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OREGON STATE TREASURY
ANNUAL REPORT 2017



State Treasurer Tobias Read

www.Oregon.gov/Treasury

Imagine the possibilities.

$$\frac{M_1}{M_2} = e^{V/I}$$
$$V = I \cdot \ln\left(\frac{M_1}{M_2}\right)$$

**Do you have
a plan for college?**

OregonCollegeSavings.com





Tobias Read
Oregon State Treasurer

Dear Oregonians:

Your quality of life and financial security are interconnected, and the same goes for our neighbors, our communities and our state. I'm proud of the work the Oregon State Treasury is doing to help protect and improve the financial wellbeing of state government, and families across the state.

I am pleased to present this summary of the results achieved by Treasury in 2017. The work covers the gamut from strong investment results, to the successful pilot launch of the nation's first state-based auto-enrollment retirement savings program, known as OregonSaves. The success of OregonSaves, which will continue to launch statewide in phases through 2020, will play a critical role in the financial future of our state. OregonSaves will help address the retirement savings crisis, and reduce the budget pressure on our safety net programs.

When I was sworn in as your state treasurer in January of 2017, I pledged to focus our energy on three key priorities: investing for the long term, helping Oregonians invest in themselves, and doing business the right way.

Other highlights from 2017 include:

- Boosting the capacity of the investment division, which allows us to manage risk and save millions in fees by spending less on external managers;
- Hiring Oregon's first investment officer who will analyze Environmental, Social and Governance (ESG) factors, which are key to building a more sustainable portfolio with more stable returns;
- Launching a new online portal for the Local Government Investment Pool, to streamline operations and protect the critical data of our business partners.
- Creating the new Robert W. Straub Fellowship Program to help attract new talent to the business of government.
- Improving accessibility, by creating a new news product for beneficiaries, Invested for You.



The work that happens at Treasury is critical to the fiscal health of state and local governments. This includes the management of an investment portfolio that surpassed \$100 billion in assets in 2017. We also protect the state's credit rating, oversee billions in bond measures, and keep public funds safe by protecting public fund deposits. And we help families invest for future education and disability-related costs through the Oregon College Savings Plan and Oregon ABLE Savings Plan. Treasury is helping Oregon nonprofits succeed by making tax-free financing available for community projects, via the Oregon Facilities Authority. All of the things we do are to enhance the quality of life for you — and for Oregon.

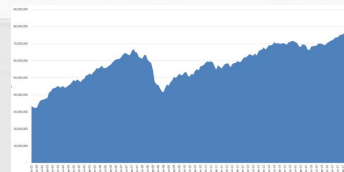
Thanks for taking the time to learn about the Oregon State Treasury.

Helping Oregon and Oregonians to save, invest and build a more secure future

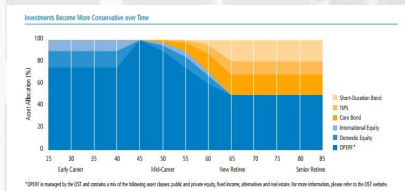


On July 1, Treasury launched the nation's first state-based auto-IRA to improve retirement savings options and help workers, small businesses and the economy.

Aided by strong returns, assets under management by the investment division closed the year on Dec. 31 at a record high of \$102.5 billion



After several years of planning by investment staff, the Oregon Investment Council approved a new Target Date Fund structure for the PERS Individual Account Program to better align risk and age for participants.



The investment division's corporate governance program engaged with companies and oversaw 87,516 proxy votes as part of efforts to buoy long-term portfolio performance.



To attract promising graduate students to the intersection of business and government, Treasurer Read launched in October the new Robert W. Straub Fellowships, named after a former state treasurer and governor.



To better serve Oregonians, the investment division inaugurated in April "Invested for You," a newsletter for beneficiaries of trust funds under management, such as the Oregon Public Employees Retirement Fund.



The Debt Management Division oversaw the sale of \$1.2 billion in Oregon general obligation Bonds in 18 separate issuances, for public infrastructure and targeted purposes such as affordable housing.



The Oregon College Savings Plan ramped up statewide outreach as the Be College Ready program expanded to 72 school districts, offering more students and families school supplies and an easy path to start saving for higher education.



A convenient new web-based interface launched in September as part of service improvements for almost 1,000 Oregon public entities who use the Local Government Investment Pool for short-term, interest-generating deposits.

+15.4%
2017 Public Employees Retirement Fund

+7.9%
2017 SAIF

+17.2%
2017 Common School Fund

Assets under investment management
\$102.6 billion
(As of Dec 31, 2017)

Total volume of banking transactions
\$236 billion

Total funds protected by collateral pool
\$2.7 billion

Total state debt tracked by Debt Management Division
\$13 billion

General Obligation Credit Ratings
AA+/Aa1/AA+
(S&P, Moody's, Fitch)

Lottery Debt Credit Ratings
AAA/Aa2
(S&P, Moody's)

Oregon 529 College Savings
\$3 billion

Oregon ABLE Savings
\$4 million

OregonSaves
Pilot launch July 2017,
statewide launch 2018

Total Treasury Positions
152 FTE
(As of Dec 31, 2017)

Biennial budget (2015-17)
\$61.3 million

Secure data capacity
30 terrabytes

EXECUTIVE SUMMARY

LONG TERM RETURNS

PUBLIC EMPLOYEES RETIREMENT FUND

Regular Account Balance: \$77.3 Billion (Dec. 31, 2017)

Globally diversified financial and real asset portfolio.

1-year 3-year 5-year 10-year
+15.4% +8.0% +9.4% +6.0%

STATE ACCIDENT INSURANCE FUND

Balance: \$4.8 Billion (Dec. 31, 2017)

Managed on behalf of injured workers and their families

1-year 3-year 5-year 10-year
+7.9% +4.5% +4.5% +5.6%

COMMON SCHOOL FUND

Balance: \$1.7 Billion (Dec. 31, 2017)

Managed in trust for Oregon schoolchildren, includes Oregon unclaimed property.

1-year 3-year 5-year 10-year
+17.2% +7.7% +9.5% +5.9%

OREGON SHORT TERM FUND

Balance: \$19.4 Billion (Dec. 31, 2017)

Includes Local Government Investment Pool

1-year 3-year 5-year 10-year
+1.3% +1.0% +0.8% +1.1%

INVESTMENTS ASSETS MANAGED

2005	\$66.9
2006	\$75.2
2007	\$81.3
2008	\$60.3
2009	\$68.4
2010	\$73.5
2011	\$72.5
2012	\$79.1
2013	\$87.5
2014	\$89.5
2015	\$89.6
2016	\$92.4
2017	\$102.6

All funds, as of Dec. 31 (in \$ billions)

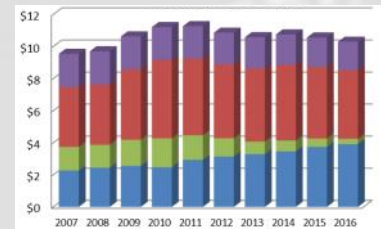
KEEPING PUBLIC FUNDS SAFE

Deposits from public entities that exceed federal insurance thresholds are protected via the Public Funds Collateralization Program.

Collateral pledged (Dec. 31, 2017)

BANKS \$1,748,209,701
 CREDIT UNIONS \$ 40,650,599

OREGON PUBLIC DEBT



Oregon's level of state General Obligation, revenue and pension obligation debt has been gradually declining for the five years, and the debt obligation per capita also has fallen.

General Fund debt (June 30, 2017)

\$2.83 billion

Lottery debt (June 30, 2017)

\$1.1 billion

Total net tax-supported debt (2017)

\$7.6 billion

HELPING OREGONIANS SAVE AND INVEST



OREGON COLLEGE SAVINGS
 Unique Beneficiaries -- 178,078
 Total Accounts -- 183,123
 Assets -- \$3,183,515,986



RETIREMENT SAVINGS
 Total businesses registered - 269
 Total new accounts, 2017 - 14,211
 Total assets—\$359,074



DISABILITY-RELATED SAVINGS
 Total Beneficiaries -- 936
 Assets --- \$3,470,182


Oregon State Treasury
 Tobias Read, Treasurer



www.Oregon.gov/Treasury



www.facebook.com/oregonstatetreasury



Main: 503 378 4000
 Capitol: 503 378 4329



@OregonTreasury @TreasurerRead
 @OregonSaves @OregonCSP

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The following Oregon statutes require reports to the Governor and/or members of the Legislature

- State Investments, ORS 293.771 The Oregon Investment Council shall report to the Governor and Legislative Assembly on the investment funds investment program at each regular session of the Legislative Assembly.
- Venture capital investments in Oregon, ORS 293.734. The Oregon Investment Council shall submit an annual report to the Speaker of

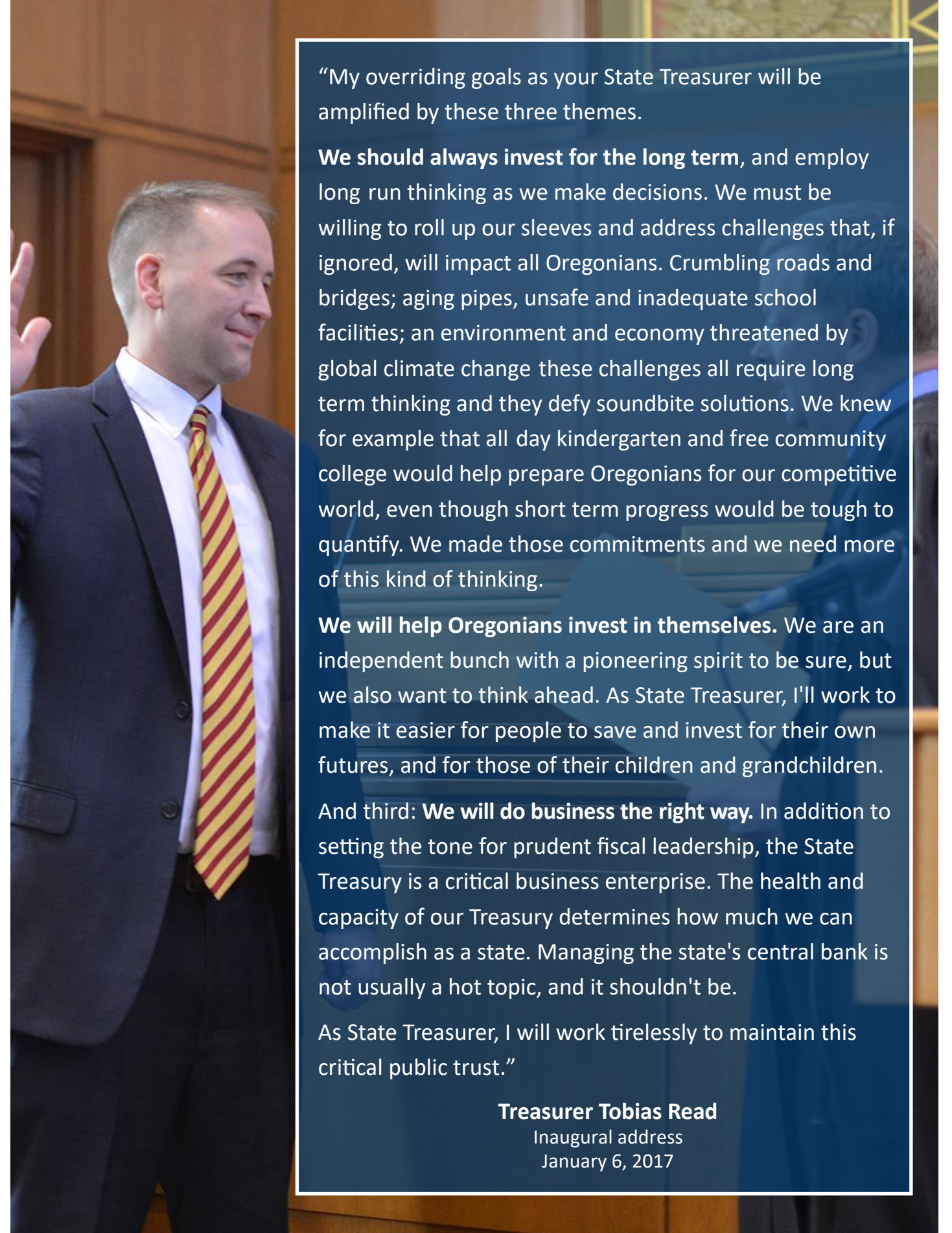
the House of Representatives and the President of the Senate detailing the investments and commitments made in accordance with ORS 293.733.

- Oregon Retirement Savings Plan, ORS 178.235.
- Oregon 529 Savings Network, ORS 178.330.
- State Debt Policy Advisory Commission, ORS 286A.255.

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ider Foundati

Leading
for a
more secure
Oregon



“My overriding goals as your State Treasurer will be amplified by these three themes.

We should always invest for the long term, and employ long run thinking as we make decisions. We must be willing to roll up our sleeves and address challenges that, if ignored, will impact all Oregonians. Crumbling roads and bridges; aging pipes, unsafe and inadequate school facilities; an environment and economy threatened by global climate change these challenges all require long term thinking and they defy soundbite solutions. We knew for example that all day kindergarten and free community college would help prepare Oregonians for our competitive world, even though short term progress would be tough to quantify. We made those commitments and we need more of this kind of thinking.

We will help Oregonians invest in themselves. We are an independent bunch with a pioneering spirit to be sure, but we also want to think ahead. As State Treasurer, I'll work to make it easier for people to save and invest for their own futures, and for those of their children and grandchildren.

And third: **We will do business the right way.** In addition to setting the tone for prudent fiscal leadership, the State Treasury is a critical business enterprise. The health and capacity of our Treasury determines how much we can accomplish as a state. Managing the state's central bank is not usually a hot topic, and it shouldn't be.

