Funds  
June 30, 2001 and 2000**

	<b>Defined Benefit Pension Plan</b>	<b>Post- employment Healthcare Plan</b>	<b>Expendable Trust Fund Deferred Compensation Plan</b>	<b>Memorandum Only</b>	
				<b>2001</b>	<b>2000</b>
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 1,610,121,247	\$ 31,132,984	\$ 4,791,329	\$ 1,646,045,560	\$ 1,293,421,449
Receivables:					
Employer	46,224,502	2,956,883	---	49,181,385	33,045,630
Employee	25,621,718	3,245,691	---	28,867,409	16,882,228
Interest and Dividends	167,659,988	---	---	167,659,988	162,689,355
Investment Sales and Other Receivables	928,525,683	---	41,996	928,567,679	377,279,468
<b>Total Receivables</b>	<u>1,168,031,891</u>	<u>6,202,574</u>	<u>41,996</u>	<u>1,174,276,461</u>	<u>589,896,681</u>
Due from Other Funds	1,275,381	---	---	1,275,381	3,130,179
Investments:					
Fixed Income	11,462,440,370	---	---	11,462,440,370	9,141,711,725
Equity	19,349,770,012	---	---	19,349,770,012	24,189,064,374
Real Estate	1,960,660,293	---	---	1,960,660,293	1,982,545,281
Alternative Equity	4,317,620,470	---	---	4,317,620,470	5,439,385,836
Commingled Investments	---	66,706,141	---	66,706,141	54,036,727
<b>Total Investments</b>	<u>37,090,491,145</u>	<u>66,706,141</u>	<u>---</u>	<u>37,157,197,286</u>	<u>40,806,743,943</u>
Securities Lending Cash Collateral	2,191,140,289	---	---	2,191,140,289	2,653,878,279
Deferred Compensation Mutual Funds	---	---	581,176,831	581,176,831	628,680,517
Prepaid Expenses	44,603	---	---	44,603	38,196
Equipment and Fixtures, Cost Net of Accumulated Depreciation at 2001: \$1,906,097; at 2000: \$1,769,472	213,873	---	---	213,873	350,498
Land and Building, Cost Net of Accumulated Depreciation at 2001: \$736,073; at 2000: \$555,810	7,418,899	---	---	7,418,899	7,599,161
Office Supplies Inventory, Cost	5,352	---	---	5,352	5,910
<b>Total Assets</b>	<u>42,068,742,680</u>	<u>104,041,699</u>	<u>586,010,156</u>	<u>42,758,794,535</u>	<u>45,983,744,813</u>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Investment Purchases and Accrued Expenses	2,306,916,483	932,593	3,632,011	2,311,481,087	960,658,758
Deposits and Other Liabilities	110,648,027	---	--	110,648,027	107,113,190
Due to Other Funds	---	1,170,360	105,021	1,275,381	3,130,179
Bonds Payable	54,340,000	---	---	54,340,000	55,340,000
Securities Lending Collateral					
Due Borrowers	2,191,140,289	---	---	2,191,140,289	2,653,878,279
<b>Total Liabilities</b>	<u>4,663,044,799</u>	<u>2,102,953</u>	<u>3,737,032</u>	<u>4,668,884,784</u>	<u>3,780,120,406</u>
<b>Net Assets held in trust for pension and postemployment benefits (Schedules of Funding Progress on Page 25)</b>	<u>\$ 37,405,697,881</u>	<u>\$ 101,938,746</u>		<u>\$ 38,089,909,751</u>	<u>\$ 42,203,624,407</u>
<b>Fund Equity</b>					
Deferred Compensation Reserved			581,176,831		
Deferred Compensation Unreserved			1,096,293		
<b>Total Fund Equity</b>			<u>582,273,124</u>		
<b>Total Liabilities and Fund Equity</b>			<u>\$ 586,010,156</u>		

**Statements of Changes in Plan Net Assets -  
Defined Benefit Pension Plan and Postemployment Healthcare Plan  
For the Years Ended  
June 30, 2001 and 2000**

	Defined Benefit Pension Plan	Post- employment Healthcare Plan	Memorandum Only	
			2001	2000
<b>Additions:</b>				
Contributions:				
Employer	\$ 639,010,754	\$ 43,472,869	\$ 682,483,623	\$ 1,063,893,331
Employee	370,165,609	45,492,117	415,657,726	385,114,819
Other Sources	20,278,204	---	20,278,204	19,121,874
<b>Total Contributions</b>	<u>1,029,454,567</u>	<u>88,964,986</u>	<u>1,118,419,553</u>	<u>1,468,130,024</u>
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	(4,018,479,531)	(4,369,580)	(4,022,849,111)	6,209,577,266
Interest, Dividends, and Other Investment Income	867,778,799	1,844,957	869,623,756	763,178,069
<b>Total Investment Income</b>	<u>(3,150,700,732)</u>	<u>(2,524,623)</u>	<u>(3,153,225,355)</u>	<u>6,972,755,335</u>
Less Investment Expense	315,816,539	---	315,816,539	297,021,405
<b>Net Investment Income</b>	<u>(3,466,517,271)</u>	<u>(2,524,623)</u>	<u>(3,469,041,894)</u>	<u>6,675,733,930</u>
Other Income	603,381	---	603,381	374,446
<b>Total Additions</b>	<u>(2,436,459,323)</u>	<u>86,440,363</u>	<u>(2,350,018,960)</u>	<u>8,144,238,400</u>
<b>Deductions:</b>				
Benefits	1,568,808,652	---	1,568,808,652	1,433,091,183
Death Benefits	9,688,541	---	9,688,541	9,223,048
Refunds of Contributions	46,243,701	---	46,243,701	65,706,671
Administrative Expense	25,374,819	2,209,878	27,584,697	20,680,727
Healthcare Premium Subsidies	---	24,187,116	24,187,116	23,511,133
Retiree Healthcare Expense	---	39,831,041	39,831,041	35,937,352
<b>Total Deductions</b>	<u>1,650,115,713</u>	<u>66,228,035</u>	<u>1,716,343,748</u>	<u>1,588,150,114</u>
<b>Net Increase (Decrease)</b>	<b>(4,086,575,036)</b>	<b>20,212,328</b>	<b>(4,066,362,708)</b>	<b>6,556,088,286</b>
<b>Net Assets held in trust for pension and postemployment healthcare benefits</b>				
Beginning of Year	41,492,272,917	81,726,418	41,573,999,335	34,994,073,619
Residual Equity Transfers	---	---	---	23,837,430
<b>End of Year</b>	<u>\$ 37,405,697,881</u>	<u>\$ 101,938,746</u>	<u>\$ 37,507,636,627</u>	<u>\$ 41,573,999,335</u>

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

**Statement of Revenues, Expenditures,  
and Changes in Fund Equity -  
Expendable Trust Fund  
For the Years Ended  
June 30, 2001 and 2000**

	<b>Deferred Compensation Plan</b>	
	<b>2001</b>	<b>2000</b>
<b>Revenues:</b>		
Participant Contributions, Transfers, and Deferrals	\$ 49,860,334	\$ 41,512,686
Investment Income	(60,737,368)	71,350,673
Less Investment Charges	<u>1,891,752</u>	<u>2,366,670</u>
<b>Total Investment Income</b>	(62,629,120)	68,984,003
Other Income	741,250	856,553
<b>Total Revenues</b>	<u>(12,027,536)</u>	<u>111,353,242</u>
<b>Expenditures:</b>		
Benefit Payments to Participants	34,734,900	26,484,319
Administrative Expenditures	<u>589,512</u>	<u>607,203</u>
<b>Total Expenditures</b>	<u>35,324,412</u>	<u>27,091,522</u>
<b>Excess of Revenues over Expenditures</b>	<b>(47,351,948)</b>	<b>84,261,720</b>
<b>Fund Equity:</b>		
Beginning of Year	<u>629,625,072</u>	<u>545,363,352</u>
<b>End of Year</b>	<b><u>\$ 582,273,124</u></b>	<b><u>\$ 629,625,072</u></b>

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



## Notes to the Financial Statements June 30, 2001

### (1) Description of Plan

#### A. Plan Membership

The Oregon Public Employees Retirement System (PERS or "the System") provides a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238 and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (PERB). For state agencies, community colleges, and school districts, PERS is a cost-sharing, multiple-employer system. It is an agent multiple-employer system for political subdivisions. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional but irrevocable if elected. All System assets accumulated for the payment of benefits may legally be used to pay benefits to any of the plan members or beneficiaries of the System.

<b>Employee and Retiree Members</b>	
Retirees and beneficiaries currently receiving benefits	
	<u>6/30/2001</u>
General	77,920
Police and Fire	<u>5,303</u>
<b>Total</b>	<b><u>83,223</u></b>
Current employees and terminated employees entitled to benefits but not yet receiving them:	
<b>Vested:</b>	
General	134,766
Police and Fire	9,969
<b>Nonvested:</b>	
General	61,328
Police and Fire	<u>4,320</u>
<b>Total</b>	<b><u>210,383</u></b>

For many years, retirement programs for Oregon judges were administered by special legislation and programs under the Judges' Retirement Fund (JRF), established in 1963 under ORS 1.314 to 1.380. Effective August 1, 1991, the Judges' Retirement Fund was merged into the Public Employees Retirement Fund.

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 persons who established membership on or after January 1, 1996. The second tier provides a lower benefit structure than is available to Tier One members. Any potential reductions in employer contribution rates will not be realized until turnover has occurred and Tier Two members replace Tier One members. As of June 30, 2001, there were 75,720 Tier Two members in the System.

#### B. Plan Benefits

##### a. Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 12 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 \$30 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which they are 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.

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 below.

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.

Judges' Retirement System (JRS) members were entitled to a monthly amount equal to one-twelfth of final average salary upon reaching age 65 with 16 years of service or at age 70 with 12 years of service.

**b. 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 is true:

- 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;
- The member is 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.

Surviving spouses of JRS members and judge members of PERS receive benefits as provided in ORS 238.055 and ORS 238.565.

**c. Disability Benefits**

A member with ten 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 judge members of PERS) 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.

**d. 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 for cost-of-living changes. Two percent per year is the maximum cost-of-living adjustment. Periodically, the Oregon Legislature has granted *ad hoc* increases to post-retirement benefits.

**e. Postemployment Healthcare Benefits**

Under ORS 238.410 the PERB 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 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 PERS 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.

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, 2001, all PERS employers contributed 0.70 percent of PERS-covered salaries to fund RHIA benefits. This is included in the employer contribution rates listed on page 18. 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.

The employers' contributions are advance-funded on an actuarially determined basis. Employers' actual contributions for the fiscal year ended June 30, 2001, were \$42.3 million. The inflation assumption for RHIA postemployment benefits is zero percent 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 32,716 for the fiscal year ended June 30, 2001.

ORS 238.415 established the Retiree Health Insurance Premium Account (RHIPA) and requires the PERB 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 PERB 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.

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, 2001, state agencies contributed 0.07 percent of PERS-covered salaries to fund RHIPA benefits, based on the December 31, 1997 actuarial valuation.

The number of active plan RHIPA participants was 739 for the fiscal year ended June 30, 2001.

## (2) Summary of Significant Accounting Policies and Investment Valuation Method

### A. Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements 25 and 26, 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).

The activities of PERS are accounted for in two fund types.

Pension Trust Fund

- Public Employees Retirement Fund

Expendable Trust Fund

- State Deferred Compensation Plan

### B. Basis of Accounting

The accrual basis of accounting is used for Pension Trust Funds. Revenues are recognized when earned. Contributions are recognized as of the date in which members' salaries are paid by employers. Expenses are recognized when incurred. Benefits and refunds are recognized in the month they are due and payable.

The modified accrual basis is used to record assets and liabilities of the expendable trust fund. The expendable trust fund recognizes revenues when they are both available and measurable, and expenditures when incurred.

### 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 contested 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 administrative expenses on the budgetary basis to administrative expenses presented in the Statements of Changes in Plan Net Assets. The legislatively approved budget includes increases approved by the Legislative Emergency Board through June 2001.

### D. Valuation of Investments

Investments are recognized at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Open-end mutual funds, debt securities, equity securities, option contracts, stock warrants, and stock rights are valued at the last reported sales price if there is an active market for the investment. If there is not an active market for investments, PERS relies on the Oregon Investment Council's consultants to establish the fair value of these investments. When attempting to value investments without active markets, the consultant determines if there is a market for similar investments. If a market price is not available, a forecast of expected cash flows may be used in estimating fair value, discounted at a rate com-

	<u>Legislatively Approved Budget</u>	<u>Actual</u>	<u>Unobligated Balance at June 30, 2001</u>
<b>1999-2001 Biennium:</b>			
Personal Services	\$ 22,675,380	\$ 21,026,166	\$ 1,649,214
Services and Supplies	25,543,707	24,276,118	1,267,589
Capital Outlays	645,091	145,979	499,112
<b>1999-2001 Totals</b>	<b><u>\$ 48,864,178</u></b>	<b><u>\$45,448,263</u></b>	<b><u>\$ 3,415,915</u></b>
<b>Total Expenses July 1, 1999 - June 30, 2001 Budgetary Basis (non GAAP)</b>			\$ 45,448,263
<b>Biennium Adjustments to Administrative Expenses</b>			
<b>Add:</b>			
Depreciation Expense - Other			348,667
Depreciation Expense - Building			360,526
Increase in Compensated Absences			144,982
Increase in Accruals			2,623,513
Cost Reflected on Prior Biennium Budget			781,437
Non-Limited Expenses			167,914
<b>Deduct:</b>			
Increase in Supplies Inventory			377
Increase in Prepaid Expenses			3,286
Capital Outlay, July 1, 1999 - June 30, 2001			145,979
Expenses, July 1, 1999 - June 30, 2000			21,287,930
Encumbrances as of June 30, 2001			263,521
<b>Financial Statement Total for the Year Ended June 30, 2001</b>			<b><u>\$ 28,174,209</u></b>
Statement of Changes in Plan Net Assets - Defined Benefit Pension Plan and Postemployment Healthcare Plan			\$ 27,584,697
Statement of Revenues, Expenditures, and Changes in Fund Equity - Expendable Trust Fund			589,512
<b>Financial Statement Total for the Year Ended June 30, 2001</b>			<b><u>\$ 28,174,209</u></b>

mensurate with the risk involved.

**E. Distribution of Earnings**

Earnings distribution to members, by law, is made on a calendar-year basis. Members in Tier One are guaranteed to receive at least the assumed earnings rate used in the most recent actuarial valuation. At this time that rate is 8.00 percent. Members participating in the Variable Account and Tier Two members receive actual earnings or losses.

**(3) Contributions and Reserves**

**A. Contributions**

**a. Member Contributions**

Member contributions are set by statute at 6 to 7 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers. The Member Reserve represents member contributions and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

**b. Employer Contributions**

Employer contribution rates are determined by an actuarial formula known as the “entry-age cost method.” Under this method, a “normal cost” rate for each member is calculated. Normal cost is a level percentage of salary. Beginning at the member’s entry into the System, the calculated normal cost should accumulate an amount sufficient to provide the member’s retirement benefit. After the unfunded supplemental present value created by this method has been determined, the employer contribution rates are established as a level percentage of salary. The rates are set to cover the normal cost and amortize the unfunded amount over a period commencing on the actuarial valuation date and ending on December 31, 2027.

	State Agencies and Community Colleges		Political Subdivisions		
	Schools	Police and Fire	General	Judiciary	
Employee Normal Cost	<u>6.00%</u>	<u>6.00%</u>	<u>6.00%</u>	<u>6.00%</u>	<u>7.00%</u>
Employer Normal Cost	7.58%	9.08%	7.85%	10.61%	15.43%
Unfunded Actuarial Liability	1.38	2.47	2.49	2.49	1.48
Healthcare Benefits	<u>0.77</u>	<u>0.70</u>	<u>0.70</u>	<u>0.70</u>	<u>0.70</u>
<b>Total Employer Rates</b>	<u><b>9.73%</b></u>	<u><b>12.25%</b></u>	<u><b>11.04%</b></u>	<u><b>13.80%</b></u>	<u><b>17.61%</b></u>

The employer contribution rate for state agencies and community colleges is 9.73 percent, for schools the rate is 12.25 percent, and for the judiciary the rate is 17.61 percent of PERS-covered salaries, effective July 1, 1999. The rates for political subdivisions are presented in the aggregate. Actual rates for political subdivisions vary by employer (see table above).