As State Treasurer, I will work tirelessly to maintain this critical public trust.”

Treasurer Tobias Read

Inaugural address
January 6, 2017

Tobias Read understands that financial empowerment, wise investments, and sound management are foundational to the quality of life and economic opportunities for Oregonians, and key for the long-term vitality of our state.

Elected Oregon's 29th State Treasurer in 2016, Tobias took office in January 2017. He is a collaborative problem solver who draws upon his management, political and finance policy experience to serve Oregonians as Treasurer.

He worked in the U.S. Treasury and as a liaison between designers, engineers and manufacturing units for Nike Inc. In 2006, he was elected to the Oregon House of Representatives, where he served a decade and championed legislation to invest in public education, improve state financial management, finance critical infrastructure improvements, and to help Oregonians save for a more secure future.

He was elected Speaker Pro Tempore and earned the chairmanship of the House Committee on Transportation and Economic Development, and the House Committee on Higher Education, Innovation, and Workforce Development. He also served on the House Revenue Committee in multiple legislative sessions. He was a member of the Joint Committee on Ways and Means, the primary budget writing body for the Legislature.

He pushed to strengthen the state's rainy day fund, which was a key factor that helped the state to earn a credit rating upgrade in 2011. He also helped lead the coalition that ultimately approved full-day kindergarten, underscoring that one of Oregon's best possible investments is in our kids. He led efforts to promote infrastructure projects using innovative public-private partnerships, and was a chief sponsor of the Oregon Investment Act, which streamlined Lottery investments in promising Oregon startups.

In 2015, he was a chief sponsor of the Oregon Retirement Savings Plan, which became the first operating state-sponsored retirement program in 2017. Known as Oregon-Saves, the program enrolls Oregon workers who lack access to a retirement savings option through their employers, and will allow hundreds of thousands more Oregonians to retire with dignity after a lifetime of work.

As State Treasurer, Tobias knows that financial confidence helps Oregonians get ahead, no matter where they live. He supports efforts to connect Oregonians with their unclaimed property, to improve financial education, to encourage Oregonians to invest in themselves, and to promote smart and accountable government reforms that improve transparency and stretch dollars for taxpayers and beneficiaries of public trust funds.

The State Treasurer is a constitutional officer and the state's navigator for sound and responsible financial policy. The Treasurer protects the state's credit ratings, sits on the Oregon Investment Council and State Land Board, and oversees public investing, banking, bonding and financial empowerment programs. Those include the Oregon 529 Savings Network, which allow families to save for higher education, job training and disability-related expenses, and the Oregon Retirement Savings Plan. Treasury manages an investment portfolio worth roughly \$106 billion.

Tobias earned his bachelor's degree from Willamette University and his MBA from the Michael G. Foster School of Business at the University of Washington. He has been a volunteer for Start Making a Reader Today (SMART), a youth sports coach, a member of the Willamette University Athletic Director's Advisory Board, and a founding board member of Hoopla, Oregon's largest three-on-three charity basketball tournament. He lives in Beaverton with his wife, Heidi Eggert, and their two children.



OregonSaves, launched in a pilot phase in July 2017, is the first state-based auto-enroll IRA retirement savings program



ADDRESSING A CRISIS

Oregonians without access to a savings option at work

1 million

Estimated number of Oregon employers that don't offer a plan to workers

64,000

Average monthly contribution by savers

\$100

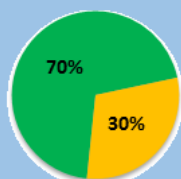
Total pilot phase assets, Dec. 31, 2017

\$359,074

Estimated combined savings for workers by year 15 via OregonSaves

\$6 billion

STRONG PARTICIPATION



More than 7 in 10 workers have elected to stay in OregonSaves, and fewer than 3 in 10 have opted out.

LEARN MORE



See annual reports and board materials at Oregon.gov/Retire.

To help address the crisis of inadequate savings and reduce the future demand for safety net programs, Oregon launched the test phase of OregonSaves on July 1, 2017. The statewide rollout began in January 2018, on a rolling schedule based on employer size.

OregonSaves is the nation's first auto-enroll state-based retirement program that gives private sector workers a chance to save their own money toward retirement, via payroll deductions.

Signups began in fall 2017 for the first wave participants: workers at businesses that employ at least 100.

OregonSaves is a game changer for workers and easy for employers to facilitate. The program is for workers with no saving option at their place of employment. It will reduce retirement poverty and positively impact the economy, businesses, families and the state.

The long-term savings for taxpayers due to OregonSaves is predicted to be significant. An [analysis](#) by the AARP estimates the fiscal savings could be \$98.9 million over 15 years, if lower income retirees save enough to boost their retirement incomes by \$1,000 per year.

Market research shows that roughly 1 million Oregon workers – representing more than half the workforce – have no access to a work-based plan today. Of those, about 600,000 work for an employer that offers no qualified plan at all.

The Legislature established the Oregon Retirement Savings Board and directed the Board to develop a simple, voluntary, work-based retirement program for Oregonians lacking access to a savings option through their employer.

OregonSaves creates no fees or fiduciary risk for employers. Employers facilitate deductions but cannot guide investment choices or make matching contributions.

The default investment selection is 5 percent of wages, with the first \$1,000 invested in the capital preservation option.

Public and business participation has been a hallmark of the effort to develop OregonSaves, to ensure it works well for savers and employers. Under the direction of the Board and its chair, Treasurer Tobias Read, robust efforts have been made to gather industry and public input, via public meetings, public hearings, and engagement with businesses and professional associations.

The Board designed OregonSaves taking investment best practices from behavioral economics and today's defined contribution plans. Participants are auto-enrolled and able to opt out, and the default savings path is a capital preservation fund for the first \$1,000 and then a target-date based framework. The default savings rate is 5 percent and it will auto-escalate to 10 percent.

Fees for participants are capped at about 1 percent annually, which is less than the rate for typical business 401(k)s. The level of fees will decline over time as assets increase.

Accounts are portable, which means they will follow workers from job to job. Accounts are not accessible to the state for other purposes and are not tied to any other state programs.

OregonSaves was structured relying on investment best practices including behavioral economics, for which Richard Thaler (the author of "Nudge") was awarded a Nobel Prize in Economics. The centerpiece truism: people make better decisions if they are started on the right path.

The Board in 2017 selected the lineup of mutual funds that will be available to participants, which will be a limited menu of funds from State Street Global Advisors.

Treasurer Read helped lead national efforts in 2017 to help protect state-based retirement savings efforts. The Treasurer's advocacy included public relations, coalition building with other state programs, and lobbying of members of Congress.

PUBLIC PARTICIPATION HELPED DEVELOP PIONEERING PLAN

PUBLIC HEARINGS



TIGARD

COMMUNITY PARTNERSHIPS



WOODBURN

OUTREACH TO BUSINESSES



BEND

SAVINGS SUMMIT



PORTLAND



Pfc. Willard Nanegos

*It seems as if I was killed 10,000 times.
I've been in that many tight places and
thought I'd never live through them.*

Guarding Valor

Treasurer helped reconnect hero's family with lost military medal and helped spotlight the state's unclaimed property

State Treasurer Tobias Read stood on a windswept hillside near Pendleton on May 19, 2017. He glanced at his hand, and smiled.

He was holding precious cargo.

Read had traveled from the State Capitol for the Flag Day ceremony at the Confederated Tribes of the Umatilla Indian Reservation, bringing with him the military medal of decorated veteran Willard Nanegos, who died in 1967.

"I hope having this symbol of gratitude returned to your family will ensure that his story will be told for future generations," Treasurer Read said before he handed the medal to Nanegos's youngest daughter, Leona White, and two of his grandchildren.

"Your father's sacrifice and service to this country will not be forgotten," he said.

For the Bronze Star, the journey home started with a question – and some luck.

Two months before the ceremony, the medal was unclaimed, forgotten. In Oregon, when the rightful owner cannot be found of assets or contents of abandoned safe deposit boxes, the property is turned over to the Department of State Lands.

Until the owner can be found, the money is invested in the state's Common School Fund to benefit K-12 schools. And if the unclaimed property is an item like jewelry or trading cards or medals, those are periodically sold at auction – and the proceeds are invested. The owner or descendants can claim the financial value, but the item itself will be sold.

Shortly after being sworn in as State Treasurer, Read asked about the unclaimed property program -- and in particular, whether it held any veterans' commendations. The State Treasurer is one of three members of the State Land Board, which oversees the Department of State Lands, where the Unclaimed Property Program is located.

Read was concerned that military medals could be sold,

and was considering asking for legislation that would forbid the sale of medals or other military regalia by the Unclaimed Property office, though it is their practice to hold onto items of sentimental value.

That's when he learned about the unclaimed Bronze Star, which had not been auctioned.

His staff went to work. Reading a faded newspaper clipping that was in the same safe deposit box with the medal, they marveled at the story of a Native American hero. And they traced his family back to the Confederated Tribes of the Umatilla Reservation.

Nanegos was a member of a Michigan tribe and came to the Pacific Northwest prior to World War II to work on the Grand Coulee Dam. He joined the Army the day after the attack on Pearl Harbor.

Private Nanegos served in the 168th Infantry Regiment, 3rd Infantry Division, zigzagging across the European Theater in eight campaigns, from North Africa to Italy to France.

One of those battles was the Battle of Anzio. On the first day, the 3rd Infantry lost 955 soldiers, the highest single day loss in World War II for any U.S. division. In the news clipping accompanying the Bronze Star, Nanegos said of that battle: "It seems as if I was killed 10,000 times. I've been in that many tight places and thought I'd never live through them."

The morning of the surprise presentation at the Flag Day ceremony, Treasurer Read picked up the medal in Salem and headed east. It was time for the Bronze Star to go home.

But no longer at risk of disappearing.

Oregon Veterans Magazine published this story in its April 2018 edition.



Treasury snapshot

OST VISION:

Leading the way for Oregonians to achieve long term financial security

OUR VALUES:

Integrity Trust Professionalism Innovation Diversity Accessibility

The Oregon State Treasury helps Oregon citizens and government entities to succeed.

Treasury is the state's professional financial services center. The Treasurer is responsible for soundly managing Oregon's financial resources. In order to achieve that, we offer a broad portfolio of services for our citizens, state agencies, Oregon's sovereign tribes and local governments.

At Treasury, we serve Oregonians by helping them save for their retirement and to save for their post-secondary education and job-training. We help people with disabilities save for job training and disability-related costs while promoting the importance of financial literacy to all. The goal with these programs is to have financially empowered citizens who are prepared for an independent, secure future.

We prudently invest public funds and trust funds, including the Public Employees Retirement Fund, the Common School Fund, the Oregon Short Term Fund, and also smaller funds. We offer investment services to our local government partners through the Local Government Investment Pool and Local Government Intermediate Fund. Oregon nonprofits are able to obtain low-cost financing for projects via the Oregon Facilities Authority.

We provide centralized banking and debt management services to government partners statewide. We process payments, protect deposits of public funds and provide an array of financial solutions and products.

We help our state and local governments to finance long-term projects through bonding and debt management services, ensuring they have access to low-cost financing. Together, we ensure our partners have the money they need, whether to

pay an invoice, finance a new school or build a bridge to the future.

Oregon State Treasury develops strategic plans to focus on customer and public priorities — while also facilitating forward-thinking solutions for complex financial issues.

When we developed our strategic plan, we kept five key objectives in mind:

We aim to fulfill our Vision: Leading the way for Oregonians to

achieve long-term financial security.

We ensure the financial health of the State by balancing financial opportunities and risk through our professional judgment, diversity of thought and transparent decision making.

We follow and meet industry

standards to ensure the safety and integrity of public funds.

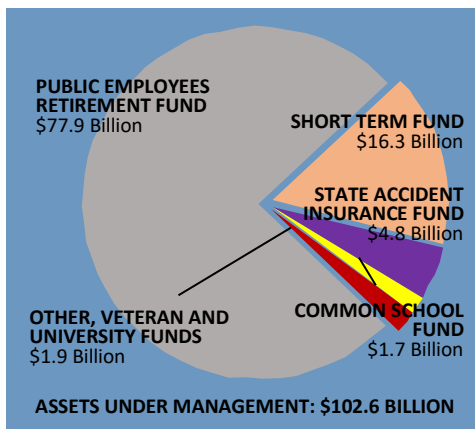
We believe in being ready for the future. We know that our ability to serve our state and our citizens is dependent on our ability to recognize, respond and adapt to both incremental changes and sudden, unforeseen shifts in circumstance.

And finally, **we believe in empowering our citizens to prepare for their futures**, knowing that an economically sound and dynamic state is driven by financially secure citizens who are able to improve and provide for themselves.

Treasury operates six program units: Finance Program, Debt Management Program, Investment Program, Oregon 529 College Savings Network Program, and the Oregon Retirement Savings Program. These programs are supported by the Executive Division.

The budget to provide the array of Treasury services comes primarily from fees collected in connection with financial services provided, not the state General Fund.

PORTFOLIO PASSES \$100 BILLION



AGENCY METRICS

Positions

152 FTE

Assets under investment management

\$102.6 billion

(As of Dec 31, 2017)

Total volume of banking transactions

\$236 billion

Total number of banking transactions

14.9 million

Total funds protected by collateral pool

\$2.7 billion

Total state debt tracked by Debt Management Division

\$13 billion

General Obligation Credit Ratings

AA+/Aa1/AA+

(S&P, Moody's, Fitch)

Lottery Debt Credit Ratings

AAA/Aa2

(S&P, Moody's)

Oregon College Savings Plans

\$3 billion

Oregon ABLE Savings

\$4 million

EXECUTIVE DIVISION AND EXECUTIVE SERVICES

STATUTORY AUTHORITY



GENERAL

ORS 178 State Treasurer

INVESTMENTS

ORS 293 Administration of Public Funds

FINANCE

ORS 293 Administration of Public Funds
ORS 294 County and Municipal Financial Administration
ORS 295 Depositories of Public Funds and Securities

DEBT MANAGEMENT

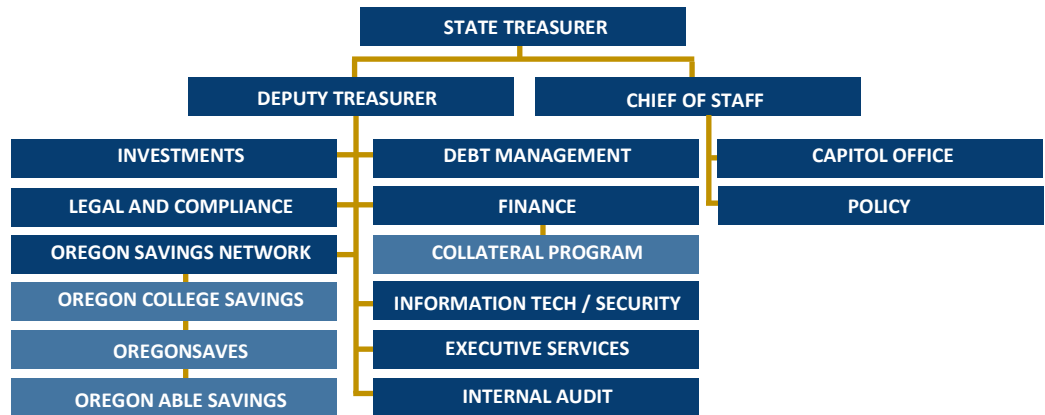
ORS 283 Interagency Services
ORS 285B Economic Development II
ORS 286A State Borrowing
ORS 287A Local Government Borrowing
ORS 289 Oregon Facilities Financing
ORS 328 Local Financing of Education

SAVINGS NETWORK

ORS 178 Oregon 529 Savings Network
ORS 348 Student Aid; Education Stability Fund; Planning

OREGONSAVES

ORS 178 Oregon Retirement Savings Plan



Capitol and policy office: Includes the Office of the State Treasurer and is responsible for engaging with the Legislature, working with state and federal policymakers to advocate for solutions that advance Oregonians' financial wellness, conducting policy research, and staffing the Treasurer on the State Land Board.

Investment Division: Manages the investment of diversified portfolios of assets including the Oregon Public Employees Retirement Fund, State Accident Insurance Fund, Common School Fund, Short Term Fund, and other accounts and trusts. Includes investment operations, Portfolio Risk and Research, and Corporate Governance programs.

Debt Management Program: Develops strategies, coordinates rating agency and disclosure processes, and oversees structure and sale of bonds authorized by the Legislature and Governor. Staffs the Debt Policy Advisory Commission. Provides guidance and oversight to debt issuers, and manages the Oregon Bond Calendar.

Finance Division: Provides banking and cash management services to all state agencies and certain public universities. Administers the Local Government Investment Pool for roughly 1,000 local governments. Protects public funds deposited in private-sector financial institutions via the Public Funds Collateralization Program, which ensures that deposits of state and local government money that

exceed the deposit insurance amounts are protected. Our goals are aligned with increasing security, enabling faster payments, reducing non-electronic payments and diversifying banking services.

Oregon Savings Network offers tools to improve the ability of Oregonians to save for higher education, job training and disability related expenses. These programs offered to the public and administered by Treasury via public-private partnerships.

Oregon Retirement Savings Program, known as OregonSaves, provides eligible employees with automatic enrollment, payroll deduction, and automatic annual contribution escalation in a retirement savings plan, all on a flexible, opt-out basis.

Information Technology and Cybersecurity: Provides a secure and stable network as well as application support for both in house and external systems. Information Technology's Information Security Initiative seeks to ensure the business units of Treasury and their customers are protected from evolving information security threats based on relevant industry standards and practices.

Executive services, Legal and compliance and internal audit: Provide agencywide functions such as accounting, human resources, facilities management, legal support, communications and media relations, investor relations, and project management.

EXECUTIVE DIVISION LEADERSHIP



Darren Bond
Deputy State Treasurer



Dmitri Palmateer
Treasurer's Chief of Staff



Jackie Steffens
Chief Human Resources Officer



Michael Kaplan
Chief Operating Officer



Deena Bothello
General Counsel



Byron Williams
Chief Administrative Officer



Former Oregon State Treasurers Randall Edwards (far left) and Jim Hill (far right) joined Treasurer Read and family members of the late former Gov. Robert Straub for the announcement in October of the Roberts W. Straub Fellowship program.

New Robert W. Straub Fellowship program seeks to attract financially savvy students to the business of government

State Treasurer Tobias Read announced in October 2017 the creation of the Robert W. Straub Fellowships program, which seeks to attract exceptional talent to help Oregonians to be more financially secure.

The program is a new partnership between the Oregon State Treasury and Portland State University and includes two paid internships: a 10-week summer fellowship and an eight-month residency. Candidates are graduate business or government students -- from Oregon or elsewhere -- who have an interest in the nexus of financial business and public service.

"More than ever, the success of government relies on financial and business expertise," said Treasurer Read. "To meet the challenges of the future, Oregon will need motivated, talented and diverse visionaries who will become our next public finance leaders."

Treasury is the state's financial hub and manages billions of dollars in investments, public bonding, banking



and finance programs. About a quarter of the Treasury's staff including much of its senior leadership will be eligible to retire within the next five years.

"Since 2000, we're proud to have placed more than 400 exceptional public service professionals with Oregon government and non-profit sponsors through our fellowship programs," said Phil Keisling, former Oregon Secretary of State and director of the Center for Public Service in the Mark O. Hatfield School of Government at Portland State University. "The Straub Fellowships will build on that success and attract outstanding financial talent for public service in Oregon."

The Treasurer was joined at the announcement by Keisling; Oregon In-

vestment Council Chair Rukaiyah Adams, the chief investment officer at Meyer Memorial Trust; and Oregon Investment Council member Rex Kim, an investment manager at the Multnomah Group.

The new program is named after former Governor and Treasurer Robert W. Straub, a state finance pioneer who led the creation of the Oregon Investment Council in the 1960s.

"Bob Straub was a leader of his time who blended fiscal discipline with strategic vision," Read said. "He remains a compelling model for our future."

Attendees included members of the Straub family, former state treasurers Jim Hill and Randall Edwards, and university students.

Portland State University will help handle the application process.

The summer program will pay a \$6,000 stipend and the eight-month program will pay a \$24,000 stipend.



Treasury staff volunteers packed boxes at Marion-Polk Food Share on Oct. 23.

Treasury employees raised money, hosted blood drives, and volunteered hundreds of hours for community causes

From community outreach to education, to volunteering, to donating from their paychecks, Treasury sets a high mark when it comes to community involvement and activism to make Oregon a better place.

State Treasurer Tobias Read is leading the effort to do even more for Oregonians, and in 2017 organized the first Treasury volunteer beach cleanup day, in concert with Stop Oregon Litter and Vandalism.

Treasury workers also participated in the agency's first-ever volunteer shifts at the Portland Food Bank and Marion-Polk Food Share.

The agency placed first among peer state offices for the meals donated per employee in the Governor's Food

Drive. In the Charitable Fund Drive, Treasury workers set an agency record of pledges worth \$6,295 to help nonprofits across the state including the United Way and Oregon Public Broadcasting to better serve Oregonians.

For the annual State Employee Toy Drive, Treasury raised \$2,081. Investment officer Mike Mueller went shopping and turned those donations into 195 toys, with a retail value of \$5,728.35. Chief Investment Officer John Skjervem donned a Santa outfit to help celebrate the results.

One of the goals of the Treasury is to help expand financial understanding. The Treasurer sits as an ex officio member of the State Board of Education and advocates for more personal

finance programming. Treasury also serves the public by advising about financial traps via the "Guard Your Money" web page. Treasury also facilitates meetings of the Oregon JumpStart Coalition.

At the Capitol office, the public is invited — as part of regular tours — to see the 1930s-built vault that was manufactured by a company that also built tanks. (The vault no longer holds any money or state bonds).



OREGON INVESTMENT COUNCIL

Sets policy for investment of Oregon State Treasury-managed trust funds, including the Oregon Public Employees Retirement Fund and the State Accident Insurance Fund. Rukaiyah Adams, Chair; John Russell, Vice Chair; Rex Kim; Rick Miller; Tobias Read, Oregon State Treasurer (ex officio); and Steve Rodeman, PERS Director (ex officio). ORS 293.706.

OREGON SHORT TERM FUND BOARD

Advises Oregon Investment Council and State Treasury Investment staff in the management of the Oregon Short Term Fund. Members: Douglas E. Goe, Chair; Darren Bond, Treasurer's designee; Deanne Woodring; Pat Clancy; Laurie Steele; Michael Schofield. ORS 294.885

OREGON SAVINGS NETWORK BOARD

Sets policy for Savings Network with includes the Oregon College Savings Plan and Oregon ABLE Savings Plan. Members: Tobias Read, Oregon State Treasurer, Chair; Melissa Ceron; Sydney Shook; Brent Wilder; vacant. ORS 348.849.

OREGON RETIREMENT SAVINGS BOARD

Sets policy and guides development of the Oregon Retirement Savings Plan. Members: Tobias Read, Oregon State Treasurer, Chair; Kara Backus; Sen. Lee Beyer; Edward Brewington; Dan Clay; Rep. Tobias Read; Cory Streisinger. ORS 178.200.

MUNICIPAL DEBT ADVISORY COMMISSION

Provides technical assistance to local governments and state agencies to improve the market for bond issues in Oregon. Members: Nancy Brewer, Chair; Nick Hogan; Laura Lockwood-McCall, Treasurer's Designee; Bryce Stadick; Paul Matthews; Laurie Steele; and, Christine Reynolds. ORS 287A.630-640

INFRASTRUCTURE FINANCE AUTHORITY

Oversees public infrastructure assistance, and industrial land certification. Members: Mark Knudson; James Bellet; Patrick Clancy; Niki J. Iverson, Board Chair; Andrea Klaas; Kristin Reitherford; Rep. Karin Power; Sen. Richard Devlin; and, Laura Lockwood-McCall, Treasurer's Appointment. Staffed by Business Oregon. ORS 285A.091-108

OREGON FACILITIES AUTHORITY BOARD

Helps nonprofit organizations access low-cost financing for capital projects through the issuance of tax exempt conduit revenue bonds. Members: Sean Hubert, Chair; Martha McLennan, Vice Chair; Eric Johansen; Beth deHamel; Kevin McAuliffe; Allyson Anderson; Roy Kim. ORS 289.005-250

PRIVATE ACTIVITY BOND COMMITTEE

Facilitates construction of critical facilities for public benefit through tax-exempt bonds using federally allocated funds. Members: Laura Lockwood-McCall, Chair and Treasurer's Designee; Jean Gabriel, Department of Administrative Services Director's Designee; Dan Anderson. ORS 286A.605-630

WEST COAST INFRASTRUCTURE EXCHANGE

Provides technical training and advice to government policymakers about innovative approaches to the procurement of capital projects and infrastructure. Anthony Buckley, Chair (Washington); Laura Lockwood-McCall, Treasurer (Oregon); Travis Brouwer (Oregon); Mark Pisano (California); Sean Randolph (California); Mark Liedemann, Advisor (British Columbia); Jason Richter (Washington); Scott Boardman, Secretary and Ex Officio Director. ORS 276.285.

STATE DEBT POLICY ADVISORY COMMISSION

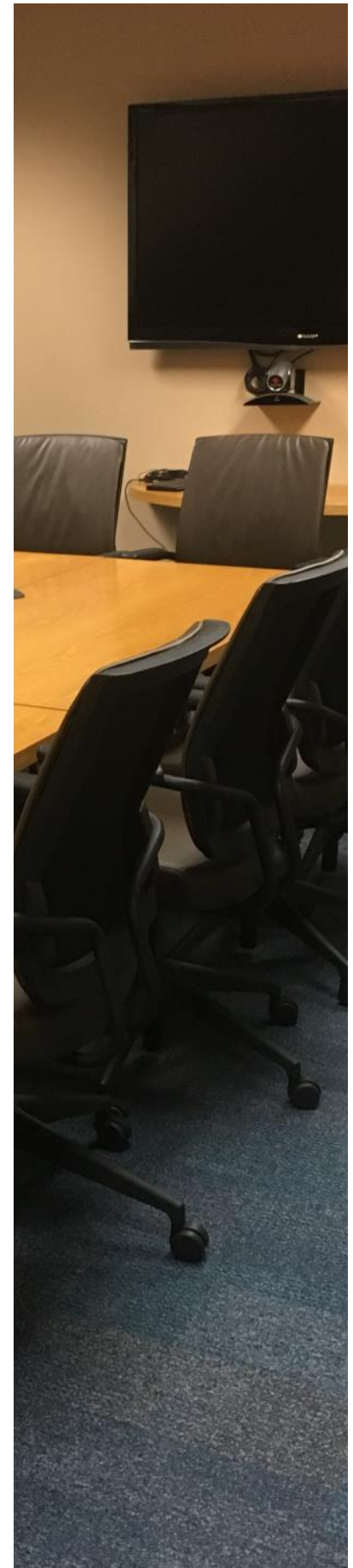
Advises policymakers on debt capacity and produces annual state debt affordability report. Members: Treasurer Tobias Read, chair; Rep. Phil Barnhart; Katy Coba, Department of Administrative Services director; Sen. Betsy Johnson; and Tim Duy, public representative. ORS 286A.250

OREGON LAND BOARD

This board manages state-owned lands for the benefit of the Common School Fund. Its three members are the Governor, the Secretary of State, and the State Treasurer. ORS 273.031.