Based on the 1997 actuarial valuation, the Board decided to implement recommended contribution rate decreases, beginning July 1, 1999.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a level percentage of annual covered payroll, coupled with employee contributions, accumulate sufficient assets to pay benefits when due.

Separate contribution rates are adopted by the Board for all state agencies and community colleges combined, all school districts combined, the state judiciary, and each individual political subdivision employer.

Employer aggregate contributions to the Public Employees Retirement Fund (PERF) for the calendar year ended December 31, 2000, were \$659.6 million less \$8.4 million for integration of prior plan assets by employers merging into the System and payments of certain employers toward their unfunded actuarial liability from the 1997 actuarial valuation, \$1.7 million pertaining to prior year’s salaries, \$.9 million for the Benefit Equalization Fund, and \$.1 million for the Social Security program, for a total of \$648.5 million attributable to calendar year 2000 activity. Employer contributions consist of \$459.9 million normal cost, \$76.9 million amortization of the unfunded actuarial accrued liability, \$41.1 million to fund the Retirement Health Insurance Account, and \$1.1 million to fund the Retirement Health Insurance Premium Account. Employer contributions attributable to the period were equivalent to 11.03 percent of the members’ aggregate annual salaries of \$5,866.1 million.

Employee contributions for the calendar year ended December 31, 2000, consisted of \$361.7 million less \$.6 million for member purchases, and \$8.8 million of contributions pertaining to prior year’s salaries and integration of prior plan assets of employees merging into the System and payments of employee contributions by certain employers toward their unfunded actuarial liability from the 1997 actuarial valuation for a total of \$352.3 million of employee contributions attributable to calendar year 2000 activity.

Based on the actuarial valuation as of December 31, 1997, judiciary and certain political subdivisions received lower employer contribution rates. The schools, state agencies, and other political subdivisions experienced an increase in their employer contribution rates. The PERB practice has been to implement the new employer contribu-



tion rates for those employers who experienced a decrease and to delay implementation of the new employer contribution rates for those employers who experienced an increase in their employer contribution rate in order to provide employers an opportunity to budget the increases. Due to a significant increase in employer contribution rates, based on the December 31, 1997 valuation, the Board allowed local employers to elect actuarially equivalent rates which deferred increases to future periods. Employer contributions consist of three components: a normal cost rate, an unfunded actuarial accrued liability rate, and a rate for postemployment healthcare benefits. Actual employer rates varied among the employer groups.

### **B. Actuarial Cost Method and Assumptions**

Employer contribution rates are set using the entry age actuarial cost method. This method produces 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 amortization of the unfunded actuarial accrued liability over a period commencing on the valuation date and ending on December 31, 2027, and (3) an actuarially determined amount for funding postemployment healthcare subsidies.

### **C. Reserves and Designations**

#### **a. Member Reserve**

The Member Reserve of \$10,109.3 million as of June 30, 2001, represents member contributions and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

#### **b. Employer Reserve**

The Employer Reserve of \$11,198.7 million as of June 30, 2001, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

#### **c. Benefit Reserve**

The Benefit Reserve of \$15,336.4 million as of June 30, 2001, is the amount set aside to pay future benefits. The amount needed is determined by the PERS actuary. It includes funds transferred from the Employer and Member Reserves and earnings allocations, less amounts paid for retirements and disabilities.

#### **d. Undistributed Investment Earnings Reserve**

The Undistributed Investment Earnings Reserve may be credited with investment earnings in excess of required minimum distributions. As of June 30, 2001, the balance of this reserve was \$2,497.1 million.

Oregon law requires individual accounts for Tier One members to be credited at the assumed rate of return on investments adopted by the PERB for use in actuarial valuations.

#### **e. Unallocated Earnings Designation**

The Unallocated Earnings Designation represents January through June investment earnings or losses less administrative expenses which will be distributed after member accounts have been credited with contributions. This distribution 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, 2001, the balance of this designation was (\$1,735.9) million.

#### **f. Retirement Health Insurance Account**

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, 2001, the balance of this account was \$65.9 million.

#### **g. Retiree Health Insurance Premium Account**

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, 2001, the balance of this account was \$2.6 million.

#### **h. Standard Retiree Health Insurance Account**

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, 2001, the balance of this account was \$33.4 million.

### **D. Administrative Costs**

Costs for administering the System are funded from investment earnings 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 11 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 Oregon state treasury has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the *State of Oregon Comprehensive Annual Financial Report*.



**(5) Assets Used in Plan Operations****A. Building and Improvements**

Capital construction of PERS headquarters in Tigard, Oregon, was completed May 31, 1997. Land and buildings plus improvements are recorded at cost. The depreciation of the building/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 straight-line method over the assets' estimated useful lives. Useful lives range from three to ten years.

**C. Office Supplies Inventory**

Office supplies inventory is reflected at cost, using the first-in/first-out (FIFO) method.

**(6) Deposits and Investments****A. Cash**

PERS cash and cash equivalents consist of cash on hand, demand deposits, and deposits in the Oregon Short Term Fund, and are carried at cost. The carrying amount is separately displayed on the balance sheet as cash and cash equivalents. Statutes require that all monies received by the pension trust fund be deposited with the state treasurer.

PERS deposits are classified in three categories of credit risk to give an indication of the level of risk assumed by PERS as of year end. The three categories of credit risk are:

1. Insured or collateralized with securities held by the state treasurer or its custodian in the name of the state of Oregon,
2. Collateralized with securities held by the pledging financial institution's trust department or custodian in the name of the state of Oregon, and
3. Uncollateralized.

As of June 30, 2001, all PERS deposits held by the state treasurer were in credit risk category "1," except for \$14.6 million of reinvested cash collateral in U.S. government and agency securities, repurchase agreements, and commercial paper, which are classified as investment risk category "3." Deposits of cash and cash equivalents from the proceeds of certificates of participation held in other banks are classified as credit risk category "3."

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. There is \$1,129.2 million on deposit for the accounts of the Oregon Equity Fund, Real Estate Investment Fund, and Alternative Equity Fund investment managers and \$181.2 million on deposit for the accounts of the International Equity Fund and Global Fixed Income investment managers. These deposits, with State Street Bank, are classified as uncollateralized, category "3."

**B. Investments**

By statute, the Oregon Investment Council (OIC) is responsible for investment policy. The state treasurer is the investment officer. The law allows any kind of investment that is prudent. Common stock acquisitions are limited to 50 percent of the monies contributed. The state treasurer is prohibited from investing in common stock. OIC common stock investments are made by independent investment managers selected and evaluated by the OIC.

GASB Statement No. 3 requires that investments be categorized to give an indication of the level of risk assumed at year-end. Certain investment types in the PERS portfolio, such as equity real estate, mutual funds, leveraged buyouts, and deferred compensation investments, cannot be categorized within the guidelines established by GASB Statement No. 3. These investments total approximately \$17,793.6 million in carrying value.

In accordance with state investment policies, several outside investment managers retained by the OIC may invest in the following types of derivative securities: futures contracts, forwards, option contracts, collateralized mortgage obligations, mortgage-backed securities, interest rate and currency swaps, or other financial instruments with similar characteristics. PERS holds asset-backed securities, a type of derivative, with a fair value of \$914.4 million as of June 30, 2001. These consist of rate reduction bonds, collateralized mortgage obligations, real estate mortgage investment conduits, and securities issued by a major finance company. Investments in derivatives are generally made to manage the overall risk of the individual managers' portfolios to a level satisfactory to the investment management firm and in accordance with their contract with the OIC. For the year ended June 30, 2001, the credit risk, market risk, and legal risk for these investments are not above and beyond those risks that are apparent in the financial statements or are otherwise disclosed in the notes to the financial statements. Information regarding the derivative holdings of mutual funds, which may be held by certain investment management firms as a component of their portfolio, is not available.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Investment Managers with Custodian Banks	\$ 1,310,460,181	\$ 1,310,460,181
State Treasury	335,583,964	366,104,012
Other Banks	1,415	1,415
	<u>\$ 1,646,045,560</u>	<u>\$1,676,565,608</u>

	Risk Category			Total Carrying Amount	Total Fair Value Amount
	1	2	3		
<b>Pension Trust Fund Investments</b>					
<b>Investment Type:</b>					
U.S. Government Securities	\$ 1,079,234,180	\$ ---	\$ ---	\$ 1,079,234,180	\$ 1,079,234,180
U.S. Agency Securities	2,976,532,784	---	---	2,976,532,784	2,976,532,784
Domestic Corporate Securities	3,479,592,694	---	---	3,479,592,694	3,479,592,694
Domestic Stocks	5,472,484,665	---	582,734,972	6,055,219,637	6,055,219,637
International Government and Corporate Securities	987,130,957	---	---	987,130,957	987,130,957
International Stocks	3,086,339,441	---	---	3,086,339,441	3,086,339,441
Asset-Backed Securities	914,388,439	---	---	914,388,439	914,388,439
Real Estate Securities	652,288,934	---	---	652,288,934	652,288,934
<b>Investments on Securities Loan for Securities and Tri-Party Agreement Collateral:</b>					
Domestic Stocks	15,489,256	---	---	15,489,256	15,489,256
International Stocks	114,894,985	---	---	114,894,985	114,894,985
International Government and Corporate Securities	2,472,072	---	---	2,472,072	2,472,072
Subtotal Pension Plan Investments	<u>\$ 18,780,848,407</u>	<u>\$ ---</u>	<u>\$ 582,734,972</u>	19,363,583,379	19,363,583,379
<b>Unclassified as to Risk:</b>					
Real Estate				1,964,359,366	1,964,359,366
Real Estate Mortgages				2,140,610	2,140,610
Annuity Contracts				8,088,072	8,088,072
Leveraged Buy-outs				1,747,547,699	1,747,547,699
Venture Capital				3,592,856	3,592,856
Limited Partnerships				2,574,625,740	2,574,625,740
Domestic Mutual Funds				7,198,206,117	7,198,206,117
Global Mutual Funds				2,186,320,144	2,186,320,144
<b>Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:</b>					
U.S. Government Securities				157,830,386	157,830,386
U.S. Agency Securities				435,310,962	435,310,962
Domestic Stocks				674,029,476	674,029,476
Domestic Corporate Securities				190,255,161	190,255,161
International Stocks				613,653,590	613,653,590
International Government and Corporate Securities				37,653,728	37,653,728
<b>Total Pension Plan Investments</b>				<u>\$ 37,157,197,286</u>	<u>\$ 37,157,197,286</u>
Deferred Compensation Mutual Funds					
Unclassified as to Risk				581,176,831	581,176,831
<b>Total PERS Investments</b>				<u><u>\$ 37,738,374,117</u></u>	<u><u>\$ 37,738,374,117</u></u>

PERS investments are classified in three categories of credit risk to give an indication of the level of risk assumed by PERS as of year-end. The three categories of credit risk are:

- 1) Insured or registered, or securities held by the state of Oregon or its agent in the state of Oregon's name for PERS;
- 2) Uninsured and unregistered with securities held by the counterparty's trust department or agent in the state of Oregon's name for PERS; and
- 3) Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the state of Oregon's name for PERS.

The schedule above presents the carrying value and fair value of the investments that were held by the state of Oregon for PERS as of June 30, 2001.

**C. Securities Lending**

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

The custodian had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, letters of credit, and foreign sovereign debt of Organization of Economic Cooperation and Development (OECD) countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security, or 105 percent in the case of international securities. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default and OPERF did not impose any restrictions during the fiscal year on the amount of the loans the custodian made on its behalf. OPERF 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, 2001, is effectively one day. On June 30, 2001, OPERF had no credit risk exposure to borrowers because the amounts the OPERF owes borrowers exceed the amounts borrowers owe OPERF. The fair values of the collateral received and the securities on loan from OPERF as of June 30, 2001, including accrued income, were \$2,687.0 million and \$2,241.6 million, respectively. For the fiscal year ended June 30, 2001, total income from securities lending activity was \$149.6 million, and total expenses for the period were \$139.8 million, for net income of \$9.8 million.

OPERF's cash balances held by the state treasurer are invested in the Oregon Short Term Fund (OSTF), as is the cash of other state agencies. As of June 30, 2001, the fair values of the collateral received and the securities on loan, including accrued income, from the OSTF were \$296.4 million and \$283.2 million, respectively. OPERF's allocated portions of the collateral received and securities on loan were \$14.6 million and \$13.9 million respectively.

The total cash collateral of \$2,191.1 million is not categorized as to risk.

<b>Securities Loaned Fair Value</b>	
U.S. Government Securities	\$ 157,830,386
U.S. Agency Securities	435,310,962
Domestic Stocks	689,518,732
Domestic Corporate Securities	190,255,161
International Stocks	728,548,575
International Government and Corporate Securities	<u>40,125,800</u>
<b>Total</b>	<b><u>\$ 2,241,589,616</u></b>
<b>Collateral Fair Value</b>	
Cash	\$ 2,176,585,695
Securities	<u>510,441,527</u>
<b>Total</b>	<b><u>\$ 2,687,027,222</u></b>

**(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 which 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.

The schedule to the right summarizes the minimum lease payments for operating leases in effect as of June 30, 2001.

	<b>Operating Leases</b>
2002	\$ 26,647
2003	0
2004	0
2005	0
2006	0
Thereafter	0
<b>Total Future Minimum Lease Payments</b>	<b><u>\$ 26,647</u></b>

**(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 Deferred Compensation Fund with the Oregon Savings Growth Plan. The plan is accounted for in an expendable trust fund. As of June 30, 2001, the fair value of investments was \$581.2 million.

The plan is a benefit available to all state employees wherein they may execute 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; or unforeseeable emergency.

PERS contracts with CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain the Oregon Savings Growth Plan participant records. The Oregon state treasury, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are nine investment options with varying degrees of market risk, with account balances totaling \$559.2 million. Three or more 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 control the selection of investment options and also bear any market risk. Account balances totaling \$22.0 million remain with various financial institutions for participants who are receiving distributions and who elected not to transfer their account balances to CitiStreet. The records for these participants are maintained by the various financial institutions responsible for their assets. The state has no liability for losses under the plan but does have the prudent investor responsibility of due care.

PERS may assess a charge to the participants not to exceed 2 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, 2001, averaged 0.32 percent of amounts deferred.

Oregon Revised Statute 243.505 established a Deferred Compensation Advisory Committee to provide input from participants. This committee is composed of five 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 at Portland International Airport. The company ceased operations at the end of October 1993. Initial interest payments were made from a reserve fund established from bond sale proceeds. This reserve fund was depleted and interest payments from the retirement trust fund commenced in October 1994.

**Pamcorp Taxable Special Obligation Revenue Bonds Issued and Outstanding**

	<u>Amount Issued and Outstanding</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Issue Date</u>
Series "A"	\$ 10,100,000	8.350%	May 15, 2010	June 1, 1992
Series "B"	9,800,000	8.875	May 15, 2015	June 1, 1992
Series "C"	27,000,000	9.200	May 15, 2022	June 1, 1992

**Pamcorp Debt Service Requirements to Maturity**

<u>Fiscal Year</u>	<u>Series "A" Principal</u>	<u>Series "A" Interest</u>	<u>Series "B" Principal</u>	<u>Series "B" Interest</u>	<u>Series "C" Principal</u>	<u>Series "C" Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Expenses</u>
2002	\$ 800,000	\$ 843,350	\$ -	\$ 869,750	\$ -	\$ 2,484,000	\$ 800,000	\$ 4,197,100	\$ 4,997,100
2003	900,000	776,550	-	869,750	-	2,484,000	900,000	4,130,300	5,030,300
2004	900,000	701,400	-	869,750	-	2,484,000	900,000	4,055,150	4,955,150
2005	1,000,000	626,250	-	869,750	-	2,484,000	1,000,000	3,980,000	4,980,000
2006	1,100,000	542,750	-	869,750	-	2,484,000	1,100,000	3,896,500	4,996,500
2007-2022	5,400,000	1,169,000	9,800,000	6,203,628	27,000,000	34,141,200	42,200,000	41,513,828	83,713,828
	<u>\$ 10,100,000</u>	<u>\$ 4,659,300</u>	<u>\$ 9,800,000</u>	<u>\$ 10,552,378</u>	<u>\$ 27,000,000</u>	<u>\$ 46,561,200</u>	<u>\$ 46,900,000</u>	<u>\$ 61,772,878</u>	<u>\$ 108,672,878</u>

PERS has purchased a lease-hold interest in the facility. The value of any recovery cannot be estimated because it will depend on whether PERS can re-lease or sell the facility, and on what terms. In October 1996, the attorney general filed a lawsuit against the owners of the company and the consulting firm that advised the investment. At the time of this report, some claims are still pending. The value of any recovery from pending claims cannot be estimated at this time.