STATE BOARD OF EDUCATION

The Treasurer or a designee sits on the state committee that oversees curriculum for Oregon's public schools and community colleges. ORS 326.021.



Invested ▶

A photograph of a business meeting in a conference room. Several people are seated around a large, curved wooden table. In the foreground, a man in a dark suit is seen from the back, looking towards the other participants. To his right, a woman with glasses and a man are smiling. Further down the table, another man is visible. At the far end of the table, a woman is seated, looking down at some papers. The table is equipped with microphones, laptops, water bottles, and tissues. A large window with vertical blinds is on the left wall, and a wooden door is on the right. A projector is mounted on the ceiling.

Thinking
for the
long term

As markets and assets surged in 2017, investment program advanced toward more in-house portfolio management

Under policies set by the Oregon Investment Council, Treasury's Investment Division manages a large and complex institutional portfolio comprised of several public trust and state investment funds, including the Oregon Public Employee Retirement Fund (OPERF), the State Accident Insurance Fund, the Oregon Common School Fund and the Oregon Short Term Fund (OSTF). The division also manages smaller funds on behalf of state agencies and public universities. Total assets under Treasury management were \$102.6 billion as of Dec. 31, 2017.

The Investment Division's staffing level – historically far below peers – has been a focus for Treasury leadership, and in 2017, the Legislature authorized a significant personnel expansion that included over two dozen new roles for additional investment officers, analysts and support staff. Specifically, Senate Bill 5541 (2017) added 27 positions, and will bring total Investment Division staff to 66 by the end of the 2017-19 biennium.

This increased staffing authority followed important technology upgrades approved in 2015, most notably the implementation and successful adoption of the BlackRock Aladdin operating platform.

Additional professional and support staff will improve Treasury's underwriting and monitoring activities as well as enable the Investment Division to manage more assets internally. In select asset classes such as public equities and fixed income, the division's internal management efforts

have proven more cost effective than Treasury's traditional approach of outsourcing investment mandates to external, commercial providers. Importantly, such cost savings accrue directly to fund beneficiaries in the form of higher, net investment returns.

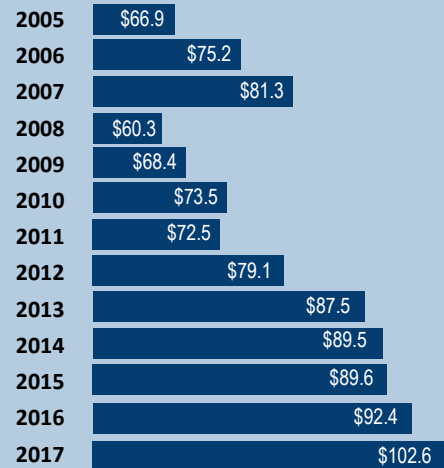
Also in 2017, the Investment Division laid the groundwork for a shift to a customized target date fund framework within the Individual Account Program (IAP). IAP provides a defined contribution benefit as part of PERS members' overall retirement program. See details on page 25.

In terms of Treasury's cash management efforts, OSTF provides state agencies and local governments an interim investment opportunity to maximize the productivity of operating funds between the time when revenues are collected and the time when expense are paid. Unlike other public trust funds, and given its paramount emphasis on capital preservation and liquidity, OSTF cannot be invested in equities and instead is comprised exclusively of short-term, high-grade fixed income and cash equivalent securities.

Investment results across Treasury-managed portfolios were particularly strong in calendar year 2017. OPERF, the largest fund under Treasury management, advanced 15.4% in 2017 and totaled \$77.3 billion at year end.

Consistent with institutional investment standards, OPERF is broadly and deliberately diversified across

INVESTMENTS ASSETS MANAGED



All funds, as of Dec. 31 (in \$ billions)

A TOP U.S. FUND MANAGER

The Oregon Public Employees Retirement Fund was the 21st largest Retirement Plan in the United States in 2017, according to an analysis compiled by Pensions & Investments. The ranking includes public sector and private retirement plan sponsors. The top 20 includes public plans in California, New York, Ohio, Washington and New Jersey, as well as private sector plans at Boeing Co., AT&T and General Motors.

CONTINUED ON NEXT PAGE

INVESTMENT DIVISION LEADERSHIP



John D. Skervem
Chief Investment Officer



David Randall
Director, Investment Operations



Perrin Lim
Director, Capital Markets



John Hershey
Director, Alternative Investments



Debra Day
Manager, Investment Reporting



Karl Cheng
Director, Risk and Research



Jennifer J. Peet
Director, Corporate Governance

INVESTMENT DIVISION

several asset classes and multiple developed and emerging market geographies. Moreover, OPERF investment strategies have historically produced good results: average, annualized net returns for the three-, five- and ten-year periods ended Dec. 31, 2017 were 8.0%, 9.4% and 6.0%, respectively.

According to state actuaries, this consistently positive investment performance has significantly reduced taxpayers' share of retiree benefit payments. In fact, more than 73.5 cents of every dollar in pension benefit payments is derived from investment returns.

OPERF assets are commingled, invested consistent with a common set of objectives and allocated among the following five, strategic investment categories: public equity; private equity; real estate; fixed income; and other "alternative" and "opportunistic" investments.

Return expectations and target allocations for each of these five categories are developed between staff and external consultants; moreover, return forecasts contemplate a 20-year investment horizon. Importantly, equity-oriented investments represent OPERF's largest capital allocation. While improving the likelihood of generating an adequate, long-term return, this equity-biased approach also produces higher levels of short-term portfolio volatility.

For example, in bull market conditions (e.g., 2017), OPERF's equity-oriented portfolio will likely generate robust investment results, but during periods of

market duress and/or outright asset price declines (e.g., 2008), OPERF's investment performance will lag long-term expectations and may even register negative returns. Accordingly, the Investment Division has broadly diversified OPERF's portfolio in an attempt to mitigate short-term asset price volatility and protect against a sharp and/or protracted downturn in any single market, geography or asset category.

The U.S. stock market (as measured by the Russell 3000 index) advanced 21.1% in 2017, while U.S. equity returns within OPERF jumped 20.4% over the same 12-month period. OPERF's total Public Equity portfolio – including both domestic and international shares – narrowly outperformed the return of its MSCI ACWI IMI benchmark, 24.5% to 24.0%.

In 2017, the strong performance of public market assets pushed further into a multi-year trend of outperformance relative to private market equivalents. With an estimated value of \$14.7 billion, OPERF's private equity investments represented 19.0% of total OPERF assets at year end, and generated a net gain of 17.3% in 2017. This result lagged the 22.2% return posted by the private equity portfolio benchmark, the Russell 3000 (lagged one quarter) plus 300 basis points.

In real estate, OPERF capital is allocated across four property or security

types: core; value-add; opportunistic; and publicly-traded real estate investment trusts (i.e., REITs). In 2017, OPERF's real estate investments generated a 10.1% net gain, ahead of the 6.7% return on OPERF's real estate benchmark, the NCREIF Fund Index – Open End Diversified Core Equity, lagged one quarter. At year-end, these real estate investments were valued at \$7.6 billion, and represented 9.8% of

total OPERF assets.

Investments in fixed income securities comprised 20.7% of total OPERF assets at Dec. 31, 2017. These investments posted a 3.7% net return, beating the 3.3% return recorded

by OPERF's custom fixed income benchmark.

Finally, OPERF investments in "alternative" assets and "opportunistic" strategies contributed positive results (8.3% and 10.5%, respectively). These two categories include, among other things, investments in minerals and mining, timber, agriculture, infrastructure and select, systematic hedge funds.

At the end of 2017, these alternative asset and opportunistic strategies comprised 8.7% of OPERF's total portfolio, but the Investment Division plans to continue expanding these strategies' combined OPERF allocation given their attractive return and diversification attributes.

CURRENCY OVERLAY PROGRAM

After an analysis of the uncompensated foreign currency risk in the portfolio, the Oregon Investment Council approved the creation of a \$2 billion notional currency management mandate. The mandate will be run by Adrian Lee & Partners, based in London and Dublin.

INVESTED IN OREGON VENTURE CAPITAL

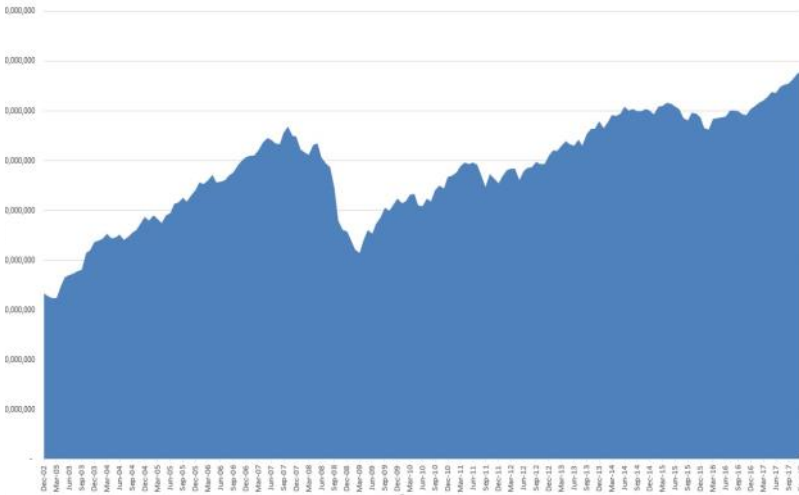
In accordance with ORS 293.731-293.741, the Oregon Investment Council (OIC) sets investment policy and may contract with external service providers to perform investment management functions. By statute, the OIC is charged with a sole and exclusive fiduciary obligation to Public Employees Retirement Fund beneficiaries. In terms of its overall investment responsibilities, the Council aligns policy and Fund management activities with the objective of generating the highest returns prudently possible. This section offers an annual report on in-state venture capital investments (ORS 293.734).

While the OIC does not mandate Oregon-specific investments, the Public Employees Retirement Fund has exposure to Oregon companies across the entire portfolio, including publicly traded stocks, fixed income instruments and privately held real estate.

The Fund's allocation to venture capital is narrower, and for this report we considered exposure to Oregon-based investments through the private equity portfolio. Defined as companies headquartered in Oregon, or employing more than 100 employees in the state, "Oregon companies" comprised \$697.7 million or approximately 4.8 percent of the Fund's private equity portfolio which totaled \$14.7 billion as of Dec. 31, 2017. For the calendar year ended Dec. 31, 2016, Oregon companies comprised \$725.8 million or approximately 5.2 percent of the Fund's then \$13.9 billion private equity portfolio.

PERFORMANCE SYNOPSIS

OREGON PUBLIC EMPLOYEES RETIREMENT FUND, 2002-17



HOW IS THE OPERF REGULAR ACCOUNT DIVERSIFIED?

PUBLIC EQUITY (41.4% or \$32.0 billion)

Shares of public companies in the United States and abroad.

FIXED INCOME (20.7% or \$16.0 billion)

Income-generating investments such as corporate and government bonds.

OPPORTUNITY PORTFOLIO (2.2% or \$1.7 billion)

Tactical or episodic investments designed to enhance returns and improve overall diversification.

PRIVATE EQUITY (19.0% or \$14.7 billion)

Ownership interests in privately-held companies, buyout funds and venture capital invest-

CASH RESERVES (0.4% or \$299 million)

Cash from employer contributions and investment distributions, dividends and income held in the Oregon Short Term Fund to pay benefits or re-invest.

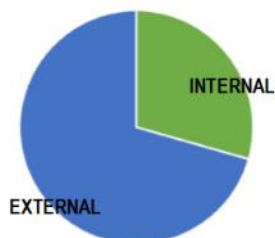
REAL ESTATE (9.8% or \$7.6 billion)

Ownership interests in real property assets in the United

ALTERNATIVES (6.5% or \$5.0 billion)

Non-correlated public market strategies and ownership interests in real assets such as infrastructure, timberland, mining and agriculture.

INTERNAL VS EXTERNAL MANAGEMENT

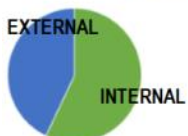


\$102.6 Billion

TOTAL ASSETS UNDER MANAGEMENT ALL FUNDS

Internally Managed— 29.4%
Externally Managed— 70.6%

FIXED INCOME



Internally Managed 57.0%
Externally Managed 43.0%

PUBLIC EQUITY



Internally Managed 24.3%
Externally Managed 75.7%

INVESTMENT RETURNS

PUBLIC EMPLOYEES RETIREMENT FUND

Regular Account Balance: \$77.3 Billion (Dec. 31, 2017)

Globally diversified financial and real asset portfolio.

1-year	3-year	5-year	10-year
+15.4%	+8.0%	+9.4%	+6.0%

PUBLIC EMPLOYEES RETIREMENT FUND — VARIABLE ACCOUNT

Balance: \$612.5 Million (Dec. 31, 2017)

1-year	3-year	5-year	10-year
+24.4%	+9.9%	+11.4%	+5.3%

STATE ACCIDENT INSURANCE FUND

Balance: \$4.8 Billion (Dec. 31, 2017)

Managed on behalf of injured workers and their families

1-year	3-year	5-year	10-year
+7.9%	+4.5%	+4.5%	+5.6%

COMMON SCHOOL FUND

Balance: \$1.7 Billion (Dec. 31, 2017)

Managed in trust for Oregon schoolchildren, includes Oregon unclaimed property.

1-year	3-year	5-year	10-year
+17.2%	+7.7%	+9.5%	+5.9%

OREGON SHORT TERM FUND

Balance: \$19.4 Billion (Dec. 31, 2017)

Includes Local Government Investment Pool

1-year	3-year	5-year	10-year
+1.3%	+1.0%	+0.8%	+1.1%

FIXED INCOME (BONDS)

STATE AND LOCAL
GOVERNMENT 7.6%

CORPORATE BONDS 28.4%

SECURITIZED 28.4%

US TREASURY 45.4%

OTHER 2.0%

As of Dec. 31, 2017, OPERF had a total of \$16 billion in fixed income investments. The majority of those bonds are government issued. Of the total bonds in the portfolio, 62.4 % were rated AAA, the highest possible grade.

PERFORMANCE SYNOPSIS

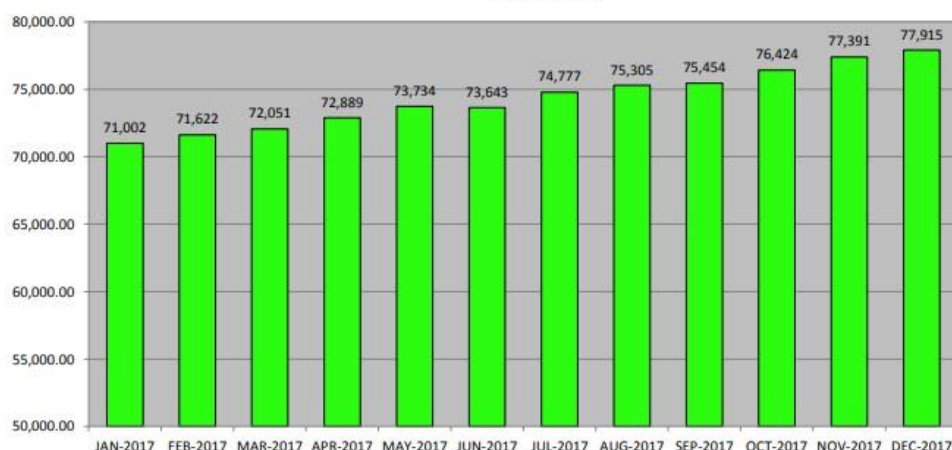
PORTFOLIO SIZE — FIVE YEAR TREND

(MARKET VALUE IN MILLIONS)

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Public Employees Retirement Fund (OPERF)	\$77,915	\$70,460	\$68,704	\$70,025	\$67,913
<i>Regular account and variable</i>					
Oregon Short Term Fund (OSTF)	16,281	14,457	13,479.9	12,439.5	12,717.8
State Accident Insurance Fund (SAIF)	4,848	4,673	4,483.4	4,589.9	4,416.7
Common School Fund (CSF)	1,676	1,465	1,424.2	1,433.7	1,362.2
Oregon War Vet Bond Sinking Fund	101	102	89.9	99.1	94.2
DCBS Fund	261	238	220.3	205.2	183.5
DAS Funds	144	143	147.8	148.3	163.0
Other Funds	1,393	1,130	1,027.6	552.3	568.5
TOTAL	\$102,619	\$92,668	\$89,577.5	\$89,538.2	\$87,495.0

OREGON PUBLIC EMPLOYEES RETIREMENT FUND — MONTHLY 2017

(MARKET VALUE IN MILLIONS)



INVESTMENTS BY TYPE—OPERF

(AS OF JUNE 30, 2017)

Fair Market Value

US Treasury Obligations \$ 6,659,894,035
 US Treasury Obligations - Strips 41,009,528
 US Treasury Obligations - TIPS 143,879,524
 US Federal Agency Mortgage Securities 797,272,911
 US Federal Agency Mortgage TBAs 743,219,289
 US Federal Agency Debt 165,603,636
 US Federal Agency Strips 35,777,340
 International Debt Securities 910,637,728
 Non-Government Debt Securities 182,475,856
 Corporate Bonds 1,979,160,522
 Bank Loans 1,249,320,725
 Municipal Bonds 28,201,844
 Collateralized Mortgage Obligations 860,759,568
 Asset-Backed Securities 357,512,116
 Guaranteed Investment Contracts 178,535,884
 Domestic Fixed Income Funds 598,796,147
 International Fixed Income Funds 36,483,217
Total Debt Securities 14,968,539,870

Derivatives in Asset Positions 23,282,863
 Domestic Equity Securities 13,267,869,276
 International Equity Securities 11,679,899,999
 Domestic Equity Funds 1,286,567,504
 Global Equity Funds 2,101,105,870
 International Equity Funds 1,323,753,702
 Target Date Fund 535,869,075
 Oregon Savings Growth Plan - Self Directed 7,521,864

Total Public Equity 30,225,870,153

Real Estate and Real Estate Investment Trusts 8,718,684,190
 Private Equity 15,017,344,594
 Alternative Equity 4,138,735,188
 Opportunity Portfolio 1,587,753,762

Total PERS Investments - Fiduciary Funds \$ 74,656,927,757

Source: [PERS CAFR](#)

PERFORMANCE SYNOPSIS

OREGON PUBLIC EMPLOYEES RETIREMENT FUND PRIVATE PARTNERSHIP COMMITMENTS

PRIVATE EQUITY

VINTAGE YEAR PARTNERSHIP
COMMITMENTS—2017
(in millions of dollars)

Apollo Investment Fund IX	\$480.0
CVC Capital Partners VII	\$245.1
Encap Energy Capital Fund XI	\$250.0
Genstar Capital Partners VIII	\$100.0
Genstar VIII Opportunities Fund	\$50.0
GI Partners Fund V	\$250.0
Green Equity Investors VII	\$250.0
GTCR Fund XII	\$150.0
KKR Americas Fund XII	\$500.0
KKR Asian Fund III	\$250.0
Mayfield XV	\$27.5
MBK Partners Fund IV	\$200.0
Novalpina Capital Fund I	\$232.9
Palladium Equity Partners V	\$164.0
Tailwind Capital Partners III	\$200.0
TPG Growth IV	\$200.0
Veritas Capital Fund VI	\$225.0

REAL ESTATE

VINTAGE YEAR PARTNERSHIP
COMMITMENTS—2017
(in millions of dollars)

ASB Allegiance Real Estate	\$150.0
JP Morgan Strategic Property	\$300.0

ALTERNATIVES PORTFOLIO

VINTAGE YEAR PARTNERSHIP
COMMITMENTS—2017
(in millions of dollars)

JPM Systematic Alpha	\$500.0
BlackRock Style Advantage Onshore	\$500.0
Tillridge Global Agribusiness Partners II	\$100.0
Starwood Energy Infrastructure Fund III	\$150.0
NGP Natural Resources XII	\$250.0
EQT Infrastructure Fund III	\$159.4

OPPORTUNITY PORTFOLIO

VINTAGE YEAR PARTNERSHIP
COMMITMENTS—2017
(in millions of dollars)

None

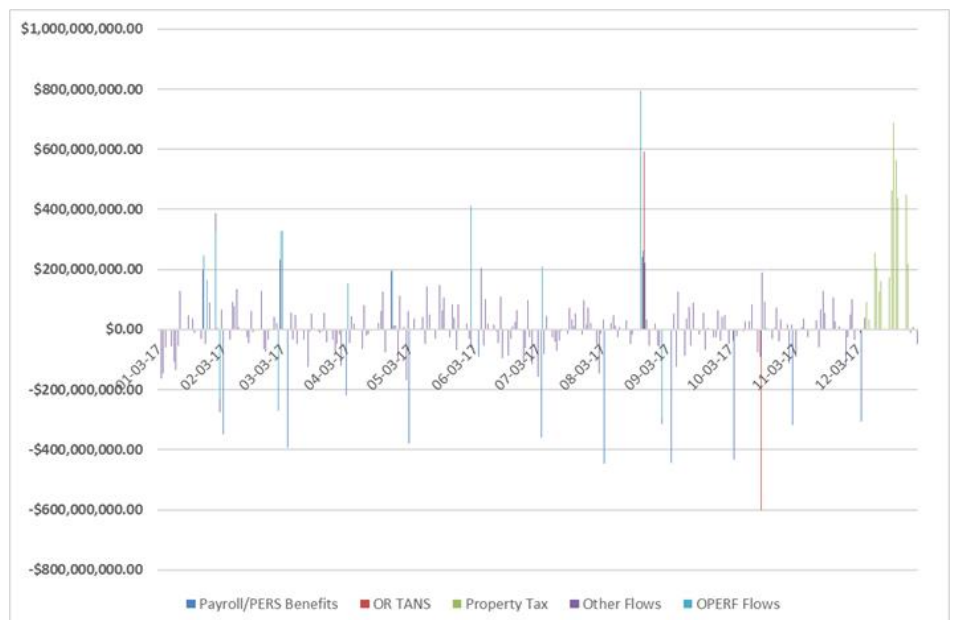
OREGON SHORT TERM FUND / LOCAL GOVERNMENT INVESTMENT POOL

RATE PAID FOR OSTF DEPOSITS

(by date of change, 2016-2017)

Dec. 18, 2017	1.70%
Nov. 1, 2017	1.55%
June 30, 2017	1.45%
March 20, 2017	1.30%
Jan. 1, 2017	1.15%
Sept. 26, 2016	1.03%
July 27, 2016	0.92%
May 25, 2016	0.875%
Feb. 24, 2016	0.75%
Jan. 11, 2016	0.67%

CASH FLOWS AND SOURCES





The Oregon investment Council met eight times in 2017 to hear reports on portfolio performance, to consider investment policy amendments and to hear final presentations on proposed investments.

Citizen-led Council of fiduciaries is responsible for prudent portfolio oversight, investment policies, and asset allocation

The Oregon Investment Council (OIC) is a six-member board responsible for setting investment policy for Oregon public trust and other state investment funds. Four members are appointed by the governor. The State Treasurer serves by position, while the director of PERS, a separate agency, also serves by position, but in a non-voting capacity.

The OIC ensures that money in the funds is invested and reinvested as productively as possible. Moreover, these funds are managed as a prudent investor would, a standard that requires the exercise of reasonable care, skill, and caution -- and is applied to investments not in isolation, but as part of an overall investment strategy.

The OIC has adopted the following set of investment and management beliefs that guide both policy development and day-to-day investment activities:

1. The OIC is Ultimately Responsible for the Investment Program;
2. Asset Allocation Drives Risk and Return;
3. The Equity Risk Premium Will Be Rewarded;



4. Private Market Investments Can Add Significant Value and Represent a Core OIC/OST Competency;
5. Capital Markets Have Inefficiencies That Can Be Exploited;
6. Costs Directly Impact Investment Returns and Should Be Monitored and Managed Carefully; and
7. Transparent Markets are Essential for Long-Term Investment Success.

Under Treasury's open-door policy, investment officers consider proposals and solicitations from any firm or partnership that submits a proposal in good faith. This policy, however, does not bind the OIC or Treasury to invest in any way or with any particular firm or partnership. In addition, placement agents are not needed to do business with Oregon.

Importantly, neither OIC members nor Treasury staff have any responsibility or authority for 1) the determination or administration of public employees' retirement benefits or 2) the level of OPERF contributions collected from state and local agencies.

OREGON INVESTMENT COUNCIL



Rukaiyah Adams
Chair
Meyer Memorial Trust



John Russell
Vice Chair
Russell Development



Rex Kim
Multnomah Group



Rick Miller
Rogue Venture Partners



Tobias Read
State Treasurer
Ex officio



Steve Rodeman
Director, PERS
Ex officio
Non voting

Based on best practices, Investment Council revised defined contribution part of PERS to align risk exposure with age

To reduce investment risk for public employees approaching retirement, the OIC approved in 2017 a shift to a custom Target Date Fund framework for the Individual Account Program (IAP). The IAP, part of the state's "hybrid" retirement plan for Oregon public workers, was created and approved by the Legislature in 2003.

Last year's reform ended the IAP's original one-size-fits-all investment approach in which older public employees were exposed to the same level of investment risk as younger employees. With the new custom Target Date Fund framework, employees at or near retirement age are better insulated from market volatility, while younger employees will benefit from a more aggressive, growth-oriented investment mix.

This reform aligns IAP with "investment best practices" by adjusting participants' asset allocation relative to their age and corresponding risk tolerance.

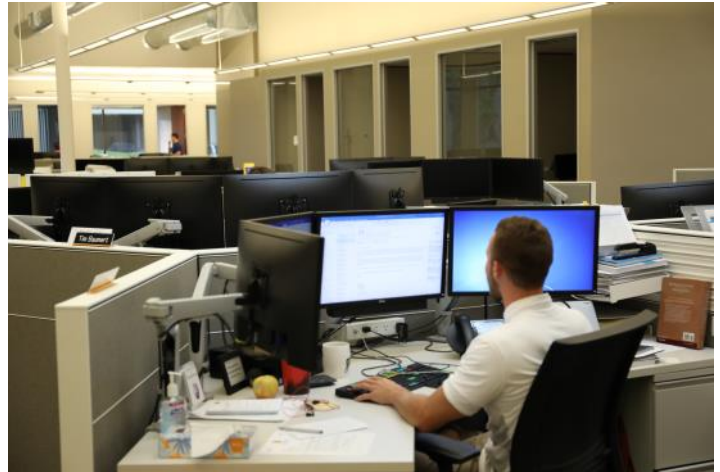
"This is the right thing to do and a common sense change," said State Treasurer Tobias Read. Like all other state-managed accounts, the OIC serves in a fiduciary capacity on behalf of IAP participants.

"Going forward, participants contemplating retirement will be better protected in the event of a market downturn," Treasurer Read said.

Since inception, IAP balances had been invested exclusively in the Oregon Public Employees Retirement Fund (OPERF).

While OPERF is broadly diversified and has performed well compared to public fund peers, its asset allocation does not vary in response to risk/return profile changes among the more than 350,000 members and beneficiaries it supports.