The first table describes taxable obligation revenue bonds issued and outstanding guaranteed by the retirement fund.

The second table summarizes the amounts necessary to pay all future long-term guaranteed debt principal and interest requirements as of fiscal year ending June 30, 2002, for each fiscal year during the next five-year period ending June 30, 2006, and in total for the succeeding period July 1, 2006, to June 30, 2022.

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 were

**PERS Building Debt Service Requirements to Maturity**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Expenses</u>
2002	\$ 315,000	\$ 398,502	\$ 713,502
2003	325,000	384,327	709,327
2004	340,000	369,215	709,215
2005	360,000	353,065	713,065
2006	375,000	335,605	710,605
2007-2017	<u>5,725,000</u>	<u>2,101,884</u>	<u>7,826,884</u>
	<u>\$ 7,440,000</u>	<u>\$ 3,942,598</u>	<u>\$ 11,382,598</u>

sold on March 16, 1996, for \$8.6 million at a 5.45 percent interest rate with the final repayment due April 10, 2017. The third table on page 23 summarizes all future certificates of participation payments of principal and interest as of fiscal year ending June 30, 2002, for each fiscal year during the next five-year period, and the total for the succeeding period from July 1, 2006, to April 10, 2017.

### **(11) Contingent Liabilities**

Several local government employers (plaintiffs) have filed lawsuits seeking to reverse the PERB's order raising employer contributions to the PERF, the allocated 1999 earnings to employee accounts, reserve accounts, and unfunded actuarial liability balances. As the issues are the same in each case, the Marion County Circuit Court has consolidated the cases into one. The plaintiffs are not seeking monetary damages.

Certain PERS members (intervenors) have intervened to defend the PERB orders being challenged by the plaintiffs and to pursue their own challenges to two PERB orders. Intervenors challenged the February 8, 2000 order that expanded the coverage provided by a reserve account that had been previously established by PERB. Intervenors also challenged the March 27, 2000 order allocating 1999 earnings to employee and reserve accounts.

Plaintiffs and intervenors are asking the court to reverse the challenged PERB orders, to declare their rights and PERB's obligations regarding the PERF, and, if appropriate, to order a redistribution of earnings previously allocated by the PERB. The claims are not covered by insurance.

On July 31, 2001, the judge in the case dismissed a number of motions brought by the plaintiffs and intervenors, but ruled on several. The primary issues on which the ruling was offered were the calculation of benefits, the use of a contingency reserve, and employer participation in 1999 domestic equity earnings. The judge offered no remedies and made clear in his summary that any remedies that would apply to the rulings would be determined by a subsequent trial. If the court reverses the PERB order establishing local government employers' contribution rates, the financial impact on the PERF is unclear. There is a question as to how the PERF would make up the losses if the court reduced the contribution rates for these employers. The maximum potential loss is the amount of the unfunded actuarial liability accrued for the plaintiffs, which was \$567.9 million as of December 31, 1997. If an adverse ruling is deemed to apply to all government employers (including those not currently named as parties in the lawsuits), the total unfunded liability is \$2,556.7 million.

If the court reverses the PERB order allocating the 1999 earnings, the financial impact on the PERF is unclear. The total 1999 earnings available for distribution was \$6,978.7 million. An adverse ruling on the allocation order could result in a reallocation of all or part of the total 1999 earnings available for distribution. PERS will not know the effect on PERS members or the System until the remedy determined by the subsequent trial is known, and parties to the case decide whether to appeal.



**Required Supplementary Information****Schedules of Funding Progress**

(dollar amounts in millions)

<b>Valuation Date</b>	<b>Actuarial Liability</b>	<b>Valuation of Assets</b>	<b>Assets as a % of Actuarial Liabilities</b>	<b>Unfunded Accrued Liabilities (UAL)</b>	<b>Annual Active Member Payroll</b>	<b>UAL as a % of Annual Active Member Payroll</b>
<b>Pension Benefits</b>						
12/31/2000	\$ 42,783.9	\$ 41,739.6	97.6%	\$ 1,044.3	\$ 6,195.9	16.9%
12/31/1999	40,395.4	39,920.9	98.8	474.5	5,676.6	8.4
12/31/1997	31,178.0	29,097.2	93.3	2,080.8	5,161.6	40.3
12/31/1995	22,794.0	20,963.6	92.0	1,830.4	4,848.1	37.8
12/31/1993	18,614.7	17,560.1	94.3	1,054.6	4,466.8	23.6
12/31/1991	14,378.7	14,679.4	102.1	(300.7)	3,887.5	(7.7)
<b>Postemployment Healthcare Benefits - Retirement Health Insurance Account*</b>						
12/31/2000	\$ 543.5	\$ 62.1	11.4%	\$ 481.4	\$ 6,195.9	7.8%
12/31/1999	495.3	41.4	8.4	453.9	5,676.6	8.0
12/31/1997	473.8	10.7	2.3	463.1	5,161.6	9.0
12/31/1995	428.1	(3.4)	(0.8)	431.5	4,848.1	8.9
12/31/1993	360.7	(6.8)	(1.9)	367.5	4,466.8	8.2
12/31/1991	263.2	(11.5)	(4.4)	274.7	3,887.5	7.1
<b>Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account**</b>						
12/31/2000	\$ 23.1	\$ 2.9	12.6%	\$ 20.2	\$ 1,984.0	1.0%
12/31/1999	17.2	2.5	14.5	14.7	1,802.7	0.8
12/31/1997	13.1	0.3	2.3	12.8	1,399.8	0.9
12/31/1995	26.5	(2.6)	(9.8)	29.1	1,581.5	1.8
12/31/1993	25.9	(1.3)	(5.0)	27.2	1,498.1	1.8
12/31/1991	29.3	0.0	0.0	29.3	1,440.6	2.0

\*The Retirement Health Insurance Account provides postemployment healthcare benefits for eligible members for all participating employers. When created, the account also assumed the debt of its predecessor trust fund of \$11.5 million, resulting in a negative valuation of assets prior to December 31, 1997.

\*\*The Retiree Health Insurance Premium Account provides postemployment healthcare benefits only for eligible members who retired from state of Oregon employers. Required annual contributions did not begin until July 1, 1995, while benefits were being paid resulting in a negative valuation of assets prior to December 31, 1997.

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

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Pension Benefits		
12/31/2000	\$ 635.6	95.2%*
12/31/1999	545.9	96.6*
12/31/1998	452.1	100.0
12/31/1997	440.0	100.0
12/31/1996	432.1	100.0
12/31/1995	401.4	100.0
12/31/1994	402.7	100.0
12/31/1993	399.7	100.0
12/31/1992	409.1	100.0
12/31/1991	404.8	100.0
Postemployment Healthcare Benefits - Retirement Health Insurance Account**		
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
12/31/1996	28.0	100.0
12/31/1995	24.6	100.0
12/31/1994	21.8	100.0
12/31/1993	21.4	100.0
12/31/1992	22.0	100.0
12/31/1991	23.2	100.0
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account***		
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
12/31/1996	2.4	100.0
12/31/1995	1.2	100.0

\*Due to a significant increase in employer contribution rates based on the December 31, 1997 actuarial valuation, the Board allowed employers to elect to defer increases to future periods.

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

\*\*\*The Retiree Health Insurance Premium Account provides postemployment healthcare benefits only for eligible members who retired from state of Oregon employers. Required Annual Contributions did not begin until July 1, 1995.

## Notes to Required Supplementary Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

### PERS

Valuation Date	12/31/2000
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of salary over a period commencing on the valuation date and ending on December 31, 2027.
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases	4.25%
Consumer Price Inflation	3.5%
Health Cost Inflation	Graded from 8.5 % to 5 % over 8 years*
Cost-of-living Adjustments	2.0%
Method Used to Value Assets	The actuarial value of assets is equal to the fair market value of assets on the valuation date, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25.0 percent per year. The actuarial value of assets is limited to a 10.0 percent corridor above and below the fair market value.
Amortization Period	27 years
Selection of Amortization Approach	Closed

#### \*Health Cost Inflation

Year 1	8.5%
Year 2	8.0%
Year 3	7.5%
Year 4	7.0%
Year 5	6.5%
Year 6	6.0%
Year 7	5.5%
Year 8 and later	5.0%

Note: The December 31, 2000 valuation will amortize the December 31, 1997 and December 31, 1999 unfunded actuarial liability over a 27-year period. This amortization period will be shortened each valuation until a 20-year amortization period is achieved.

**Schedule of Plan Net Assets -  
Defined Benefit Pension Plan  
June 30, 2001 and 2000**

	Regular Account	Variable Account	Totals	
			2001	2000
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,579,233,016	\$ 30,888,231	\$ 1,610,121,247	\$ 1,259,180,811
Receivables:				
Employer	46,224,502	---	46,224,502	31,078,264
Employee	18,366,880	7,254,838	25,621,718	16,882,228
Interest and Dividends	166,331,300	1,328,688	167,659,988	162,680,431
Investment Sales and Other Receivables	923,168,563	5,357,120	928,525,683	377,206,817
<b>Total Receivables</b>	<b>1,154,091,245</b>	<b>13,940,646</b>	<b>1,168,031,891</b>	<b>587,847,740</b>
Interaccount Receivables and Payables	4,546,259	(4,546,259)	---	---
Due from Other Funds	1,275,381	---	1,275,381	3,130,179
Investments:				
Fixed Income	11,404,624,526	57,815,844	11,462,440,370	9,141,711,725
Equity	17,674,080,204	1,675,689,808	19,349,770,012	24,189,064,374
Real Estate	1,960,660,293	---	1,960,660,293	1,982,545,281
Alternative Equity	4,317,620,470	---	4,317,620,470	5,439,385,836
<b>Total Investments</b>	<b>35,356,985,493</b>	<b>1,733,505,652</b>	<b>37,090,491,145</b>	<b>40,752,707,216</b>
Securities Lending Cash Collateral	2,191,140,289	---	2,191,140,289	2,653,878,279
Prepaid Expenses	44,603	---	44,603	38,196
Equipment and Fixtures, Cost Net of Accumulated Depreciation at 2001: \$ 1,906,097; at 2000: \$ 1,769,472	213,873	---	213,873	350,498
Land and Buildings, Cost Net of Accumulated Depreciation at 2001: \$ 736,073; at 2000: \$555,810	7,418,899	---	7,418,899	7,599,161
Office Supplies Inventory, Cost	5,352	---	5,352	5,910
<b>Total Assets</b>	<b>40,294,954,410</b>	<b>1,773,788,270</b>	<b>42,068,742,680</b>	<b>45,264,737,990</b>
<b>Liabilities:</b>				
Investment Purchases and Accrued Expenses	2,295,841,185	11,075,298	2,306,916,483	959,720,805
Deposits and Other Liabilities	110,103,326	544,701	110,648,027	103,525,989
Due to Other Funds	---	---	---	---
Bonds Payable	54,340,000	---	54,340,000	55,340,000
Securities Lending Cash Collateral Due Borrowers	2,191,140,289	---	2,191,140,289	2,653,878,279
<b>Total Liabilities</b>	<b>4,651,424,800</b>	<b>11,619,999</b>	<b>4,663,044,799</b>	<b>3,772,465,073</b>
<b>Net Assets held in trust for pension benefits</b>	<b>\$ 35,643,529,610</b>	<b>\$ 1,762,168,271</b>	<b>\$ 37,405,697,881</b>	<b>\$ 41,492,272,917</b>

**Schedule of Changes in Plan Net Assets -  
Defined Benefit Pension Plan  
For the Years Ended  
June 30, 2001 and 2000**

	Regular Account	Variable Account	Totals	
			2001	2000
<b>Additions:</b>				
Contributions:				
Employer	\$ 639,010,754	\$ ---	\$ 639,010,754	\$ 1,022,650,598
Employee	270,627,337	99,538,272	370,165,609	348,244,045
Other Sources	20,278,204	---	20,278,204	19,121,874
<b>Total Contributions</b>	<u>929,916,295</u>	<u>99,538,272</u>	<u>1,029,454,567</u>	<u>1,390,016,517</u>
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	(3,744,833,101)	(273,646,430)	(4,018,479,531)	6,209,577,266
Interest, Dividends, and Other Investment Income	867,719,906	58,893	867,778,799	753,249,531
<b>Total Investment Income</b>	<u>(2,877,113,195)</u>	<u>(273,587,537)</u>	<u>(3,150,700,732)</u>	<u>6,962,826,797</u>
Less Investment Expense	310,699,636	5,116,903	315,816,539	296,938,524
<b>Net Investment Income</b>	<u>(3,187,812,831)</u>	<u>(278,704,440)</u>	<u>(3,466,517,271)</u>	<u>6,665,888,273</u>
Other Income	603,381	---	603,381	374,446
<b>Total Additions</b>	<u>(2,257,293,155)</u>	<u>(179,166,168)</u>	<u>(2,436,459,323)</u>	<u>8,056,279,236</u>
<b>Deductions:</b>				
Benefits	1,512,593,820	56,214,832	1,568,808,652	1,433,091,183
Death Benefits	9,688,541	---	9,688,541	9,223,048
Refunds of Contributions	42,976,174	3,267,527	46,243,701	65,706,671
Administrative Expense	24,416,475	958,344	25,374,819	18,568,579
Interaccount Transfers	(104,139,228)	104,139,228	---	---
<b>Total Deductions</b>	<u>1,485,535,782</u>	<u>164,579,931</u>	<u>1,650,115,713</u>	<u>1,526,589,481</u>
<b>Net Increase (Decrease)</b>	<u>(3,742,828,937)</u>	<u>(343,746,099)</u>	<u>(4,086,575,036)</u>	<u>6,529,689,755</u>
<b>Net Assets held in trust for pension benefits</b>				
Beginning of Year	39,386,358,547	2,105,914,370	41,492,272,917	34,962,583,162
<b>End of Year</b>	<u>\$ 35,643,529,610</u>	<u>\$ 1,762,168,271</u>	<u>\$ 37,405,697,881</u>	<u>\$ 41,492,272,917</u>



**Schedule of Plan Net Assets -  
Postemployment Healthcare Plan  
June 30, 2001 and 2000**

	Retirement Health Insurance Account	Retiree Health Insurance Premium Account	Standard Retiree Health Insurance Account	Totals	
				2001	2000
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 5,688	\$ 801	\$ 31,126,495	\$ 31,132,984	\$ 29,643,112
Receivables:					
Employer	2,860,220	96,663	---	2,956,883	1,967,366
Employee	---	---	3,245,691	3,245,691	--
Interest and Dividends	---	---	---	---	8,924
<b>Total Receivables</b>	<b>2,860,220</b>	<b>96,663</b>	<b>3,245,691</b>	<b>6,202,574</b>	<b>1,976,290</b>
Due from Other Funds	---	---	---	---	---
Commingled Investments	64,054,110	2,652,031	---	66,706,141	54,036,727
<b>Total Assets</b>	<b>66,920,018</b>	<b>2,749,495</b>	<b>34,372,186</b>	<b>104,041,699</b>	<b>85,656,129</b>
<b>Liabilities:</b>					
Investment Purchases and Accrued Expenses	---	---	932,593	932,593	937,953
Due to Other Funds	1,031,458	122,342	16,560	1,170,360	2,991,758
<b>Total Liabilities</b>	<b>1,031,458</b>	<b>122,342</b>	<b>949,153</b>	<b>2,102,953</b>	<b>3,929,711</b>
<b>Net Assets held in trust for postemployment healthcare benefits</b>	<b>\$ 65,888,560</b>	<b>\$ 2,627,153</b>	<b>\$ 33,423,033</b>	<b>\$ 101,938,746</b>	<b>\$ 81,726,418</b>

**Schedule of Changes in Plan Net Assets -  
Postemployment Healthcare Plan  
For the Years Ended  
June 30, 2001 and 2000**

	Retirement	Retiree	Standard	Totals	
	Health Insurance Account	Health Insurance Premium Account	Health Insurance Retiree Account	2001	2000
<b>Additions:</b>					
Contributions:					
Employer	\$ 42,294,496	\$ 1,178,373	\$ ---	\$ 43,472,869	\$ 41,242,733
Employee	---	---	45,492,117	45,492,117	36,870,774
<b>Total Contributions</b>	<u>42,294,496</u>	<u>1,178,373</u>	<u>45,492,117</u>	<u>88,964,986</u>	<u>78,113,507</u>
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	(4,089,006)	(280,574)	---	(4,369,580)	---
Interest, Dividends, and Other Investment Income	---	---	1,844,957	1,844,957	9,928,538
<b>Total Investment Income</b>	<u>(4,089,006)</u>	<u>(280,574)</u>	<u>1,844,957</u>	<u>(2,524,623)</u>	<u>9,928,538</u>
Less Investment Expense	---	---	---	---	82,881
<b>Net Investment Income</b>	<u>(4,089,006)</u>	<u>(280,574)</u>	<u>1,844,957</u>	<u>(2,524,623)</u>	<u>9,845,657</u>
<b>Total Additions</b>	<u>38,205,490</u>	<u>897,799</u>	<u>47,337,074</u>	<u>86,440,363</u>	<u>87,959,164</u>
<b>Deductions:</b>					
Healthcare Premium Subsidies	23,239,431	947,685	---	24,187,116	23,511,133
Retiree Healthcare Expense	---	---	39,831,041	39,831,041	35,937,352
Administrative Expense	1,916,176	102,327	191,375	2,209,878	2,112,148
<b>Total Deductions</b>	<u>25,155,607</u>	<u>1,050,012</u>	<u>40,022,416</u>	<u>66,228,035</u>	<u>61,560,633</u>
<b>Net Increase (Decrease)</b>	<b>13,049,883</b>	<b>(152,213)</b>	<b>7,314,658</b>	<b>20,212,328</b>	<b>26,398,531</b>
<b>Net Assets held in trust for postemployment healthcare benefits</b>					
Beginning of Year	52,838,677	2,779,366	26,108,375	81,726,418	31,490,457
Residual Equity Transfer	---	---	---	---	23,837,430
<b>End of Year</b>	<u>\$ 65,888,560</u>	<u>\$ 2,627,153</u>	<u>\$ 33,423,033</u>	<u>\$ 101,938,746</u>	<u>\$ 81,726,418</u>

**Schedule of Administrative Expenses  
For the Years Ended  
June 30, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
<b>Personal Services:</b>		
Staff Salaries	\$ 7,804,121	\$ 7,454,744
Social Security	595,794	567,890
Retirement	1,230,575	1,167,072
Insurance	1,140,286	977,738
Assessments	152,238	108,748
Total Personal Services	<u>10,923,014</u>	<u>10,276,192</u>
<b>Professional Services:</b>		
Actuarial	401,170	172,630
Data Processing	9,629,358	3,592,341
Audit	168,602	379,734
Legal Counsel	501,708	322,829
Medical Consultants	83,800	57,296
Accounting Services	2,433,019	1,395,665
Healthcare Fees	1,913,703	1,973,245
Total Professional Services	<u>15,131,360</u>	<u>7,893,740</u>
<b>Communication:</b>		
Printing	133,392	208,640
Telephone	271,921	284,668
Postage	342,888	329,283
Travel	114,229	125,697
Total Communication	<u>862,430</u>	<u>948,288</u>
<b>Rentals:</b>		
Office Space	71,140	65,423
Equipment	60,743	64,118
Total Rentals	<u>131,883</u>	<u>129,541</u>
<b>Miscellaneous:</b>		
Supplies	414,374	537,542
Maintenance	349,137	609,271
Non-Capitalized Equipment	45,123	501,052
Depreciation	316,888	392,304
Total Miscellaneous	<u>1,125,522</u>	<u>2,040,169</u>
<b>Total Administrative Expenses</b>	<u><b>28,174,209</b></u>	<u><b>21,287,930</b></u>
Statement of Changes in Plan Net Assets - Defined Benefit Pension Plan and Postemployment Healthcare Plan	27,584,697	20,680,727
Statement of Revenues, Expenditures, and Changes in Fund Equity - Expendable Trust Fund	589,512	607,203
<b>Financial Statement Total for the Year Ended June 30:</b>	<u><b>\$ 28,174,209</b></u>	<u><b>\$ 21,287,930</b></u>

**Schedule of Payments to Consultants  
For the Years Ended  
June 30, 2001 and 2000**

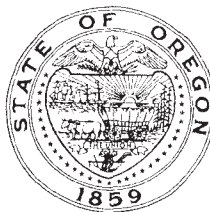
<u>Individual or Firm</u>	<u>Commission / Fee</u>		<u>Nature of Service</u>
	<u>2001</u>	<u>2000</u>	
Milliman USA	\$ 314,985	\$ 172,630	Actuary
William Mercer	86,185	---	Actuary
Oregon Department of Justice	501,708	321,261	Legal
Oregon Audits Division	168,602	379,734	Audit
B.W. Reed Benefits, Inc.	72,000	72,000	Health Insurance Consultant
Lawrence Duckler, MD	11,800	10,520	Medical Advisor and Expert Witness

**Summary of Investment Fees, Commissions, and Expenses  
For the Years Ended June 30, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
<b>International Equity Fund Manager Fees</b>		
Acadian	\$ 1,576,755	\$ 1,605,913
Barclay's Global Investors (EAFE)	681,238	941,003
Brandes Investment	2,194,358	2,002,424
Clay Finlay, Inc.	1,405,073	1,583,919
Driehaus Capital	2,575,067	3,570,746
Genesis Investment Management Ltd.	1,478,937	1,593,066
Lazard Asset Management	605,358	--
Marvin & Palmer Associates	1,694,344	2,258,442
Montgomery Asset	1,143,827	1,291,290
Nomura Capital Management	--	161,376
Rowe Price	2,667,962	3,004,160
Sanford Bernstein	1,906,911	1,902,646
Schroder Capital	1,119,097	1,276,855
TT International	1,640,711	1,671,040
<b>Domestic Equity Fund Managers</b>		
Alliance Capital Management	1,930,411	2,106,805
Barclay's Global Investors (all funds)	899,186	912,470
Becker Capital	1,276,596	1,095,997
Brown Capital	1,029,978	1,039,261
Equinox	1,971,206	1,992,121
Fiduciary Trust	558,651	1,595,438
Froley-Revy Equity	1,193,794	1,484,726
Nicholas Applegate	2,518,571	4,829,058
Northern Trust Company	935,792	1,191,781
Oak Associates	1,580,612	1,422,506
Palisade Capital	--	627,304
Peachtree Asset Management	896,014	222,770
Sanford Bernstein	2,236,340	2,088,945
Shott Capital Management	2,506,635	71,226
Thompson/Rubenstein Investors	1,883,385	1,833,143
Veredus Capital Management	236,408	--
Wanger Asset Management	3,104,783	3,050,002
Wellington Management	2,508,175	1,918,480
Winslow Capital Management	218,847	--
Zesiger Capital Group	1,330,483	2,240,892
<b>Fixed Income Managers Fees</b>		
Alliance Capital Management	311,996	--
Barclay's Global Investors (Corporate Government Bond Index)	198,070	--
Blackrock Financial Management	360,267	--
Fidelity Management Trust Co.	384,785	--
Mercury Asset Management	--	679,690
Merrill Lynch Investment Managers	643,289	--
Rogge Global Partners	796,073	844,701
Wellington Management Co.	1,703,075	724,963
Western Asset Management	1,554,624	686,210
<b>Real Estate Investment Fund</b>		
La Salle Advisors (Alex Brown Realty)	4,173,633	979,566
<b>Leveraged Buy-Out</b>		
KKR	12,837,960	12,161,660
<b>Custodial Fees for Investment Managers</b>		
State Street Bank	715,000	384,505
<b>Alternative Equity Managers Fees</b>		
Amphion European Equity	--	1,004,542
Aurora Equity Partners	703,110	617,641
BCI Growth	1,279,307	1,807,714
Castle Harlan	534,701	1,894,024
CVC European	2,250,000	1,614,711
Doughty Hanson	2,041,373	3,184,021
Exxel Capital Partners	2,015,425	857,133
Gryphon Partners	591,955	1,019,979
Hicks Muse	3,319,461	2,988,372
HSBC Equity	574,886	482,143
JLL Inc.	3,005,339	2,767,592
Shott Capital Management	2,500,172	--
TPG Partners	6,966,103	7,079,727
TSG Fund	1,601,466	1,584,001
Vestar Capital	1,001,977	--
Other Alternative Equity Fees	6,039,406	9,391,122
<b>Real Estate Fees and Expenses</b>	25,772,816	7,838,149
<b>Real Estate Bond</b>	5,539,596	3,528,888
<b>State Treasury Fees</b>	3,377,102	4,989,014
<b>Securities Lending</b>	139,825,304	139,189,078
<b>Brokerage Commissions</b>	32,871,207	35,329,195
<b>Other Investment Fees and Expenses</b>	821,556	724,378
<b>Total Investment Fees, Commissions, and Expenses - Defined Benefit Pension Plan</b>	<u><u>\$ 315,816,539</u></u>	<u><u>\$ 296,938,524</u></u>

Auditor's Report on Internal Controls and Compliance

OFFICE OF THE  
SECRETARY OF STATE  
Bill Bradbury  
Secretary of State



AUDITS DIVISION  
Cathy Pollino  
Director

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

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*Auditing for a Better Oregon*

The Honorable John Kitzhaber, M.D.  
Governor of Oregon  
254 State Capitol  
Salem, Oregon 97310-4047

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING 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 (PERS), an agency of the state of Oregon, as of and for the year ended June 30, 2001, and have issued our report dated December 10, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether PERS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

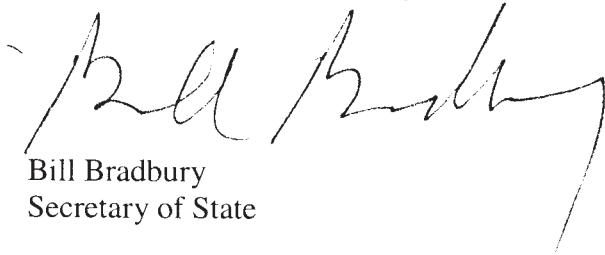
In planning and performing our audit, we considered PERS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or



more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have communicated to the management of PERS in a separate letter.

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

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "Bill Bradbury", is written over the typed name and title.

Bill Bradbury  
Secretary of State

December 10, 2001

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# *Investment Section*



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Investment Officer's Report



OREGON INVESTMENT COUNCIL

September 21, 2001

159 STATE CAPITOL  
SALEM, OREGON 97310  
378-4111

Dear PERS Members:

Earlier interest rate tightening moves, initiated by the Federal Reserve, began to impact the economy in the 2000-2001 fiscal year. While the economy continued to expand, the rate of growth started to decline rather dramatically, and corporate earnings started to slide.

In this environment, domestic stocks declined 13.9 percent, and international markets were down 23.6 percent, as represented by the Russell 3000 and MSCI EAFE indices, respectively. While last year's market was characterized by high volatility, the year just ended was marked by the worst equity returns since the early 1970's.

For the fiscal year ended June 30, 2001, the total PERS portfolio ended the period -8.1 percent. Annualized returns for the three and five year periods were 7.0 percent and 11.6 percent, respectively.

For the one-year period ending June 30, 2001, the Russell 3000 Index of domestic stocks returned -13.9 percent. For this same period, international stocks, as measured by OPERF's custom international benchmark, produced a -21.7 percent return. Finally, the Lehman Government/Corporate Bond Index returned 11.1 percent.

The PERS domestic equity portfolio returned -13.2 percent, the international equity portfolio returned -22.9 percent, and the private equity portfolio returned -16.9 percent.

Reinforcing the value of diversification, the fixed income portfolio returned 10.4 percent, and real estate returned 13.0 percent. During the year, the market value of the total PERS account fell to approximately \$37.2 billion from about \$41 billion, one year ago.

While OPERF performance was disappointing in absolute terms, results were consistent with the asset allocation policy established by the Oregon Investment Council. Further, over three and five-year periods, investment results for OPERF rank in the top decile of similar-sized public retirement plans.

After a number of years of spectacular equity returns, we are now experiencing some regression to historical mean returns. In the report for the fiscal year ended June 30, 2000, we noted that the S&P 500 had compounded at 23.8 percent for the previous five years and indicated that this rate of return was well in excess of the long-term historical rate of about 11 percent. For the most recent fiscal year-end, the five-year compounded rate is at a more reasonable 14.5 percent.

The primary goal of the investment program is realization of long-term earnings in excess of the annual rate (currently 8.0 percent) assumed by the PERS actuary. To realize this objective, the Oregon Investment Council (OIC) has historically maintained a strong preference for common stocks. Currently, equity investments constitute 62 percent of total PERS assets, measured at market value. This strong preference for common stocks has served the PERS Fund well.

W. Dan Smith  
Director-Investments

## Description of Investment Policies

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five members. One member of the OIC serves on the Public Employees Retirement Board as a public member. Three 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 is the Public Employees Retirement Fund. The OIC establishes policies for the investment and reinvestment of monies 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 that monies in the investment funds are invested and reinvested to achieve the investment objective of making the monies as productive as possible. Furthermore, the investments of those funds shall be 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 Public Employees Retirement Fund: 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 which will require more than 10.0 percent of the funds allocated to a single asset class require the advance and explicit approval of the OIC.

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

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 as well as news media which have requested notice. Written minutes and recordings are taken of all meetings.

The OIC has continued the review and modification of formal, written policies and procedures governing all investment activity. As funds under management have grown significantly, these more formal guidelines have become invaluable to the professional management of state funds. 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, 2001**

**Total Portfolio**

Domestic Stocks  
Benchmark: Russell 3000 Index

International Stocks  
Benchmark: Custom Index (1)

Fixed Income Segment  
Benchmark: Custom Index (2)

Real Estate (3)  
Benchmark: NCREIF

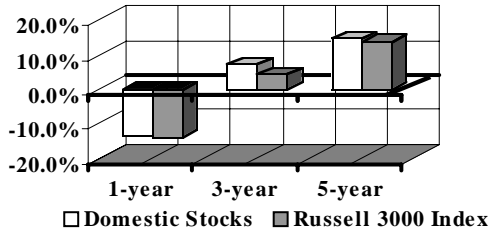
Private Equity (4)  
Benchmark: S&P 500 +5%

	1-Year	Annualized 3-Year	5-Year
<b>Total Portfolio</b>	-8.1%	7.0%	11.6%
Domestic Stocks	-13.2	7.2	14.7
Benchmark: Russell 3000 Index	-13.9	4.3	13.8
International Stocks	-22.9	2.1	5.0
Benchmark: Custom Index (1)	-21.7	0.2	3.0
Fixed Income Segment	10.4	5.9	7.4
Benchmark: Custom Index (2)	10.6	6.1	7.5
Real Estate (3)	13.0	10.6	N.A.
Benchmark: NCREIF	11.9	12.5	N.A.
Private Equity (4)	-16.9	8.0	N.A.
Benchmark: S&P 500 +5%	-15.9	9.3	N.A.

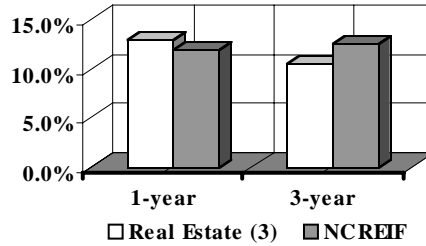
Calculations were prepared using a time-weighted rate of return based on the market rate in accordance with AIMR’s performance presentation standards.