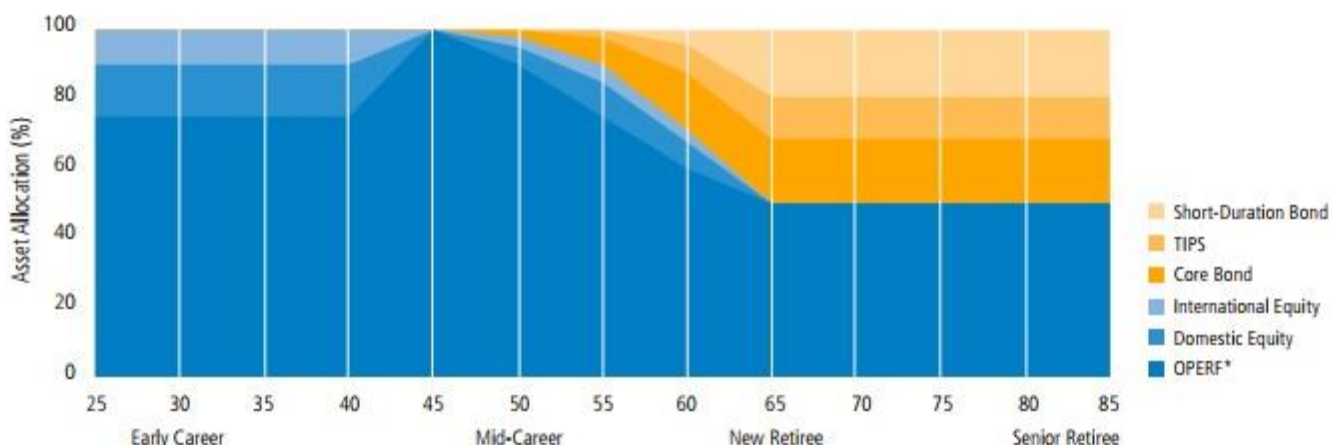
Accordingly, OPERF is "age invariant" relative to individual PERS members and their unique investment horizons.



Rukaiyah Adams, chair of the OIC and chief investment officer at Meyer Memorial Trust, said: "The Oregon Investment Council is committed to providing an effective investment program for all PERS members, and this reform honors our fiduciary duty to both IAP participants as well as the long-term sustainability of the Oregon Public Employees Retirement Fund."

IAP ended 2017 with assets of roughly \$8 billion, and the new framework was implemented after the close of business on the final trading day of the year.

Investments Become More Conservative over Time



*OPERF is managed by the OST and contains a mix of the following asset classes: public and private equity, fixed income, alternatives and real estate. For more information, please refer to the OST website.

LEARN MORE



Stewardship, the Treasurer's report on corporate governance and ESG, offers highlights of how Treasury engages as a responsible investor to improve diversity, transparency, accountability and shareholder rights. As a fiduciary, Treasury must invest for long term performance and cannot invest or divest for political, geographic preference or other goals.

ENVIRONMENTAL

- Accurate disclosure
- Sustainability
- Water
- Climate risks, opportunities

SOCIAL

- Customer treatment
- Human capital
- Preparedness, safety

GOVERNANCE

- Shareholder rights
- Proxy ballot access
- Transparency
- Board diversity
- Compensation practices
- Board oversight

PROXY VOTING

Annual meetings, 2017

8,981

Total ballots cast

15,227

Total resolutions considered

87,516

Oregon engages with companies and regulators in pursuit of long-term returns and accountability

Sustainable investment performance matters to investors and fund beneficiaries. And often, the factors that signal stronger long-term prospects go beyond the balance sheet.

Oregon's trust fund investments are managed on a long-term horizon of 25 years or more. Against that backdrop, today's performance is important — but so is the sustainability of that performance, which will determine fund values years from now.

In accordance with policies adopted by the OIC, Treasury manages a multi-billion dollar investment portfolio to maximize long-term returns on a risk-adjusted basis for Oregon public fund beneficiaries including schoolchildren, injured workers and public employees and retirees.

Through its corporate governance program, Treasury engages and collaborates with a range of corporations, regulators and organizations in pursuit of positive and sustainable long-term performance.

More specifically, Treasury monitors and manages a variety of operating, investment and compliance risks. Factors that impact the long-term sustainability of Oregon's trust fund portfolio include the way companies are governed on behalf of shareholders and the effectiveness of financial regulations to ensure transparency and accountability in the financial marketplace.

Treasury employs several strategies and actions in pursuit of improved corporate governance and enhanced regulatory effectiveness such as research on Environmental, Social and Governance (ESG) factors, direct engagement with boards and executives, proxy voting, coalition building, public awareness campaigns, and regulatory advocacy, especially at the federal level.

To facilitate the integration of ESG factors in the investment decision process, Treasury sought and received approval from the 2017 Legislature for a new investment officer position focused on analyzing ESG risks and opportunities. This new

resource builds on efforts by Chief Investment Officer John D. Skjervem, who helped champion the development of an empirical ESG measurement approach through his work with the Sustainable Accounting Standards Board (SASB).

With the development and introduction of new ESG measurement and reporting standards, SASB hopes to foster more holistic corporate governance practices that ultimately lead to more sustainable business models and simultaneously provide investors with better data to assess long-term investment risks and opportunities.

Finally, when corporate or executive actions damage the value of Oregon's investments and disadvantage Oregonians who rely on public trust fund distributions, the State Treasurer can initiate legal action to recoup losses, influence future executive-level decision making, and raise general awareness regarding industry best practices.

In these circumstances, members of Treasury's corporate governance team coordinate securities litigation efforts with the Department of Justice, which together have recouped millions on behalf of Oregon trust funds and their beneficiaries.



Debt Management Director Laura Lockwood McCall outlined the state debt capacity recommendations to an Oregon Senate committee during the 2017 regular session.

Debt management program helps finance vital Oregon projects and creates jobs

Oregon's credit ratings are a barometer of the state's fiscal health. Managing the state's debt capacity in a prudent way helps to bolster credit scores, while also ensuring Oregon can get the most mileage for today's jobs and tomorrow's opportunities.

Public bonding is an important tool that enhances Oregon's quality of life and boosts the economy by constructing and modernizing roads, schools, and vital public facilities that will make the state a better place in the future.

The Debt Management Division approves issuance of all bonds and appropriation credits for state agencies.

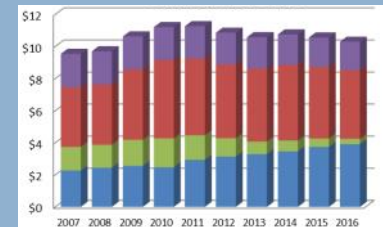
In addition, it is the clearinghouse for bond data, bond calendars, and information about credit ratings. The division provides technical support to local governments, offers training on selected debt-related topics, and created an online manual to help government officials plan and execute successful bond sales. The list of upcoming state bond sales can be found online.

Credit rating firms have applauded Oregon's careful attention to debt and budget discipline, and the state's credit ratings remain steady and solid.

The division reviews the structure of each bond sale, coordinates the timing of state agency bond sales, secures credit ratings, negotiates and accepts bids for bond placement, reviews official statements and other documents, provides for the delivery of bonds, and assists with settlement of bond issues.

The division reviews financial and economic disclosure information provided for the sale of State of Oregon general obligation (GO) bonds, revenue bonds and appropriation credits. Staff advise agencies about market developments and make debt policy and legislation recommendations.

OREGON PUBLIC DEBT CAPACITY



The annual report from the [State Debt Policy Advisory Commission](#) outlines Oregon net tax supported debt and non-tax supported debt. It also recommends prudent debt limits to policymakers. Chart shows billions of dollars in total indebtedness per fiscal year.

DEBT STATISTICS

Total new debt issued 2017

\$2.5 billion

Total refunding (refinancing) 2017

\$1.2 billion

General Obligation Debt Ratings

AA+/Aa1/AA+

(S&P, Moody's, Fitch)

Lottery Debt Ratings

AAA/Aa2

(S&P, Moody's)

Net state tax-supported debt

\$7.4 billion

General Obligation debt

\$2.83 billion

Lottery-backed debt

\$1.1 billion

Net tax-supported per capita

\$1,868

DEBT MANAGEMENT DIVISION



Laura Lockwood McCall
Director



Larry Groth
Deputy Director



Alice Bibler



Lee Anaya

LEARN MORE



The annual report from the Oregon Facilities Authority includes the full list of nonprofit projects that have qualified for low-cost

financing through the program, from inception.

WEBSITE LAUNCHED



To improve outreach to nonprofits and financial institutions, OFA finalized a web portal at its Oct. 5, 2017 meeting. The page is found at www.OregonFacilities.org. The site includes case studies, forms and current and historical meeting materials.

2016-17 HIGHLIGHTS

First-time OFA borrowers (6)

\$47.5 million

Clark Family Center
Serenity Lane Health Services
Community Vision Inc.
Montessori School of Beaverton Ltd.
St. Mary's of Medford Inc.
OCHIN Inc.

Public offerings (4)

\$435.3 million

SNAP loans for smaller borrowers (7)

\$35.8 million

Financing for new capital projects

\$348.9 million

Total for refinancing existing debt

\$183.5 million



Cascades Academy in Redmond completed a \$5 million expansion with the assistance of a SNAP loan obtained through the Oregon Facilities Authority.

Nonprofits can obtain low-cost financing to buy real estate and complete projects

The Oregon Facilities Authority (OFA) helps nonprofit organizations access low-cost financing for capital projects through the issuance of tax exempt conduit revenue bonds. By making low-cost financing available, Treasury is able to assist nonprofits to further their missions of helping Oregonians.

OFA was created by the Oregon Legislature in 1989. Since inception, it has issued more than \$3.7 billion in bonds.

With certain exceptions, OFA can assist any nonprofit organization with a presence in Oregon that qualifies as a section 501(c)(3) organization under federal income tax law, for capital projects:

- Purchase of facilities or equipment;
- major remodeling of facilities;
- construction financing; and
- refinancing of loans originated for capital purposes.

OFA bonds are issued by Treasury. OFA's role is to evaluate projects proposed by nonprofits and make recommendations to the State Treasurer for bond issuance. The State Treasurer makes the final decision about whether



We know that building the tomorrow we want in Oregon, starts today. Our state's vital network of nonprofits is investing to make communities stronger, from improving healthcare facilities to adding college classrooms, to building affordable housing. The Oregon Facilities Authority, with the help of the Oregon State treasury, is making these projects more viable via tax free financing.

State Treasurer Tobias Read

to issue the bonds.

OFA can accommodate a variety of financing structures. These include traditional conduit bonds for larger projects or Small Nonprofit Accelerated Program (SNAP) bonds for smaller ones. The state does not guarantee repayment of OFA bonds. The responsibility falls to the nonprofit.

Since its inception in 1989, OFA has issued bonds worth approximately:

- \$2 billion for healthcare-related projects (34 separate issuances);
- \$1.3 billion for education-related projects (67 separate projects) including student housing;
- \$352 million for projects relating to housing (other than student housing) in 32 separate projects;
- \$92 million for cultural institutions (9 projects); and
- \$64 million for social services (19 separate projects).

Invested ▶



Helping
Oregonians
invest in
Ourselves



Oregon College Savings programs eclipse \$3 billion in assets, expand outreach to more communities

More families than ever are saving for higher education and job training through Oregon's tax-advantaged college savings plans, and the value of those assets reached a record \$3.18 billion.

With unique investment options and easy enrollment, the Oregon program helps connect more students and families with the dream of a college education and post-secondary vocational training. In addition, it provides state and federal tax advantages and more flexibility than many other college savings vehicles.

Oregon currently offers two plans: the **Oregon College Savings Plan**, which is the state's flagship plan sold directly to investors, and the **MFS 529 Savings Plan**, sold by financial advisors.

Each is comprised of a specific set of investment options, and offer participants a variety of investment choices and contribution options.

In 2017 Treasury expanded the school-based **Be College Ready** outreach program into more districts. The **Baby Grad** program will provide matching

funds of \$25 for accounts opened on behalf of babies, before they reach their first birthdays.

The Oregon Savings Board oversees the administration of the plan. Because of the growth of assets, the Board has been able to reduce fees for all savers.

- The 2017 Oregon income tax deduction was as much as \$4,660 for joint filers, and \$2,330 for single filers.
- All earnings and withdrawals are free from state and federal taxes if used for qualified college expenses.
- Control remains with the person who establishes the account.
- Funds can be used nationwide at any eligible school or college, including technical, vocational and graduate school.
- Funds can be used for tuition, room and board, books, and other required fees. Proposed federal law changes in 2015 allow for the proceeds to be used for computers and technology.

HELPING FAMILIES SAVE

Total assets: \$3.18B
Total accounts: 183,123
Total beneficiaries: 178,078

Saving for College rated: 4.5 caps

ASSETS



OREGON SAVINGS NETWORK



Michael Parker
Director



David Bell
Deputy Director



John Valley
Statewide
Outreach



Kaellen
Hessel
Oregon ABLE
Savings



Lisa Massena
OregonSaves



Joel Metlen
OregonSaves

HELPING FAMILIES SAVE



Total assets: \$3.4 M
Total beneficiaries: 936

WHO IS ELIGIBLE

Who can have an account?

To be eligible for an ABLE account, you or the beneficiary must:
Have a disability or blindness that developed before the age of 26 that will last, or has lasted at least a year;

Live in the state of Oregon; and
Confirm one of the following:

Are eligible for SSI or SSDI because of a disability;

Experience blindness as determined by the Social Security Act; or

Can produce a signed diagnosis form by a licensed physician if requested.

How to open an account?

If you or the beneficiary are over the age of 18 and can manage your own account, go ahead and get started.