- (1) 90% Salomon World Equity Broad Market ex-US/10% International Finance Corporation EMG Investable Securities
- (2) 90% Lehman Universal/10% SSBI Non-US World Government Bond Hedged
- (3) Returns are lagged one quarter
- (4) Returns are lagged one quarter

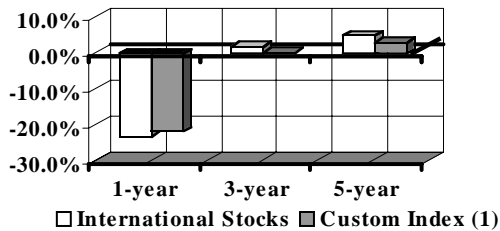
**Domestic Stocks**



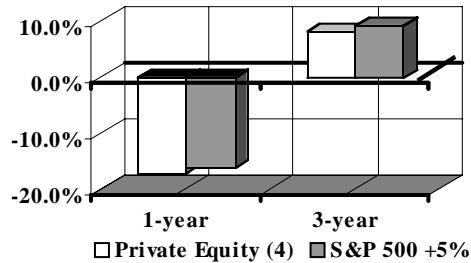
**Real Estate**



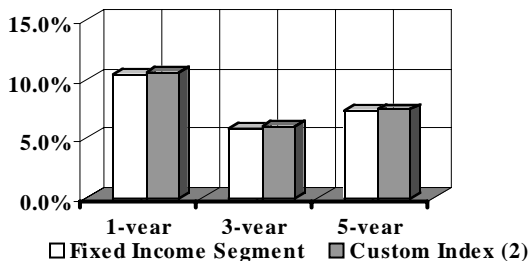
**International Stocks**



**Private Equity**

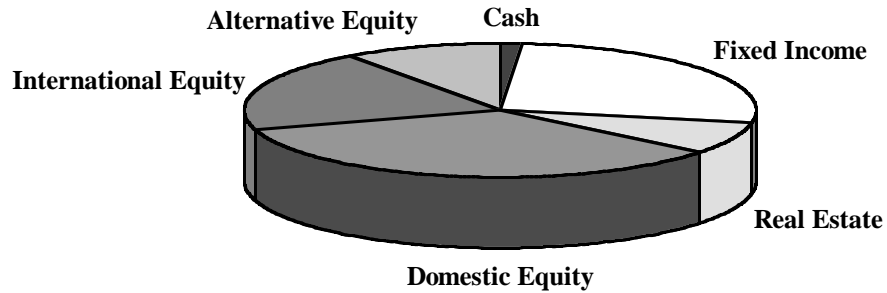


**Fixed Income Segment**



**Investment Target Allocation as of June 30, 2001**

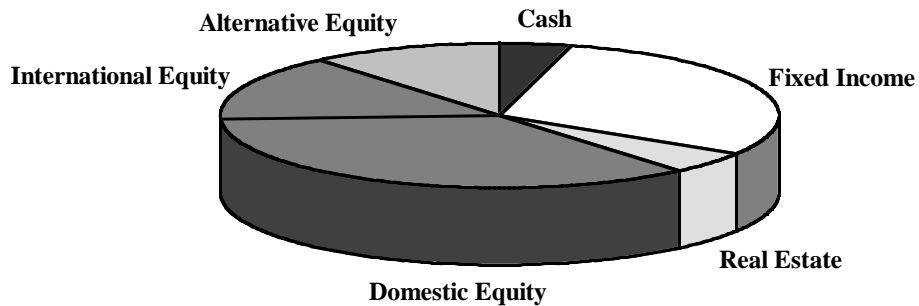
**OIC Allocation**



	<b>Low Range</b>	<b>High Range</b>	<b>Weighted Average Range</b>
Cash	0%	3%	1.5%
Fixed Income	22	32	26.6
Real Estate	5	11	7.8
Domestic Equity	30	40	34.5
International Equity	15	25	19.7
Alternative Equity	7	13	9.9
	<u>79.0%</u>	<u>124.0%</u>	<u>100.0%</u>

**Investment Actual Allocation as of June 30, 2001**

**Actual Allocation**



	<b>Actual</b>
Cash	4.2%
Fixed Income	29.6
Real Estate	5.1
Domestic Equity	35.3
International Equity	14.7
Alternative Equity	11.1
	<u>100.0%</u>

## Schedule of Largest Assets Held

## Largest Stock Holdings (By Fair Value)

June 30, 2001

<u>Shares</u>	<u>Description</u>	<u>Fair Value</u>
3,227,675	Pfizer Inc.	\$ 129,268,384
1,810,601	Citigroup Inc.	95,672,157
4,824,265	Cisco Systems, Inc.	87,801,623
2,629,841	Intel Corporation	76,922,849
1,637,400	Home Depot, Inc.	76,220,970
1,208,300	Americredit Corporation	62,771,185
970,900	Merck & Company Inc.	62,050,219
2,000,000	Albertson's Inc.	59,980,000
1,723,906	Dow Chemical Company	57,319,875
697,165	Aventis S.A.	55,655,491
		<u>\$ 763,662,753</u>

## Largest Bond Holdings (By Fair Value)

June 30, 2001

<u>Par Value</u>	<u>Description</u>	<u>Fair Value</u>
\$ 158,150,000	Federal National Mortgage Association 7.125% due 02-15-2005 Rating Aaa	\$ 167,589,974
97,910,540	U.S. Treasury Bonds 3.875% due 04-15-2029 Rating Aaa	104,580,206
100,000,000	Federal National Mortgage Association 5.29% due 05-26-2004 Rating Aaa	100,281,000
88,606,000	PDV America Inc. 7.875% due 08-01-2003 Rating Baa3	89,206,749
83,103,000	U.S. Treasury Notes 4.625% due 05-15-2006 Rating Aaa	81,947,037
78,100,000	U.S. Treasury Notes 6.5% due 08-31-2001 Rating Aaa	78,441,297
85,583,000	Bundes Obligation (Federal Republic of Germany) 5.0% due 02-17-2006 Rating Aaa	73,705,060
70,009,000	Columbia Gas Systems Inc. 7.42% due 11-28-2015 Rating A3	68,318,983
63,530,000	U.S. Treasury Notes 5.875% due 11-30-2001 Rating Aaa	64,096,052
56,820,000	Cleveland Electric Illumination 7.67% due 07-01-2004 Rating Baa3	58,779,154
		<u>\$ 886,945,512</u>

\*A complete list of portfolio holdings is available for viewing upon request.

**Schedule of Fees and Commissions  
For the Fiscal Year Ended June 30, 2001**

	<b>Assets Under Management</b>	<b>Fees</b>	<b>Basis Points</b>
<b>Investment Managers' Fees:</b>			
Fixed Income Managers	\$ 11,483,956,867	\$ 5,837,233	0.050829
Equity Managers	19,383,114,757	49,771,006	0.256775
Venture Capital Managers	3,592,856	---	0.000000
KKR Leveraged Buy-Outs	1,747,547,699	12,837,960	0.734627
Alternative Equity Managers (Limited Partnerships)	2,574,625,740	34,424,681	1.337075
Real Estate Managers	1,964,359,367	30,646,449	1.560124
<b>Total Assets Under Management</b>	<b><u>\$37,157,197,286</u></b>		

**Other Investment Service Fees:**

Securities Lending Fees	139,825,304
Investment Consultant Fees	1,353,263
Commissions and Other Fees	41,120,643
<b>Total Investment Service and Managers' Fees</b>	<b><u>\$ 315,816,539</u></b>

**Schedule of Broker Commissions  
For the Fiscal Year Ended June 30, 2001**

<b>Broker's Name</b>	<b>Commission</b>	<b>Share / Par</b>	<b>Commission per Share</b>
Merrill Lynch, Pierce, Fenner & Smith, Inc.	\$ 3,492,555	\$ 1,249,278,221	\$ 0.00280
Morgan Stanley & Co., Incorporated	2,454,357	1,118,640,290	0.00220
UBS Securities Inc.	2,273,150	250,787,414	0.00906
Goldman, Sachs & Co.	2,009,821	324,927,774	0.00619
Lehman Brothers, Inc.	1,824,397	250,492,466	0.00728
Bear, Stearns & Co., Inc.	1,762,883	31,454,136	0.05605
Salomon Smith Barney Inc.	1,458,819	655,398,885	0.00223
Deutsche Bank Alex Brown Inc.	1,403,241	157,590,990	0.00890
Credit Suisse First Boston Corporation	1,279,771	315,756,986	0.00405
J.P. Morgan Securities, Inc.	1,038,367	93,478,664	0.01111
Sanford C. Bernstein & Co., Inc.	1,007,197	13,818,481	0.07289
HSBC Securities, Inc.	865,571	140,515,667	0.00616
ABN AMRO Incorporated	797,263	100,488,033	0.00793
Instinet Corporation	728,782	32,566,140	0.02238
Dresdner Kleinwort Benson North America, LLC	705,568	34,674,609	0.02035
Frank Russell Securities, Inc.	637,936	11,642,598	0.05479
SG Cowen Securities Corp.	458,877	51,914,023	0.00884
ING Barings LLC	445,550	298,718,369	0.00149
Jefferies & Company, Inc.	410,207	11,779,249	0.03483
Credit Lyonnais Securities	384,211	339,538,348	0.00113

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, 2001	Percent of Total Fair Value
<b>Fixed Income</b>		
U.S. Government Securities	\$ 1,237,064,566	3.33%
U.S. Agency Securities	3,411,843,746	9.18
Domestic Corporate Securities	3,669,847,855	9.88
Domestic Mutual Funds	871,377,349	2.35
International Government and Corporate Securities	1,027,256,757	2.76
Global Mutual Funds	341,949,473	0.92
Asset-Backed Securities	922,476,511	2.48
Real Estate Mortgages	2,140,610	0.01
<b>Total Fixed Income</b>	<b><u>11,483,956,867</u></b>	<b><u>30.91</u></b>
<b>Equity</b>		
Domestic Stocks	7,397,027,303	19.91
Domestic Mutual Funds	6,326,828,767	17.02
International Stocks	3,814,888,016	10.27
Global Mutual Funds	1,844,370,671	4.96
<b>Total Equity</b>	<b><u>19,383,114,757</u></b>	<b><u>52.16</u></b>
<b>Real Estate</b>		
Real Estate	1,223,700,371	3.29
Limited Partnerships	634,150,751	1.71
Private Placements	106,508,245	0.29
<b>Total Real Estate</b>	<b><u>1,964,359,367</u></b>	<b><u>5.29</u></b>
<b>Alternative Equity</b>		
Limited Partnerships	2,574,625,740	6.93
Venture Capital	3,592,856	0.01
Leveraged Buy-Outs	1,747,547,699	4.70
<b>Total Alternative Equity</b>	<b><u>4,325,766,295</u></b>	<b><u>11.64</u></b>
<b>Total Fair Value</b>	<b><u>\$ 37,157,197,286</u></b>	<b><u>100.00%</u></b>

Space and cost restrictions make it impractical to print the entire investment portfolio in this report. However, a portfolio listing is available for viewing at the PERS headquarters: 11410 S.W. 68th Parkway, Tigard, Oregon.



# *Actuarial Section*



*Dean volunteers at the Audubon Society.*



December 10, 2001

Retirement Board  
Oregon Public Employees Retirement System

Dear Members of the Board:

We have performed an actuarial valuation of the Oregon Public Employees Retirement System as of December 31, 2000. In our opinion, the System is an actuarially sound system based on the current actuarial assumptions.

Actuarial valuations are normally performed every two years, as of the end of each odd-numbered year. A special interim valuation was performed as of December 31, 2000.

In preparing the valuation, we relied upon the financial and membership data furnished by the System. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman prepared the information presented in this Actuarial Section of the 2001 Comprehensive Annual Financial Report, including the following supporting tables, based on information in our 2000 interim actuarial valuation report:

Actuarial Assumptions and Methods

- Economic Assumptions
- Mortality Tables
- Rates of Retirement and Disability
- Rates of Other Terminations of Employment
- Future Salaries
- Unused Sick Leave
- Probability of Annuity
- Probability of Vesting
- Actuarial Cost Method
- Actuarial Value of Assets

Actuarial Schedules

- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries

Summary of Actuarial and Unfunded Actuarial Liabilities

- Solvency Test
- Recommended vs. Actual Contributions

In addition, we reviewed the Summary of Plan Provisions and prepared the Schedules of Funding Progress in the Financial Section of this report.

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the System. The Board adopted all of the actuarial methods and assumptions used in the 2000 valuation.

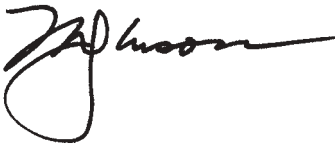
The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the System and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the System. Nevertheless, the emerging costs of the System will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Governmental Accounting Standards Board Statement No. 25.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the Oregon Public Employees Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark O. Johnson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark O. Johnson, F.S.A., M.A.A.A., E.A.  
Principal and Consulting Actuary

## Actuarial Assumptions and Methods

### 1. Economic Assumptions

a. Consumer Price Inflation	3.5%	(Adopted 1997)
b. Health Cost Inflation	3.5	(Adopted 1997)
c. Investment Return	8.0	(Adopted 1989)
d. Interest on Tier One Accounts	8.5	(Adopted 1997)
e. Wage Growth	4.25	(Adopted 1999)

### 2. Mortality Tables (Adopted 1995)

Class	Service Retirees *	Contributing Members
General Service Male	1983 Group Annuity Mortality, set back one year	60% of Service Retiree Table
General Service Female	1971 Individual Annuity Mortality, set back one year	50% of Service Retiree Table
Police and Fire Members	1983 Group Annuity Mortality	40% of Service Retiree Table
School District Male	1983 Group Annuity Mortality, set back one year	60% of Service Retiree Table
School District Female	1971 Individual Annuity Mortality, set back three years	60% of Service Retiree Table
Judge Members	1983 Group Annuity Mortality	100% of Service Retiree Table
* Retired mortality reduced 2% for currently non-retired members.		
Disabled Members Male	1983 Group Annuity Mortality set forward five years; minimum 2.5%	N/A
Disabled Members Female	1983 Group Annuity Mortality set forward three years; minimum 3.0%	N/A
Surviving Beneficiaries Male	1983 Group annuity Mortality set back one year	N/A
Surviving Beneficiaries Female	1971 Individual Annuity Mortality, set back one year	N/A

### 3. Retirement (Adopted 1997)

Rates of retirement and disablement are illustrated in the following table.

Attained Age	State Employees			School Employees			Subdivision Employees			Judge Members
	General Service Male	Police and Fire Female	Police and Fire	Male	Female	Male	Female	Police and Fire		
Duty Disablement										
32	.01%	.02%	.01%	.01%	.01%	.02%	.01%	.06%	.01%	
42	.01	.02	.03	.02	.01	.02	.01	.06	.01	
52	.03	.03	.09	.02	.01	.02	.02	.20	.03	
Ordinary Disablement										
32	.09%	.14%	.06%	-.%	-.%	.08%	.02%	.09%	.07%	
42	.14	.21	.14	.13	.17	.12	.20	.22	.11	
52	.28	.60	.23	.64	.45	.60	.65	.37	.21	
Service Retirement - Tier One **										
50	-%	-%	14%	-%	-%	-%	-%	12%	-%	
55	10	5	12	15	9	5	5	25	-	
58	14	11	12	20	15	15	8	25	-	
60	12	10	15	20	19	10	10	25	-	
62	40	30	35	60	40	55	30	70	-	
65	65*	70*	100	50*	60*	75*	50*	100	100*	
30 and Out	40	20	-	40	40	25	15	-	-	

\* Members over 65 are assumed to retire within the following 10 years. All judges are assumed to retire at age 63 under Plan B.

\*\* Tier Two service retirement rates are reduced 33 percent for retirement from ages 55 through 59 for General Service members.

#### 4. Other Terminations of Employment (Adopted 1997)

A select period of five years is used in the withdrawal assumption. The rates of termination after five years of membership are illustrated in the following table:

Attained Age	State Employees			Subdivision Employees					
	General Service		Police and Fire	School Employees		General Service		Police and Fire	Judge Members
	Male	Female		Male	Female	Male	Female		
22	21%	15%	3%	18%	18%	8%	15%	4%	-%
32	8	9	3	5	6	4	8	3	-
42	4	5	2	2	3	3	5	2	-
52	3	3	-	2	2	2	4	-	-

#### 5. Future Salaries (Adopted 1999)

The total annual rates of salary increase include an assumed four percent per annum rate of increase in the general wage level of the membership plus increases due to promotions and longevity. The total rates of salary increase after five years of membership are illustrated in the following table:

Attained Service	State Employees			Subdivision Employees		
	General Service	Police and Fire	School Employees	General Service	Police and Fire	Judge Members
5	6.25%	6.50%	6.60%	6.25%	7.25%	4.0%
10	5.25	5.30	5.70	5.35	5.65	4.0
15	4.75	4.80	4.95	4.85	4.85	4.0
20	4.25	4.30	4.45	4.60	4.60	4.0

#### 6. Unused Sick Leave (Adopted 1999)

For members covered by this provision, unused sick leave increases the final average salary used to calculate the pension. These members are assumed to receive an increase in their pensions on account of such provision varying from three percent to ten percent.

#### 7. Annuity (Adopted 1999)

The probability that retiring members will elect to receive an annuity based on their own contributions rather than a lump-sum distribution ranges from 80 to 85 percent.

#### 8. Vesting (Adopted 1999)

The following table illustrates the probability that vested terminating members will elect to receive a deferred benefit instead of withdrawing accumulated contributions.

Attained Age	State Employees			Subdivision Employees					
	General Service		Police and Fire	School Employees		General Service		Police and Fire	Judge Members
	Male	Female		Male	Female	Male	Female		
22	46%	46%	25%	63%	53%	44%	48%	31%	100%
32	58	58	25	63	79	55	72	50	100
42	75	75	50	75	79	72	78	56	100
52	92	92	100	94	95	83	84	100	100

#### 9. Actuarial Cost Method (Adopted 1999)

Accruing costs for all benefits are measured by the entry age actuarial cost method. The unfunded actuarial liability created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date and ending on December 31, 2027.

#### 10. Actuarial Value of Assets (Adopted 1997)

The Actuarial Value of Assets is equal to the fair market value of assets on the valuation date, less a reserve equal to a pro rata portion of the investment gains (losses) over the four year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25.0 percent per year. The actuarial value of assets is limited to a 10.0 percent corridor above and below the fair market value.

## Actuarial Schedules

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll in Thousands	Average Annual Pay	Annualized % Increase Average
12/31/1975	90,819	\$ 1,014,525	\$ 11,171	N/A%
12/31/1977	95,284	1,226,758	12,875	7.4
12/31/1979	101,094	1,488,032	14,719	6.9
12/31/1982	108,701	2,062,083	18,970	8.8
12/31/1985	110,768	2,428,308	21,922	4.9
12/31/1987	114,934	2,764,735	24,055	4.8
12/31/1989	121,495	3,199,442	26,334	4.6
12/31/1991	131,721	3,887,529	29,513	5.9
12/31/1993	137,513	4,466,797	32,483	4.9
12/31/1995	141,471	4,848,058	34,269	2.7
12/31/1997	143,194	5,161,562	36,045	2.6
12/31/1999	151,262	5,676,606	37,528	2.0
12/31/2000	156,869	6,195,862	39,497	5.2

## Schedule of Retirees and Beneficiaries\*

Valuation Date	Number	Annual Allowances in Thousands	% Increase in Annual Allowances**	Average Annual Allowances
12/31/1975	21,993	\$ 34,363	N/A%	\$ 1,562
12/31/1977	27,259	56,893	65.6	2,087
12/31/1979	30,713	71,482	26.6	2,327
12/31/1982	38,251	124,297	73.9	3,250
12/31/1985	45,394	201,989	62.5	4,450
12/31/1987	50,355	276,856	37.1	5,498
12/31/1989	54,486	344,771	24.5	6,328
12/31/1991	56,779	442,112	28.2	7,787
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

\* Information regarding the number of retirees and beneficiaries added to and removed from the rolls was not used in the actuarial valuations and was not available in the records given to the actuary.

\*\* Since last valuation date.



**Summary of Actuarial and Unfunded Actuarial Liabilities\***

(dollar amounts in millions)

Valuation Date	Aggregate Actuarial Liabilities	Valuation Assets	Assets as a % of Actuarial Liabilities	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a % of Annual Active Member Payroll
12/31/1975	\$ 1,578.8	\$ 933.9	59%	\$ 644.9	\$ 1,014.5	64%
12/31/1977	2,193.9	1,395.9	64	798.0	1,226.6	65
12/31/1979	2,905.7	2,026.0	70	879.7	1,488.0	59
12/31/1982	4,822.8	3,991.7	83	828.1	2,062.1	40
12/31/1985	7,287.6	6,775.6	93	512.0	2,428.3	21
12/31/1987	9,290.5	8,408.7	91	881.8	2,764.7	32
12/31/1989	11,533.3	11,606.7	101	(73.4)	3,199.4	(2)
12/31/1991	14,671.2	14,667.9	100	3.3	3,887.5	0
12/31/1993	19,001.3	17,552.0	92	1,449.3	4,466.8	32
12/31/1995	23,248.6	20,957.6	90	2,291.0	4,848.1	47
12/31/1997	31,664.9	29,108.2	92	2,556.7	5,161.6	50
12/31/1999	40,907.9	39,964.8	98	943.1	5,676.6	17
12/31/2000	43,350.5	41,804.6	96	1,545.9	6,195.9	25

\* An extensive revision of the actuarial valuation assumptions occurs at each valuation. The figures are, therefore, not directly comparable.

**Solvency Test**

(dollar amounts in millions)

Valuation Date	(1)	(2)	(3)	Valuation Assets	Portion of Actuarial Liabilities Covered by Assets		
	Active Member Contributions	Retirees and Beneficiaries	Other Members (Employer Financed)*		(1)	(2)	(3)
12/31/1975	\$ 346.1	\$ 352.6	\$ 880.1	\$ 933.9	100%	100%	27%
12/31/1977	481.6	598.3	1,114.0	1,395.9	100	100	28
12/31/1979	695.2	740.8	1,469.7	2,026.0	100	100	40
12/31/1982	1,099.2	1,294.4	2,429.2	3,991.7	100	100	66
12/31/1985	1,760.5	2,202.1	3,325.0	6,775.6	100	100	85
12/31/1987	2,315.1	2,871.2	4,104.2	8,408.7	100	100	79
12/31/1989	3,182.0	3,551.7	4,799.6	11,606.7	100	100	102
12/31/1991	4,000.7	4,471.6	6,198.9	14,667.9	100	100	100
12/31/1993	4,853.4	6,239.3	7,908.6	17,552.0	100	100	82
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

\* An extensive revision of the actuarial valuation assumptions occurs at each valuation. The figures are, therefore, not directly comparable.

**Recommended vs. Actual Contributions**

Separate contribution rates are adopted by the Board for all state agencies and community colleges combined, all school districts combined, the state judiciary, and each individual political subdivision employer (458 subdivision employers on December 31, 1999). The rates adopted by the Board were those recommended by the actuary after each valuation and after legislative changes enacted subsequent to the valuations, except for the 2000 interim actuarial valuation which did not impact employer contribution rates.

## **Plan Summary**

### **Summary of Plan Provisions**

#### **As of December 31, 1999**

#### **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.

#### **Employee Contributions Mandatory**

##### ***Employment Categories***

All.

##### ***Amount of mandatory contributions***

Employee contributions are at a fixed rate of 6 percent of salary except for some cases where another rate from an old law is still in effect. Judges contribute at the rate of 7 percent of salary. Some employers have elected to “pick-up” employee contributions.

#### **Unit Purchases**

##### ***Purpose***

To allow police officers and firefighters to purchase, jointly with their employers, additional benefits payable between retirement and age 65.

##### ***Amount of employee contributions***

That amount actuarially determined to be necessary to provide half the additional benefits desired. Benefits are in units of \$10 per month. A total of eight units may be purchased providing \$80 per month at age 60.

##### ***Matching feature***

Each unit purchased by the member is matched by an equal benefit from the employer.

#### **Employer Contribution**

##### ***To provide for benefits earned by prior service***

As necessary to pay for such benefits amortized for no less than 30 years following the participation of a public employer in the system.

##### ***To provide for benefits earned by current service***

Normal costs plus amounts as necessary to pay for the excess of the value of such benefits over the sum of the present value of future normal costs plus the assets available to provide benefits, such amortization to be completed no sooner than December 31, 1998.

#### **Prior Service Credit**

##### ***State and school district employees prior to formation of System***

Service prior to July 1946 but not to exceed 20 years.

##### ***Other employees prior to employer joining System***

Service prior to the date on which the employer commenced participation in the System, as determined by formula agreed upon by the Board of the System and the governing body of the public employer.

#### **Normal Retirement Allowance**

##### ***Eligibility***

Police officers and firefighters

Age 55

Judges

Age 65

Others

Age 58

##### ***Amount of monthly retirement allowance: full formula***

The sum of:

- a. A current service life pension equal to final average monthly salary times years of service times a percentage factor (see table on next page), plus
- b. A prior service life pension of \$4 (\$6 for employees retired before April 8, 1953) times years of prior service.

	Percentage Factor		Limitation on Years of Membership Service*	
	New	Old		
Police Officers, Firefighters, and Legislators	2.00%	1.35%	None	
Judges**	Plan A	2.8125	1.67	16-year limit on new percentage factor. Old factor used for service after 16 years.
	Plan B	3.75	2.00	
Others	1.67	1.00	None	

\* If the participant has at least 10 years of membership service and agrees to pay an amount equal to the employer plus employee contribution that would have been paid, credit is granted for the six-month waiting period.

\*\* Under law, the maximum benefit payable is 65% of final average salary for Plan A, and 75% for Plan B.

### ***Minimum monthly retirement allowance***

\$100 for an employee with at least 15 years of creditable service. This is actuarially reduced if retirement occurs prior to age 65. Benefits under the former judges' system are grandfathered for those who retire after age 70 with at least 12 years of service.

### ***Formula plus annuity***

For members making contributions prior to August 21, 1981, the benefit will not be less than the sum of:

- An annuity actuarially equivalent to the employee's accumulated contributions with interest, plus
- A current service life pension equal to final average monthly salary times years of service times a percentage factor (see table above under "Old") but at least equal to the annuity.

### ***Money match***

In no case will the current service allowance be less than:

- An annuity actuarially equivalent to the employee's accumulated contributions with interest, plus
- A matching amount from the employer.

## **Early Retirement Allowance**

### ***Eligibility***

- Police officers and firefighters
  - Age 50 or 25 years of service
- Judges
  - Age 60
- Others
  - Age 55 or 30 years of service

### ***Amount of Benefit***

- Police officers and firefighters
  - Normal retirement allowance, actuarially reduced if retirement occurs prior to age 55 or 25 years of service.
- Judges
  - Normal retirement allowance, actuarially reduced from age 65 for Plan A judges.
- Others
  - Normal retirement allowance, actuarially reduced if retirement occurs prior to age 58 or 30 years of service.

## **Optional Forms of Benefit Payment**

### ***Options available***

- Lifetime annuity
- Cash refund annuity
- Lifetime annuity guaranteed 15 years

4. Joint and 100 percent survivor contingent annuity, with or without pop-up feature.
5. Joint and 50 percent survivor contingent annuity, with or without pop-up feature.
6. Lump sum of employee contributions and interest plus life pension (under any form) for current service under old law and prior service pension.

***Amount of benefit***

All options are actuarially equivalent.

***Special judges' provision***

The normal form is a joint and two-thirds survivor contingent benefit for a married judge and a cash refund annuity for an unmarried judge.

**Death Benefit Prior to Retirement**

***Eligibility***

Judges

Six or more years of service

Others

All members

***Amount of benefit***

Judges

1. The spouse shall receive a life pension equal to two-thirds of the service allowance.

2. The beneficiary of an unmarried judge shall receive the member's accumulated contributions with interest.

Others

1. If death occurs while the member is an employee of a participating employer or within 120 days of termination if the employee does not withdraw the account balance or retire or if death results from injury received while in the service of a participating employer, the benefit is the member's accumulated contributions with interest plus an equal amount from employer contributions.

2. If death occurs more than 120 days after termination, the benefit is the member's accumulated contributions with interest.

**Survivor Benefit After Retirement**

***Amount of benefit***

Continuation of payments in accordance with the optional form of retirement allowance, if such election was made.

**Additional Death Benefits For Police Officers And Firefighters**

***Eligibility***

Spouse or dependent children under age 18 of deceased police officer or firefighter whose death occurred after retirement for service or disability.

***Amount of benefit***

Twenty-five percent of the unmodified retirement allowance that the police officer or firefighter was entitled to at the time of death.

**Disability Benefits: Duty-Related**

***Eligibility***

Disablement occurring as a direct result of a job-incurred injury or illness, regardless of length of service.

***Amount of benefit***

The sum of:

a. The current service pension the employee would be entitled to at age 58 (age 55 if police officer or firefighter; age 65 if a judge) or age at disablement, if greater, plus

b. The same prior service pension the employee would be entitled to at normal retirement date.

***Police officers' and firefighters' alternatives***

In lieu of the above, police officers and firefighters may elect to receive a benefit of 50 percent of final average salary at the time of disablement.

***Minimum monthly retirement allowance***

Judges

45 percent of final average salary

Others

\$100. This is actuarially reduced if an optional form of benefits 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, the disability benefit will be reduced by the excess, but the combined income shall not be reduced to less than \$400 per month.

**Disability Benefits: Non-Duty Related**

**Eligibility**

Disablement occurring after ten years of service (six years, if a judge), but prior to normal retirement age.

**Amount of benefit**

Same as duty-related disability benefits, but with no police officers’ and firefighters’ alternative benefit.

**Withdrawal of Benefits**

**Form of benefit**

Payment of accumulated employee contributions with interest. Judges must have completed at least five years of service; otherwise, contributions are forfeited.

**Vested Benefits**

**Eligibility**

Contributions made in five calendar years without withdrawal of contributions.

**Form of benefit**

A deferred retirement allowance with payments starting on or after the employee’s earliest retirement date. During the deferral period, the vested employee is, in some instances, eligible for death and disability benefits.

**Amount of benefit**

Service retirement allowance, actuarially reduced to the age at which benefits start.

**Alternative**

In lieu of all other benefits, and prior to voluntary retirement age, a member may receive a payment of accumulated contributions with interest.

**Postemployment Adjustments**

**Benefits affected**

Applicable pension and annuity benefits except unit purchases.

**Provisions**

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, U.S. Department of Labor.

The maximum adjustment to be made for any year is 2.0 percent of the previous year’s benefit. Any CPI change in excess of 2.0 percent is accumulated for future benefit adjustments which would otherwise be less than 2.0 percent. No benefit will be decreased below its original amount. In addition, the legislature periodically has granted *ad hoc* increases.

In addition to the provisions described above, all members are eligible for a benefit adjustment equal to the greater of (a) (below) or b (next page):

- (a) Senate Bill 656

For all benefits, except the return of member contributions, an adjustment equal to the following percentage:

<u>Years of Service</u>	<u>Benefit Increase</u>	
	<u>General Service</u>	<u>Police and Fire</u>
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+	4.0	4.0

(b) House Bill 3349

For all benefits, an adjustment equal to the following multiplier:

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

### Variable Annuity Program

#### Employee contributions

An employee may elect to have 25, 50, or 75 percent of his or her contributions placed into the Variable Annuity Account.

#### Investment of contributions to Variable Annuity Account

Money in the Variable Annuity Account may be invested by the Oregon Investment Council in any investment authorized for the System, but is to be directed primarily to equity investments.

#### Benefits purchased from Variable Annuity Account funds at retirement

At retirement an employee may elect to receive a variable annuity with the funds accumulated in his or her variable account.

The variable annuity portion of the benefit is thus increased or decreased annually to reflect investment gains and losses of the variable annuity portfolio.

Alternatively, the employee may elect to have all variable funds in his or her account transferred to the regular fund and receive an annuity from the System as though no variable annuity program existed. The benefit is increased or decreased to reflect the value of the Variable Annuity Account at retirement. No subsequent changes after retirement are made.

### Retiree Healthcare: Medicare Supplement

#### Eligibility

A member is eligible for a Retirement Health Insurance Account contribution if all of the following are met:

1. Currently receiving a retirement benefit or allowance from the System,
2. Accrued eight years of creditable service before retirement,
3. Enrolled in a PERS-sponsored health plan, and
4. Enrolled in both Medicare Part A and Part B.