If you're the Authorized Legal Representative, you can open an account if you are able to demonstrate that you have been designated as the Power of Attorney, Legal Guardian or Conservator for the beneficiary. If the beneficiary is under the age of 18, the ALR can also be a parent.

LEARN MORE



Open an account easily at:
OregonABLESavings.com



After one year, more than 1,000 people with disabilities saved \$3.4 million in new Oregon ABLE Savings options

A year after being able to save money without jeopardizing their benefits, more than 1,000 people with disabilities saved \$3.4 million through Oregon's ABLE savings plans at year end.

Before Congress and the Oregon State Legislature paved the way for the creation of ABLE plans, people with disabilities were forced to live in poverty if they wanted to remain eligible for means-tested benefits, like Medicaid and Supplemental Security Income, which required the individual to have less than \$2,000 in their name.

ABLE funds can be used for anything that helps improve the health, independence or quality of life of a person with a disability.

There are two plans in the Oregon platform: The Oregon ABLE Savings Plan for Oregonians and the nationwide ABLE for ALL Savings Plan.

More than 850 Oregonians have saved \$2.86 million thus far through Oregon ABLE. The average account size for Oregon ABLE is \$4,044, almost \$400 more than the national average.

"ABLE is making a real difference in hundreds of lives throughout the state.

It's helping a Milwaukie teen save for her first apartment and a Bend man replace his failing wheelchair," said Treasurer Tobias Read. "I am proud that Oregon has been a national leader in this arena. We will continue to make it easier for people to save and invest in their future and the futures of their loved ones."

Knowing that the needs of the disability community are diverse, Oregon ABLE staff are constantly looking for ways to improve the plans so that they not only meet these needs but empower people with disabilities.

Nonverbal account owners or those who better communicate in writing now have the ability to chat with a customer service representative through the new chat function on OregonABLESavings.com and ABLEforALL.com. Users can even share their computer screens if they need help navigating the website.

A prepaid card, debuted over the summer, allows account owners to have instant access to the funds in their account which is key for people looking to use the account for daily expenses.



Helping improve financial wellness: Treasurer Read named as chair of national education panel

Smart financial decisions help people navigate better lives. However, in an increasingly complex financial world, it can be tricky to spot all the traps.

Improving financial literacy and confidence are key. Treasurer Tobias Read was named to a national leadership role in 2017 to help promote better money-related decisionmaking and habits, from saving to budgeting to being vigilant about scams.

Read will serve as the 2018 chair of the Financial Education & Empowerment Committee for the [National Association of State Treasurers](#). The vice chair will be Indiana State Treasurer Kelly Mitchell.

"We are talking dollars and sense," said Treasurer Read. "I look forward to working with Treasurer Mitchell and my colleagues from across the country to improve financial literacy and help Americans invest in themselves."

The national focus on improving financial literacy will mesh with Treasurer Read's priorities in Oregon.

As part of Read's goal to help Oregonians invest in themselves and their families, Treasury is promoting expanded financial outreach through the Oregon Savings Network.

Read also supports private and nonprofit efforts such as such as the Oregon Jump\$tart to boost financial know-how. Those help fill the need that was created when Oregon in the 1990s eliminated the requirement of a personal finance class to graduate from high school.

Treasury has served as the location for meetings of the Oregon Jump\$tart Coalition and also Financial Beginnings, an education nonprofit.

On the national panel, Read said he will highlight best practices and innovation from across the country, particularly when it comes to successful outreach to underrepresented populations.

The National Association of State Treasurers offers leadership across an array of public finance arenas and is made

up of state treasurers or officials with comparable responsibilities from the United States, its commonwealths, territories, and the District of Columbia.

Also on the national level, Treasurer Read advocated to maintain financial protections for consumers that reduce the likelihood that people fall prey to unscrupulous financial practices. That includes advocacy on behalf of the fiduciary rule, a standard that would ensure that sellers of financial products act first in the best interest of their clients — and not with the first goal of enriching themselves.

Invested ►



Doing business
the
right way

KEEPING FUNDS SAFE

Total volume of banking transactions

\$236 billion

Total funds protected by collateral pool

\$2.7 billion

MISSION STATEMENT

Improving Oregon government's and citizens' financial capabilities through protecting public funds and delivering customer-focused cash management solutions.

MANAGEMENT SERVICES PROVIDERS

US Bank

Key Bank (onboarding)

TREASURY DEPOSITORIES

Baker Boyer

Bank of America

Bank of Eastern Oregon

Banner Bank

Citizens Bank

Clackamas County Bank

Columbia Bank

Community Bank

Umpqua Bank

Washington Federal

Wells Fargo

COLLATERALIZATION

As of Dec. 31, 2017, there were 33 banks and 12 credit unions pledging \$1.8 billion in collateral to protect \$2.7 billion in public funds.

Treasury provides a suite of secure and low-cost cash management services for state, local governments

The Treasurer is the sole banking and cash management officer for the State of Oregon.

Pursuant to that role, Treasury's Finance Division provides banking and cash management services to all state agencies, as well as certain public universities and hundreds of Oregon local government entities, including cities, counties, schools, and special districts.

Through the division, Treasury:

- acts as the bank for all state agencies by providing depository, check redemption, and electronic payment services (including foreign and domestic wire, Automated Clearing House ("ACH"), merchant card acceptance, and a variety of other services)
- maintains and reports customer account information via an internally managed Demand Deposit Account ("DDA") structure and internally developed statement reporting tool
- facilitates cash management transactions via secure technology infrastructure at Treasury (currently in transition to vendor-delivered models) and via vendor relationships depending on the transaction type.
- works with agencies, vendors, and appropriate legal representatives to protect public funds by helping to ensure compliance with regulatory and industry requirements, as well as Oregon public funds laws.
- works closely with the Oregon Department of Administrative Services with respect to coordination of accounting (and some budgetary) control aspects inherent to state government.
- administers the Oregon Short Term Fund (including the Local Government Investment Pool) as a short-term cash investment vehicle for state agencies and roughly 1,000 local governments.

The division managed nearly 14.9 million financial transactions in 2017—including cash deposits, electronic fund transfers, and check issuances. Those transactions totaled more than \$236 billion for the calendar year.

The division also administers the Public Funds Collateralization Program to protect public funds deposited in private-sector financial institutions. See page 38.

Collateral is needed to cover deposits at banks and credit unions that exceed levels insured by the Federal Deposit Insurance Corporation and National Credit Union Administration.

The division took further steps toward strengthening and diversifying cash management services—with the goal of improving the protection of public funds—by selecting KeyBank as a second primary service vendor focused on ACH and wire transfer services.

The transition of those services will occur over several years.

FINANCE DIVISION LEADERSHIP



Cora Parker
Director



Michael Auman
Deputy Director

SHORT TERM FUND / LOCAL GOVERNMENT INVESTMENT POOL

76 agencies

820 accounts | \$10.3 billion

10 public universities

19 accounts | \$372 million

983 local governments

1,582 accounts | \$8.7 billion

LGIP INVESTMENTS BY COUNTY

This is the grand total of deposits in the Local Government Investment Pool. NOTE: Each county includes several different government entities.

Baker	\$ 33,926,045.37
Benton	168,709,385.19
Clackamas	949,812,008.74
Clatsop	189,736,839.46
Columbia	159,325,827.68
Coos	183,117,543.14
Crook	64,135,868.21
Curry	69,647,783.21
Deschutes	389,292,512.79
Douglas	228,838,733.41
Gilliam	46,840,009.93
Grant	66,888,974.09
Harney	35,478,792.14
Hood River	105,325,684.44
Jackson	369,448,996.95
Jefferson	44,841,423.92
Josephine	148,593,141.16
Klamath	159,689,525.32
Lake	42,422,230.96
Lane	645,205,664.74
Lincoln	243,527,466.34
Linn	321,390,728.89
Malheur	92,763,101.79
Marion	707,763,538.71
Morrow	42,436,415.06
Multnomah	829,933,189.36
Polk	100,356,137.15
Sherman	37,905,805.94
Tillamook	140,174,280.28
Umatilla	218,548,779.66
Union	59,729,162.47
Wallowa	40,758,372.50
Wasco	111,962,677.29
Washington	1,330,690,758.82
Wheeler	8,961,397.77
Yamhill	325,739,506.14
TOTAL	\$ 8,713,918,309.02



As part of modernization efforts, local governments gained access to new online portal for investment pool

Across Oregon, governments of every size collect revenue and pay bills to serve the public.

To keep public money safe and to stretch taxpayer dollars, governments are able to deposit money in the Oregon Local Government Investment Pool.

Roughly 1,000 local governments -- including cities, counties, school districts and even irrigation districts -- use the pool, which has combined deposits worth more than \$6 billion.

As part of a 2017 system modernization effort at Treasury, those depositors now have easier access to their investment accounts and also enhanced cybersecurity.

"Improving customer access and additional security is vital to modernize our banking and cash management services, and helps achieve our commitment to Oregonians to do business the right way," said Treasurer Read, in a news release.

Treasury partnered with PFM Asset Management LLC, which provides services to local government investment pools across the country, to deliver a modern and user-friendly system -- replacing an antiquated phone-based system. PFM will also provide ongoing customer service and opera-

tional support. PFM provides a web-based system and login called EON.

The Local Government Investment Pool was established in 1973 to provide local governments with an investment option that prioritizes safety, liquidity, and return on investment.

In conjunction with the Oregon Investment Council and Oregon Short Term Fund Board, Treasury manages the combined pool as part of the larger Oregon Short Term Fund, which also includes state agency deposits.

The OSTF helps governments to earn a rate of return on money between when revenue is received and when the money is needed to pay bills. The rate is determined by Treasury staff based on market conditions and yield for fixed income securities such as government and corporate bonds.

The Short Term Fund is made up of government operating money and thus it is not invested in the stock market.

All state agencies use the fund. Local governments such as school districts and counties, as well as Oregon's sovereign tribes, have the option.



Financial institutions post collateral in order to become qualified public funds depositories and serve public entities

Across the state, government entities are able to conveniently and safely deposit public funds at local bank branches and credit unions. The money is protected through a program at Treasury known as the Public Funds Collateralization Program.

Banks and credit unions that want to provide deposit services for governments must first be approved as "qualified depositories." The list of these institutions is a public record. Government entities must only use these depositories.

The federal government has insurance programs for bank and credit union deposits. However, if the volume of deposits are more than the maximum covered by insurance, then institutions must pledge a sufficient amount of collateral, based on their respective financial health.

That helps ensure that if the financial institution closes for whatever reason, the public funds can be recovered. As a result, taxpayers and governments are protected.

ORS chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program (PFCP), including what qualifies as collateral.

All depositories are required to submit reports to Treasury, providing information including public funds balances in excess of insurance limits, total public funds on deposit, depository net worth, and capitalization information. Depositories are categorized as well capitalized, adequately capitalized, or undercapitalized, and those categories help determine the thresholds for collateral and the required frequency of

reporting.

Public officials are required to verify that deposit accounts in excess of deposit insurance limits are maintained at only those financial institutions included on the list of qualified depositories.

Public officials also are required to report at least annually, or within three days of a change, the depositories they do business with, and provide current contact information.

A custodian institution holds the securities pledged by each qualified depository. Depositories can request approval to pledge more, or to release, securities from their custodian account. Requests must meet relevant statutory and program requirements, before they can be approved by PFCP staff.

UNINSURED PUBLIC FUNDS DEPOSITS, AS OF DEC. 31, 2017

Depository	Uninsured Public Funds Deposits	Depository	Uninsured Public Funds Deposits
Albina Community Bank	\$ 16,565,000.00	Washington Federal	195,184,097.84
Baker Boyer Bank	832,445.00	Washington Trust Bank	0.00
Bank of America	95,218,765.90	Wells Fargo Bank	207,551,327.38
Bank of Eastern Oregon	19,171,814.71	Willamette Community Bank	13,098,129.74
Bank of the Pacific	327,167.00	ZB, N.A.	476.60
Bank of the West	20,315,524.00		
Banner Bank	60,692,439.54	Aggregate Oregon Uninsured Public Funds Deposits	
Citizens Bank	6,662,909.00		\$ 2,656,169,397.06
Clackamas County Bank	1,074,022.00	Aggregate Oregon Public Funds Collateral Pledged	
Clatsop Community Bank	4,847,667.11		\$ 1,748,209,700.87
Columbia State Bank	74,668,927.05		
Community Bank	5,955,738.00	Advantis Credit Union	2,117,021.00
First Federal Savings and Loan	1,248,698.00	Marion and Polk Schools Credit Union	0.00
First Interstate Bank	93,915,850.00	Northwest Community Credit Union	4,771,758.00
HomeStreet Bank	0.00	Old West Federal Credit Union	0.00
Inland Northwest Bank	26,126.74	OnPoint Community Credit Union	636,575.00
JPMorgan Chase Bank, N.A.	0.00	Oregon Community Credit Union	9,528,047.02
KeyBank National Association	47,206,914.00	Oregon State Credit Union	4,144,346.00
Lewis & Clark Bank	32,021,676.00	Pacific Crest Federal Credit Union	1,253,737.73
MUFG Union Bank, N.A.	8,822,581.00	Rogue Credit Union	15,242.44
Oregon Coast Bank	28,653,475.00	St Helens Community Federal Credit Union	225,124.00
Oregon Pacific Bank	7,710,852.00	Unitus Community Credit Union	4,050,385.71
Peoples Bank of Commerce	4,317,032.98	Wauna Federal Credit Union	431,461.59
Premier Community Bank	1,812,504.00		
Riverview Community Bank	0.00	Aggregate Oregon Uninsured Public Funds Deposits	
Summit Bank	0.00		\$ 27,173,698.49
U. S. Bank National Association	827,344,766.47	Aggregate Oregon Public Funds Collateral Pledged	
Umpqua Bank	880,922,470.00		\$ 40,650,598.52

TECHNICAL SERVICES**INFRASTRUCTURE**

Technical Infrastructure
Email and Office Automation
Backup and Recovery
Mobile Devices

SERVICE DESK

Level I Customer assistance
Issue escalation
Issue monitoring and reporting

BANKING OPERATIONS

Transaction processing
Job scheduling

APPLICATION SERVICES**APPLICATION MANAGEMENT**

Application Development and Maintenance
COTS/SaaS Evaluation and Implementation
COTS Updates
Integration

DATA MANAGEMENT

Database Administration
Data Analysis

CYBERSECURITY

Agency-wide Information Security Program
Information Security Risk Management
Information Security Policy
Network & Systems Security
Third-party Due Diligence
Security Awareness
Incident Response
Threat and Vulnerability Management
Continuous Monitoring
Identity and Access Management
Data Security

Technology division manages support, applications, and cybersecurity to enhance services and protect public

The Oregon State Treasury requires a highly secure and functioning technology program to ensure the safety of Oregon assets, transactions and investment trade secrets. To help protect the integrity of public funds, Treasury maintains a separate and secure computer system.