#### Benefit

A monthly contribution of up to \$60 per retiree is applied to PERS-sponsored Medicare supplemental insurance costs.

### Retiree Healthcare: Under Age 65

#### Eligibility

Retired state employees.

#### Benefit

A monthly subsidy based on the average difference between the health insurance premiums paid by retired state employees in a PERS-sponsored plan and those paid by active state employees in a state-sponsored plan. The difference is attributable to grouping retired state employees separately from active state employees.

The average difference is the maximum subsidy allowed and is recalculated every year. The scheduled subsidy as a percentage of the maximum subsidy is shown to the right.

<u>Years of Service</u>	<u>Subsidized Amount</u>
Under 8	0%
8 - 9	50
10 - 14	60
15 - 19	70
20 - 24	80
25 - 29	90
30+	100

### Analysis of Financial Experience

An analysis of the gains and losses has not been performed in conjunction with the valuations. The figures for this statement are, therefore, not available. However, an extensive review of all actuarial assumptions is required to be performed at each actuarial valuation.

### Independent Actuarial Review Opinion

The firm of Milliman USA is retained as an independent actuarial consultant by the System. All of the information presented in this section of the report has been prepared by Milliman USA.



# *Statistical Section*



*Betty volunteers to help children learn to read.*

**Revenues by Source****For the Years Ended June 30:**

Fiscal Year	Member Contributions	Employer Contributions			Net Investment and Other Income	Total
		Dollars	Percent of Annual Covered Payroll	Contributions from Other Sources		
1992	\$ 233,822,136	\$ 426,327,566	10.81%	\$ 13,797,404	\$ 1,878,968,255	\$ 2,552,915,361
1993	262,194,758	431,077,253	10.61	14,339,140	1,762,038,257	2,469,649,408
1994	264,495,474	417,495,251	9.74	17,864,885	878,885,470	1,578,741,080
1995	277,590,846	438,946,382	9.83	15,335,870	2,428,244,001	3,160,117,099
1996	289,734,738	445,608,140	9.00	16,754,883	3,968,152,915	4,720,250,676
1997	303,723,333	461,779,098	9.12	17,111,261	4,830,035,816	5,612,649,508
1998	322,378,126	491,957,385	9.16	17,957,112	4,847,495,295	5,679,787,918
1999	338,859,319	510,378,953	9.04	17,502,513	3,473,135,746	4,339,876,531
2000	385,114,819	1,063,893,331*	18.89	19,121,874	6,676,108,376	8,144,238,400
2001	415,657,726	682,483,623	9.85	20,278,204	(3,468,438,513)	(2,350,018,960)

**For the Years Ended December 31:**

Calendar Year	Member Contributions	Employer Contributions			Net Investment and Other Income	Total
		Dollars	Percent of Annual Covered Payroll	Contributions from Other Sources		
1991	\$ 236,983,311	\$ 427,910,279	11.05%	\$ 13,606,173	\$ 2,537,769,250	\$ 3,216,269,013
1992	246,695,129	431,168,291	10.89	14,116,142	1,492,322,186	2,184,301,748
1993	256,388,041	421,039,651	9.99	16,911,600	2,170,928,202	2,865,267,494
1994	271,256,815	424,539,339	9.73	16,425,716	(13,531,164)	698,690,706
1995	285,912,537	427,175,542	8.81	16,450,744	4,111,133,796	4,840,672,619
1996	296,417,998	462,508,910	9.71	17,132,464	4,359,045,282	5,135,104,654
1997	291,120,161	472,911,524	9.16	17,361,420	4,582,913,745	5,364,306,850
1998	318,434,441	488,039,219	9.20	18,625,828	3,977,827,456	4,802,926,944
1999	347,053,753	1,020,463,264*	17.64	18,671,028	7,462,635,074	8,848,823,119
2000	400,530,127	659,575,760	11.04	20,251,776	142,629,937	1,222,987,600

\*Employer Contributions for fiscal year 2000 and calendar year 1999 include employers' prepayment of the unfunded liability based on the 1997 actuary valuation.

**Expenses by Type****For the Years Ended June 30:**

<b>Fiscal Year</b>	<b>Benefits</b>	<b>Administrative Expenses</b>	<b>Refunds</b>	<b>Other Expenses</b>	<b>Total</b>
1992	\$ 479,168,851	\$ 10,281,299	\$ 29,406,352	\$ 17,413,705	\$ 536,270,207
1993	552,277,075	10,510,761	32,686,623	19,842,651	615,317,110
1994	603,324,622	12,111,434	33,479,349	21,257,575	670,172,980
1995	709,033,840	12,136,793	37,249,150	21,563,780	779,983,563
1996	763,283,266	13,692,997	51,914,136	21,936,113	850,826,512
1997	880,041,771	14,676,606	52,542,067	21,726,518	968,986,962
1998	1,575,523,610	16,606,402	70,003,190	22,437,919	1,684,571,121
1999	1,343,217,654	17,456,788	69,978,826	23,090,627	1,453,743,895
2000	1,442,314,231	20,680,727	65,706,671	59,448,485*	1,588,150,114
2001	1,578,497,193	27,584,697	46,243,701	64,018,157	1,716,343,748

**For the Years Ended December 31:**

<b>Calendar Year</b>	<b>Benefits</b>	<b>Administrative Expenses</b>	<b>Refunds</b>	<b>Other Expenses</b>	<b>Total</b>
1992	\$ 499,275,811	\$ 10,776,277	\$ 27,167,342	\$ 18,661,626	\$ 555,881,056
1993	591,860,846	11,058,305	28,943,900	20,606,862	652,469,913
1994	653,521,434	11,767,268	37,659,540	21,475,645	724,423,887
1995	740,128,144	13,500,677	42,292,938	21,760,902	817,682,661
1996	802,862,785	12,537,587	43,850,630	23,589,094	882,840,096
1997	1,292,499,686	13,389,739	56,034,638	24,465,922	1,386,389,985
1998	1,308,791,798	16,556,220	58,616,445	24,384,231	1,408,348,694
1999	1,423,239,307	18,182,904	47,338,113	41,087,645*	1,529,847,969
2000	1,529,826,160	24,358,550	48,558,962	60,951,047	1,663,694,719

\* Standard Retiree Health Insurance account activity was added to the System beginning July 1, 1999.

**Schedule of Benefit Expenses By Type  
For the Years Ended June 30:**

Fiscal Year	Service Benefits	Disability Benefits		Death Benefits	Refunds	Total
		Duty	Non-Duty			
1992	\$ 447,118,935	\$ 4,120,557	\$ 23,555,607	\$ 4,373,752	\$ 29,406,352	\$ 508,575,203
1993	517,136,538	4,278,751	26,073,136	4,788,650	32,686,623	584,963,698
1994	564,359,717	4,353,988	29,493,976	5,116,941	33,479,349	636,803,971
1995	666,576,763	4,968,384	31,826,498	5,662,195	37,249,150	746,282,990
1996	712,724,411	4,907,472	35,785,241	9,866,142	51,914,136	815,197,402
1997	829,635,096	5,246,985	40,722,296	4,437,394	52,542,067	932,583,838
1998	1,493,706,047	8,424,021	61,959,497	11,434,045	70,003,190	1,645,526,800
1999	1,272,018,822	6,747,274	53,102,285	11,349,273	69,978,826	1,413,196,480
2000	1,369,434,952	7,328,142	56,328,089	9,223,048	65,706,671	1,508,020,902
2001	1,498,822,236	7,822,924	62,163,492	9,688,541	46,243,701	1,624,740,894

**Schedule of Earnings and Distribution  
at December 31:**

Year	Regular Tier One Account Earnings Available for Distribution	Distribution		Variable Account Earnings/(Loss) Distributed
		Tier One	Tier Two*	
1991	22.4526%	15.00%		35.05%
1992	6.9459	8.00		10.54
1993	15.0423	12.00		12.65
1994	2.1625	8.00		(1.76)
1995	20.7829	12.50		29.92
1996	24.4204	21.00	24.42%	21.06
1997	20.4232	18.70	20.42	28.87
1998	15.4300	14.10	13.63	21.45
1999	24.8900	20.00	21.97	28.83
2000	0.6300	8.00	0.54	(3.24)

\*The law creating Tier Two became effective January 1, 1996.

## Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1991 to June 30, 2001	Years Credited Service							Total
	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	
1992 Average Monthly Benefit	\$ 172.46	\$ 378.09	\$ 685.92	\$ 1,189.85	\$ 1,740.83	\$ 2,592.81	\$ 3,072.01	\$ 1,554.76
Number of Active Retirees	246	311	450	483	514	560	393	2,957
1993 Average Monthly Benefit	\$ 155.98	\$ 417.50	\$ 776.39	\$ 1,287.02	\$ 1,977.99	\$ 2,699.18	\$ 3,302.83	\$ 1,719.00
Number of Active Retirees	246	310	436	466	535	615	416	3,024
1994 Average Monthly Benefit	\$ 164.47	\$ 416.49	\$ 783.50	\$ 1,237.91	\$ 1,924.25	\$ 2,789.88	\$ 3,210.89	\$ 1,672.93
Number of Active Retirees	301	371	463	573	642	674	436	3,460
1995 Average Monthly Benefit	\$ 184.97	\$ 408.64	\$ 790.09	\$ 1,226.32	\$ 1,974.79	\$ 2,748.60	\$ 3,230.72	\$ 1,772.86
Number of Active Retirees	369	506	562	813	845	1,022	758	4,875
1996 Average Monthly Benefit	\$ 160.69	\$ 394.56	\$ 806.17	\$ 1,216.72	\$ 1,843.94	\$ 2,613.62	\$ 3,168.44	\$ 1,474.10
Number of Active Retirees	365	420	428	562	489	663	252	3,179
1997 Average Monthly Benefit	\$ 205.30	\$ 434.55	\$ 868.40	\$ 1,336.84	\$ 2,135.60	\$ 2,922.18	\$ 3,346.99	\$ 1,700.09
Number of Active Retirees	450	482	445	670	714	785	380	3,926
1998 Average Monthly Benefit	\$ 250.80	\$ 558.47	\$ 989.62	\$ 1,514.76	\$ 2,367.94	\$ 3,284.99	\$ 3,891.90	\$ 2,146.30
Number of Active Retirees	517	852	904	1,534	1,620	2,089	922	8,438
1999 Average Monthly Benefit	\$ 307.35	\$ 624.74	\$ 1,117.53	\$ 1,673.36	\$ 2,543.36	\$ 3,497.74	\$ 4,082.39	\$ 2,171.27
Number of Active Retirees	426	609	739	917	945	1,338	442	5,416
2000 Average Monthly Benefit	\$ 275.25	\$ 651.61	\$ 1,049.44	\$ 1,674.25	\$ 2,556.97	\$ 3,536.68	\$ 4,228.97	\$ 2,007.19
Number of Active Retirees	473	597	572	651	712	947	249	4,201
2001 Average Monthly Benefit	\$ 376.81	\$ 633.84	\$ 1,137.04	\$ 1,743.25	\$ 2,620.63	\$ 3,632.35	\$ 4,118.81	\$ 2,072.19
Number of Active Retirees	452	478	527	581	650	861	214	3,763
<b>Total</b>								
<b>Average Monthly Benefit</b>	<b>\$ 161.20</b>	<b>\$ 366.02</b>	<b>\$ 681.37</b>	<b>\$ 1,128.35</b>	<b>\$ 1,775.13</b>	<b>\$ 2,654.31</b>	<b>\$ 2,872.99</b>	<b>\$ 1,423.93</b>
<b>Number of Active Retirees</b>	<b>8,352</b>	<b>11,393</b>	<b>12,287</b>	<b>14,017</b>	<b>13,500</b>	<b>14,545</b>	<b>9,129</b>	<b>83,223</b>

Schedule of Benefit Recipients by Type of Benefit  
for the Year Ended June 30, 2001

Monthly Benefit Amount	Number of Retirees	Type of Retirement*				Refund Annuity	Annuity Options**				Lump Sum Options**		
		1	2	3	4		1	2	3	4	1	2	3
\$ 1-100	6,534	5,723	4	0	807	1,088	879	794	185	76	2,357	1,006	148
101-200	6,222	5,173	41	24	984	1,321	1,190	997	412	133	1,266	685	218
201-300	5,358	4,429	58	95	776	1,360	1,117	883	402	117	863	451	165
301-400	4,672	3,772	92	169	639	1,258	1,109	822	395	96	550	311	130
401-500	4,149	3,386	76	200	487	1,117	1,000	742	365	102	455	271	99
501-600	3,782	3,192	21	160	409	969	971	709	391	100	361	186	94
601-700	3,392	2,837	17	174	364	893	876	656	417	77	270	139	64
701-800	3,110	2,607	18	185	300	816	815	569	385	85	246	136	59
801-900	2,803	2,343	15	173	272	691	749	541	354	67	206	129	64
901-1000	2,581	2,172	15	154	240	613	669	495	369	74	183	121	56
1001-1500	10,554	9,035	74	685	760	2,487	2,731	2,230	1,429	295	656	508	219
1501-2000	7,735	6,792	65	491	387	1,604	2,021	1,705	1,140	208	438	491	130
Over 2000	22,331	21,092	91	650	498	3,464	5,951	6,715	4,058	672	546	700	225
<b>Totals</b>	<b>83,223</b>	<b>72,553</b>	<b>587</b>	<b>3,160</b>	<b>6,923</b>	<b>17,681</b>	<b>20,078</b>	<b>17,858</b>	<b>10,302</b>	<b>2,102</b>	<b>8,397</b>	<b>5,134</b>	<b>1,671</b>

## \*Type of Retirement

- 1 - Normal
- 2 - Duty Disability
- 3 - Non-Duty Disability
- 4 - Survivor Payment

## \*\*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:

	1975	1980	1985	1990	1995	2000
State Agencies	35,191	37,935	37,824	46,187	45,068	42,434
School Districts	44,400	46,150	47,590	48,144	55,734	63,133
Political Subdivisions	14,665	23,728	26,238	33,177	40,635	53,291
Inactive Members	10,354	14,128	15,920	23,225	32,033	44,830
<b>Total Non-Retired</b>	<b>104,610</b>	<b>121,941</b>	<b>127,572</b>	<b>150,733</b>	<b>173,470</b>	<b>203,688</b>
Retired Members	22,227	32,832	46,181	55,540	64,796	82,355
<b>Total Membership</b>	<b>126,837</b>	<b>154,773</b>	<b>173,753</b>	<b>206,273</b>	<b>238,266</b>	<b>286,043</b>
Administrative Expense	\$ 1,007,293	\$ 1,949,677	\$ 2,905,072	\$ 8,901,091	\$ 13,500,677	\$ 24,358,550
Pension Roll (one month)	\$ 2,929,285	\$ 7,474,402	\$ 18,083,614	\$ 33,175,888	\$ 58,457,531	\$ 122,467,087

### Retirement System Membership at June 30:

	1996	1997	1998	1999	2000	2001
State Agencies*	40,444	40,071	40,271	41,636	42,188	43,212
School Districts	58,439	60,004	59,578	62,303	63,944	65,962
Political Subdivisions*	47,769	49,092	47,599	50,670	52,852	54,749
Inactive Members	32,702	35,944	37,946	39,702	42,937	46,460
<b>Total Non-Retired</b>	<b>179,354</b>	<b>185,111</b>	<b>185,394</b>	<b>194,311</b>	<b>201,921</b>	<b>210,383</b>
Retired Members and Beneficiaries	66,421	68,449	75,326	78,859	81,116	83,223
<b>Total Membership</b>	<b>245,775</b>	<b>253,560</b>	<b>260,720</b>	<b>273,170</b>	<b>283,037</b>	<b>293,606</b>
Administrative Expense	\$13,692,997	\$14,676,606	\$16,606,402	\$17,456,788	\$ 20,680,727	\$ 27,584,697
Pension Roll (one month)	\$59,536,161	\$70,016,347	\$87,909,572	\$99,602,182	\$109,290,162	\$126,469,160

\*Chapter 162, Oregon Laws 1995 established the Oregon Health Sciences University as a public corporation. As a result of this legislation, approximately 6,000 non-retired members were reclassified from state agencies to political subdivisions as of January 1, 1996.



**Schedule of Participating Employers (852)****State (124)**

Adult and Family Services  
 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 Optometry  
 Board of Psychologist Examiners  
 Board of Tax Services Examiners  
 Bureau of Labor and Industries  
 Capitol Planning Commission  
 Children's Trust Fund  
 Commission for Women  
 Commission on Asian Affairs  
 Commission on Black Affairs  
 Commission on Hispanic Affairs  
 Commission on Judicial Fitness  
 Construction Contractors Board  
 Department of Administrative Services  
 Department of Agriculture  
 Department of Aviation  
 Department of Consumer and Business Services  
 Department of Corrections  
 Department of Education  
 Department of Education Contractors  
 Department of Energy  
 Department of Environmental Quality  
 Department of Human Resources  
 Department of Justice  
 Department of Land Conservation and Development  
 Department of Revenue  
 Department of State Police  
 Department of Transportation  
 Department of Veterans' Affairs  
 Dispute Resolution Commission  
 District Attorneys Department  
 Division of State Lands  
 Eastern Oregon Psychiatric Center  
 Eastern Oregon Training Center  
 Economic Development Department  
 Employment Department  
 Employment Relations Board  
 Fairview Training Center  
 Forestry Department  
 Geology and Mineral Industries  
 Government Standards and Practices Commission  
 Health Division  
 Insurance Pool Governing Board  
 Judicial Department  
 Land Use Board of Appeals  
 Landscape Architects Board  
 Legislative Administration Committee  
 Legislative Assembly  
 Legislative Committees  
 Legislative Fiscal Office  
 Long Term Care Ombudsman  
 Mental Health Division  
 Military Department  
 Office of Community College Services  
 Office of the Governor  
 Office of Legislative Counsel  
 Office of the Public Defender  
 Office of State Court Administrators  
 Oil Heat Commission  
 Oregon Board of Licensed Professional Counselors and Therapists  
 Oregon Beef Council  
 Oregon Blueberry Commission  
 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 Disabilities Commission  
 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 Liquor Control Commission  
 Oregon Potato Commission  
 Oregon Racing Commission  
 Oregon Resource and Technology Development Corp.  
 Oregon Salmon Commission  
 Oregon State Bar  
 Oregon State Bar Professional Liability Fund  
 Oregon State Fair and Expo Center  
 Oregon State Hospital  
 Oregon State Library  
 Oregon Trawling Commission  
 Oregon Watershed Enhancement Board  
 Oregon Wheat Commission  
 Oregon Youth Authority  
 Physical Therapists Licensing Board  
 Psychiatric Security Review Board  
 Public Employees Retirement System  
 Public Safety Standards and Training  
 Public Utility Commission  
 Real Estate Agency  
 Secretary of State  
 Senior and Disabled Services Division  
 Services to Children and Families  
 State Accident Insurance Fund  
 State Board of Clinical Social Workers  
 State Board of Higher Education  
 State Board of Nursing  
 State Board of Parole  
 State Fair Operations  
 State Lottery Commission  
 State Marine Board  
 State Parks and Recreation Department  
 State Scholarship Commission  
 State Treasury Department  
 Teacher Standards and Practices  
 Travel Information Council  
 Vocational Rehabilitation Division  
 Water Resources Department

**Political Subdivisions (490)**

Adair Village, City of  
Albany, City of  
Amity Fire District  
Amity, City of  
Applegate Valley RFPD 9  
Arch Cape Service District  
Ashland Parks Commission  
Ashland, City of  
Astoria, City of  
Athena Cemetery Maintenance District  
Athena, City of  
Aumsville RFD  
Aumsville, City of  
Aurora, City of  
Aurora RFPD  
Baker County  
Baker County Library District  
Baker Valley Irrigation District  
Baker, City of  
Bandon, City of  
Banks, City of  
Bay City, City of  
Beaverton, City of  
Bend Metropolitan Park and Recreation District  
Bend, City of  
Benton County  
Black Butte Ranch RFPD  
Black Butte Ranch Service District  
Boardman, City of  
Boardman RFD  
Boring RFD 59  
Brookings, City of  
Brownsville RFPD  
Burns, City of  
Burnt River Irrigation District  
Butte Falls, Town of  
Canby FPD 62  
Canby Utility Board  
Canby, City of  
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  
Center for Human Development  
Central Oregon Coast Fire and Rescue Dist.  
Central Oregon Intergovernmental Council  
Central Oregon Irrigation District  
Central Oregon Park and Recreation 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 Vector Control District  
Clackamas County Fire District  
Clackamas River Water  
Clarks RFPD 68  
Clatskanie Library District  
Clatskanie Peoples Utility District  
Clatskanie RFPD  
Clatskanie, City of

Clatsop County  
Clatsop County 4-H and Extension Service District  
Cloverdale RFPD  
Coburg, City of  
Coburg RFPD  
Colton RFPD 70  
Columbia County  
Columbia County 911 Communications District  
Columbia Drainage Vector Control District  
Columbia Health District  
Columbia River PUD  
Columbia, City of  
Community Services Consortium  
Condon, City of  
Coos Bay, City of  
Coos County  
Corbett Water District  
Cornelius, City of  
Corvallis, City of  
Cottage Grove, City of  
Crescent RFPD  
Creswell, City of  
Creswell RFPD  
Crook County  
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 RFPD  
Depoe Bay, City of  
Deschutes County  
Deschutes County Fair Association  
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 RFD  
Drain, City of  
Dufur, City of  
Dundee, City of  
Dunes City, City of  
Durham, City of  
Eagle Point, City of  
East Fork Irrigation District  
Echo, City of  
Elgin, City of  
Elkton, City of  
Enterprise, City of  
Estacada Cemetery Maintenance District  
Estacada RFD 69  
Estacada, City of  
Eugene Water and Electric Board  
Eugene, City of  
Evans Valley RFPD  
Fairview, City of  
Fairview Water District  
Falls City, City of  
Farmers Irrigation District  
Fern Ridge Community Library  
Florence, City of  
Fossil, City of  
Friends of Washington Park Zoo

Garibaldi, City of  
 Gaston RFPD  
 Gaston, City of  
 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 Irrigation District  
 Grants Pass, City of  
 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 County  
 Hood River, City of  
 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 Vector Control District  
 Jacksonville, City of  
 Jefferson County  
 Jefferson County EMS District  
 Jefferson County RFPD 1  
 Jefferson County SWCD  
 Jefferson RFPD  
 Jefferson, City of  
 Job Council  
 John Day, City of  
 Jordan Valley, City of  
 Joseph, City of  
 Josephine County  
 Judges PERS  
 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 Library  
 Lake Oswego, City of  
 Lakeside Water District  
 Lakeside, City of  
 Lakeview, Town of  
 Lane Council of Governments  
 Lane County  
 Lane County Fair Board  
 Lane County Fire Dist. 1  
 Lane Rural Fire Rescue  
 League of Oregon Cities  
 Lebanon Fire District  
 Lebanon, City of  
 Lifeways  
 Lincoln County  
 Lincoln County Communications Agency  
 Lincoln City, City of  
 Linn County  
 Linn-Benton Housing Authority  
 Local Government Personnel Institute  
 Lowell RFPD  
 Lowell, City of  
 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  
 Marion Salem Data Center  
 Maupin, City of  
 McKenzie RFPD  
 McMinnville Water and Light Department  
 McMinnville, City of  
 Medford Irrigation District  
 Medford Water Commission  
 Medford, City of  
 Merrill, City of  
 Metolius, City of  
 Metro Area Communication Commission  
 METRO  
 Mid-Columbia Center for Living  
 Mid-Willamette Valley Senior Services  
 Mill City, City of  
 Millersburg, City of  
 Millington RFPD  
 Milton-Freewater Cemetery Maintenance District 3  
 Milton-Freewater, City of  
 Milwaukie, City of  
 Mist-Birkenfeld RFPD  
 Mohawk Valley RFD  
 Molalla, City of

## Oregon Public Employees Retirement System

Molalla RFPD 73  
Monmouth, City of  
Monroe RFPD  
Monroe, City of  
Moro, City of  
Mt. Angel, City of  
Mt. Vernon, City of  
Mulino Water District 23  
Multnomah County  
Multnomah County Drainage District 1  
Multnomah County RFPD 10  
Multnomah County RFPD 14  
Myrtle Creek, City of  
Myrtle Point, City of  
Nehalem Bay Health District  
Nehalem Bay Wastewater Agency  
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 Lincoln Fire & Rescue District 1  
North Marion County 911  
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  
Nyssa Road Assessment District 2  
Nyssa, City of  
Oak Lodge Sanitary District  
Oak Lodge Water District  
Oakland, City of  
Oakridge, City of  
Odell RFPD  
Odell Sanitary District  
Ontario, City of  
Oregon Advanced Technology Consortium Inc.  
Oregon Cascades West COG  
Oregon City, City of  
Oregon Community College Association  
Oregon Consortium, The  
Oregon Coastal Zone Management Association  
Oregon Health Sciences University  
Oregon School Boards Association  
Oregon Small Schools Association  
Oregon Trail Library District  
Owyhee Irrigation District  
Parkdale RFPD  
Pendleton, City of  
Philomath RFPD  
Philomath, City of  
Phoenix, City of  
Pilot Rock, City of  
Pleasant Hill RFPD  
Polk County  
Polk County Fire District 1  
Polk County Housing and Urban Renewal Agency  
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 Public Library  
Port Orford, City of  
Portland Development Commission  
Portland, City of  
Powell Valley Road Water District  
Powers, City of  
Prairie City, City of  
Prineville, City of  
Rainbow Water District  
Rainier Cemetery District  
Rainier, City of  
Rainier RFPD  
Redmond, City of  
Reedsport, City of  
Regional Organized Crime Narcotics Task Force  
Riddle, City of  
Rockaway Beach, City of  
Rockwood Water PUD  
Rogue River RFPD 4-201  
Rogue River Valley Irrigation District  
Rogue River, City of  
Roseburg Urban Sanitary Authority  
Roseburg, City of  
Rural Road Assessment District 3  
Rural Road District  
Salem Housing Authority  
Salem Mass Transit  
Salem Metro Communications Agency  
Salem, City of  
Salmon Harbor and Douglas County  
Sandy RFPD 72  
Sandy, City of  
Santa Clara RFPD  
Scappoose Public Library  
Scappoose RFPD  
Scappoose, City of  
Scio RFPD  
Seal Rock Water District  
Seal Rock RFPD  
Shady Cove, City of  
Sheridan Fire District  
Sheridan, City of  
Sherman County  
Sherwood, City of  
Silver Falls 911  
Silver Falls Library District  
Silverton RFPD 2  
Silverton, City of  
Sisters and Camp Sherman RFPD  
Sisters, City of  
Siuslaw Library District  
Siuslaw RFPD 1  
South Fork Water Board  
South Suburban Sanitary District  
Southwest Polk County RFPD  
Southwest Lincoln County Water District  
Springfield, City of  
St. Helens RFPD  
St. Helens, City of

Stanfield Fire District 7-402  
 Stanfield, City of  
 Stayton RFPD  
 Stayton, City of  
 Sublimity RFPD  
 Suburban East Salem Water District  
 Sunrise Water Authority  
 Sutherlin, City of  
 Sutherlin Water District  
 Sweet Home Cemetery Maintenance District  
 Sweet Home, City of  
 Talent Irrigation District  
 Talent, City of  
 Tangent RFPD  
 Tigard, City of  
 Tillamook County 911  
 Tillamook County Soil and Water  
 Tillamook Fire District  
 Tillamook Peoples Utility District  
 Tillamook Water Commission  
 Tillamook, City of  
 Toledo, City of  
 Tri-City RFPD  
 Tri-City Sanitary District  
 Tri-City Water District  
 Tri-Met  
 Troutdale, City of  
 Tualatin Valley Fire and Rescue  
 Tualatin Valley Irrigation District  
 Tualatin, City of  
 Turner RFPD  
 Turner, City of  
 Umatilla County  
 Umatilla County Soil and Water District  
 Umatilla County Special Library District  
 Umatilla RFPD 7-405  
 Umatilla, City of  
 Umpqua Regional Council of Govt.  
 Unified Sewerage Agency  
 Union, City of  
 Vale, City of  
 Valley View Cemetery Maintenance District  
 Veneta, City of  
 Vernonia, City of  
 Vernonia RFPD  
 Waldport, City of  
 Wallowa County  
 Wallowa, City of  
 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 Slope Water District  
 Western Lane Ambulance District  
 West Linn, City of  
 West Slope Water District  
 Western Lane Ambulance District  
 Westfir, City of  
 Weston Cemetery District  
 Weston, City of  
 Westport Sewer Service District  
 Wheeler, City of  
 Wickiup Water District  
 Willamina, City of

Willamina Fire District  
 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  
 Workforce Development Board  
 Yachats, City of  
 Yachats RFPD  
 Yamhill Communications Agency  
 Yamhill County  
 Yamhill, City of  
 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 (221)**

Armadillo Technical Institute  
Baker CSD 5J  
Baker CSD 16J  
Baker CSD 30 J  
Baker CSD 61  
Benton CSD 1J  
Benton CSD 7J  
Benton CSD 17J  
Benton CSD 509J  
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  
Clatsop CSD 1C  
Clatsop CSD 8  
Clatsop CSD 10  
Clatsop CSD 30  
Columbia CSD 1J  
Columbia CSD 4  
Columbia CSD 6J  
Columbia CSD 13  
Columbia CSD 47 J  
Columbia CSD 502  
Coos CSD 8  
Coos CSD 9  
Coos CSD 13  
Coos CSD 31  
Coos CSD 41  
Coos CSD 54  
Crook CSD  
Curry CSD 1  
Curry CSD 2CJ  
Curry CSD 17  
Deschutes County ESD  
Deschutes CSD 1  
Deschutes CSD 2J  
Deschutes CSD 6  
Deschutes CSD 15C  
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  
Gilliam CSD 3  
Grant School District 3  
Grant County ESD  
Grant CSD 4  
Grant CSD 8  
Grant CSD 16J  
Grant CSD 17  
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 33  
 Harney CSD UH1J  
 Hood River CSD 1  
 Jackson County ESD  
 Jackson CSD 4  
 Jackson CSD 5  
 Jackson CSD 6  
 Jackson CSD 9  
 Jackson CSD 35  
 Jackson CSD 59  
 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  
 Klamath CSD CU  
 Klamath CSD UH2  
 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 7  
 Linn CSD 9  
 Linn CSD 55  
 Linn CSD 95C  
 Linn CSD 129J  
 Linn CSD 552C  
 Linn-Benton Lincoln ESD  
 Linn-Benton School District 8J  
 Lourdes 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 14CJ  
 Marion CSD 15  
 Marion CSD 24J  
 Marion CSD 29J  
 Marion CSD 45  
 Marion CSD 91  
 Marion CSD 103C  
 Morrow CSD  
 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  
 North Central ESD  
 Northwest Regional ESD  
 Polk CSD 2  
 Polk CSD 13J  
 Polk CSD 21  
 Polk CSD 57  
 Ridgeline Montessori Charter School  
 Sherman CSD  
 South Coast ESD Region 7  
 The 21st Century Community Schoolhouse  
 Tillamook CSD 9  
 Tillamook CSD 56  
 Tillamook CSD 101  
 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 8J  
 Union CSD 11  
 Union CSD 15  
 Union CSD 23  
 Village School  
 Wallowa County Region 18 ESD  
 Wallowa CSD 6  
 Wallowa CSD 12  
 Wallowa CSD 21J  
 Wallowa CSD 54  
 Wasco County ESD  
 Wasco CSD 1  
 Wasco CSD 9  
 Wasco CSD 12  
 Wasco CSD 29  
 Washington CSD 1J  
 Washington CSD 15  
 Washington CSD 13  
 Washington CSD 23J  
 Washington CSD 48J  
 Washington CSD 88J  
 Washington CSD 511JT  
 Wheeler CSD 1  
 Wheeler CSD 21  
 Wheeler CSD 55U  
 Willamette ESD  
 Willamette Valley Community School  
 Yamhill County ESD  
 Yamhill CSD 1  
 Yamhill CSD 4J  
 Yamhill CSD 8  
 Yamhill CSD 29JT  
 Yamhill CSD 30-44-63J  
 Yamhill CSD 40  
 Yamhill CSD 48J

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