When the Oregon Capitol opened in the 1930s, state funds and financial records were kept in a massive vault in the Treasurer's office. As a modern financial organization, Oregon State Treasury today relies heavily on automation to drive efficiencies and provide timely information for good decision-making.

The Information Technology Division (IT) helps fulfill Treasury's mission by providing the computing infrastructure and expertise needed to conduct business securely and reliably. The IT Division manages and maintains the technology functions of the agency in three office locations.

IT works closely with Investment, Finance, Debt Management, Oregon 529 College Savings Plan, Oregon Retirement Savings Plan, and other agency staff to design and manage solutions that meet their needs. Because of the key role technology plays in delivering Treasury services, the IT Division is involved in many agency initiatives.

IT staff manage a combination of cloud-based, purchased, and custom developed applications as well as infrastructure components to deliver them to Treasury staff and customers. Third-party service providers including financial institutions and cloud-based services are a vital part of the technology infrastructure that enable Treasury business operations.

Information technologies change rapidly. Providing secure, reliable, and cost-effective technologies that are also flexible enough to meet the demands of an evolving industry is crucial.

As important as the technology is to the success of Treasury's mission, the people who deliver it are equally important. Treasury is dedicated to continuous learning to ensure up-to-date skills and awareness of emerging trends that may impact Treasury services. Strategic use of specialized outside experts is also an important tool to most effectively design and manage the critical information technologies on which Treasury relies.

INFORMATION TECHNOLOGY DIVISION LEADERSHIP



Chris Molin
Director



Joe Archer
Application Services Manager



Alain Bouit
Chief Information Security Officer



Greg Sevdv
Network Services Manager



David Martin
Network Services Manager

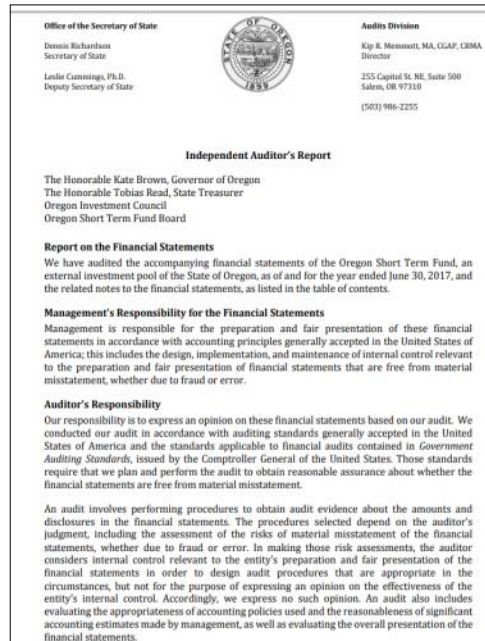
Treasury earned credit for high quality of financial reports

Treasury earned the highest accolade from the Department of Administrative Services' Chief Financial Officer for the quality of our annual financial reports.

The Gold Star Certificate is awarded to state agencies that provide accurate and complete fiscal year-end information in a timely manner. George Naughton, DAS chief financial officer, said the citation is challenging to earn.

"The achievement is due primarily to your agency's diligent efforts to maintain accurate and complete accounting records throughout the year," he said in a Feb. 10 letter to Treasurer Read.

"Congratulations to your agency and your fiscal team for this outstanding work."



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Short Term Fund as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Oregon Short Term Fund, an external investment pool of the State of Oregon, are intended to present the financial position and the changes in financial position of only the Oregon Short Term Fund. They do not purport to, and do not, present fairly the financial position of the Oregon State Treasury or the State of Oregon as of June 30, 2017, or the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2017, on our consideration of the Oregon State Treasury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Oregon State Treasury's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

Office of the Secretary of State, Audits Division

State of Oregon
August 28, 2017

Audit letter from the Secretary of State Audit Division dated Aug. 28, 2017.

PEW CHARITABLE TRUSTS LAUDS OREGON TREASURY REPORTING

June 14, 2017

Oregon Treasury 'leads the way' in public debt transparency, new Pew Charitable Trusts study says

Affordable policies give policymakers a clear vision of how much they can prudently borrow

SALEM The Oregon State Treasury is a leader when it comes to public debt transparency, according to a new study from the Pew Charitable Trusts.

The analysis considered financial disclosures and debt affordability reports from all 50 states, noting that the best possible data is needed to help guide multimillion dollar decisions about managing existing debt or issuing new bonds.

The authors cited the annual report from the Oregon State Debt Policy Advisory Commission, chaired by State Treasurer Tobias Read, as a strong example because of its wide scope, clear comparisons and because it includes debt projections under different interest rate scenarios.

Oregon is among nine states that lead in transparency by producing studies that give policymakers a clear understanding of their states' debt levels through, among other things, careful projections, smart benchmarking comparisons, multiple descriptive metrics, and analysis, it said.

The Treasury Debt Management Division produces the annual report on behalf of the commission, and also oversees the state's debt issuance activities. It facilitates the sale of state bonds, interfaces with bond rating agencies on behalf of the state, connects nonprofits with lower cost financing and maintains a bond calendar of all public debt issuances by Oregon governments.

Oregonians want their government to make the best decisions with scarce public dollars, and getting the best results requires a highly transparent view of our financial landscape, Treasurer Read said. I'm pleased the State Treasury has been recognized for our commitment to transparency and accountability.

In addition to the Treasurer, the State Debt Policy Commission is made up of Sen. Richard Devlin, D Tualatin; Rep. Phil Barnhart, D Eugene; Katy Coba, director of the Department of Administrative Services; and Tim Duy, a University of Oregon economics professor and the public representative.

PROVISIONAL TREASURERS (Prior to the creation of the Oregon Territory)

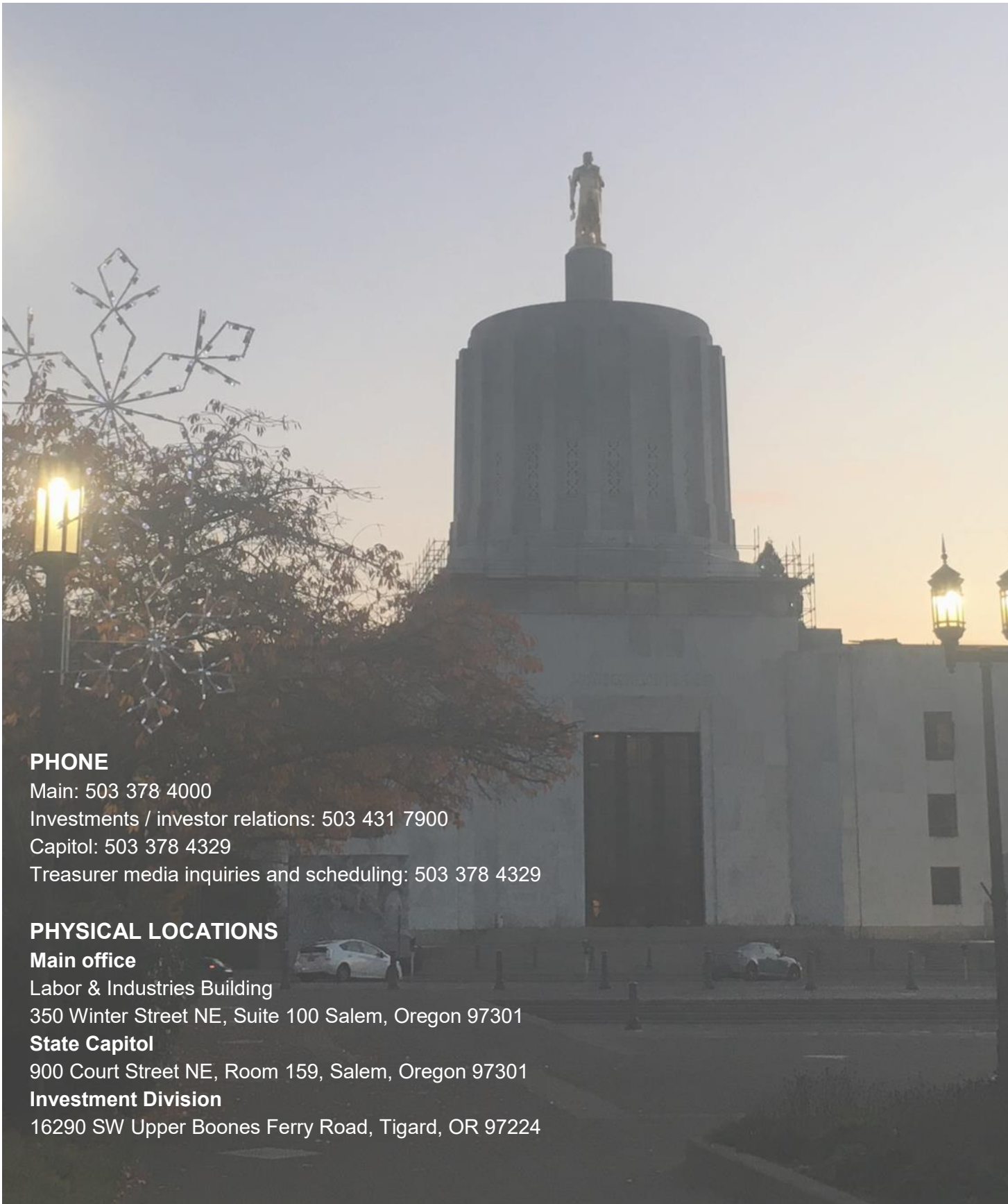
1. William H. Gray	March 1, 1843 – July 5, 1843
2. William H. Willson	July 5, 1843 - May 14, 1844
3. Philip Foster	July 2, 1844 - July 7, 1845
4. Francis Ermatinger	July 7, 1845 - March 3, 1846
5. John H. Couch	March 4, 1846 - September 27, 1847
6. William K. Kilbourne	October 11, 1847 - September 28, 1849

TERRITORIAL TREASURERS (Prior to the creation of the State of Oregon)

1. James Taylor	September 28, 1849 - January 21, 1851
2. Levi A. Rice	January 21, 1851 - September 22, 1851
3. William W. Buck	September 27, 1851 - December 16, 1851
4. John D. Boon	December 16, 1851 - January 24, 1855
5. Nathaniel H. Lane	January 24, 1855 - January 10, 1856
6. John D. Boon	January 10, 1856 - March 3, 1859

OREGON STATE TREASURERS

1 John D Boon (D)	March 3, 1859 - September 8, 1862
2 Edwin N. Cooke (R)	September 8, 1862 – September 12, 1870
3 L. Fleischner (D)	September 12, 1870 - September 14, 1874
4 A. H. Brown (D)	September 14, 1874 - September 9, 1878
5 Edward Hirsch (R)	September 9, 1878 - January 10, 1887
6 G. W. Webb (D)	January 10, 1887- January 12, 1891
7 Phil Metschan (R)	January 12, 1891- January 9, 1899
8 Charles S. Moore (R)	January 9, 1899 - January 14, 1907
9 George A. Steel (R)	January 15, 1907- January 3, 1911
10 Thomas B. Kay (R)	January 4, 1911- January 6, 1919
11 O. P. Hoff (R)	January 6, 1919- March 18, 1924
12 Jefferson Myers (D)	March 18, 1924- January 4, 1925
13 Thomas B. Kay (R)	January 4, 1925-April 29, 1931
14 Rufus C. Holman (R)	May 1, 1931-December 27, 1938
15 Walter E. Pearson (D)	December 27, 1938- January 6, 1941
16 Leslie M. Scott (R)	January 6, 1941- January 3, 1949
17 Walter J. Pearson (D)	January 3, 1949- January 5, 1953
18 Sig Unander (R)	January 5, 1953-Dec. 31, 1959
19 Howard C. Belton (R)	January 4, 1960- January 4, 1965
20 Robert W. Straub (D)	January 4, 1965- January 1, 1973
21 James A. Redden (D)	January 1, 1973- January 3, 1977
22 H. Clay Myers, Jr. (R)	January 3, 1977-April 1, 1984
23 Bill Rutherford (R)	April 1, 1984 - July 9, 1987
24 Tony Meeker (R)	July 9, 1987- January 4, 1993
25 Jim Hill (D)	January 4, 1993- January 1, 2001
26 Randall Edwards (D)	January 1, 2001- January 4, 2009
27 Ben Westlund (D)	January 5, 2009-March 7, 2010
28 Ted Wheeler (D)	March 9, 2010–December 31, 2016
29 Tobias Read (D)	January 1, 2017 -



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Oregon State Treasury
Tobias Read, Treasurer



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