



Invested for you

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Results at a glance



Total Assets

\$73.6 billion

Total beneficiaries

347,324

Benefits that are paid with investment returns

73.4 ¢
of every dollar

Total benefits paid in 2016

\$3.5 billion

Sources: State Street; Oregon Public Employees Retirement System (June 2017).

Did you know?

Assets of the Oregon Public Employees Retirement Fund may not be diverted or otherwise put to any use that is not for the exclusive benefit of members and their beneficiaries.

ORS 238.660



The Sprague Fountain on the Oregon Capitol Mall was turned on for Solar Eclipse Day on August 21.

INVESTOR EDUCATION

Are you saving smartly for retirement? Treasury will help, by making strategic ‘investment best practice’ reform to Individual Account Program

In life, and especially when it comes to retirement, one size does not fit all. At Treasury, we’re taking an important step to improve public workers’ retirement security.



TOBIAS READ
State Treasurer

Participants in the Oregon Public Employees Retirement System have several components to his/her retirement mix: Those include a guaranteed pension; a non-guaranteed Individual Account Program (IAP); and also what you save and invest on your own. At Treasury, we manage investments for the first two components — your pension and IAP account.

Every worker needs to determine a sufficient savings level — and be smart and strategic about investing to be sure those savings are there when needed. In Oregon, public workers hired after 2003 enjoy less generous pension benefits, which means they should be saving more on their own.

Treasury manages the Oregon Public Employees Retirement Fund (also known as OPERF)

to achieve strong and also sustainable, long-term returns. OPERF includes money to pay pensions, which are guaranteed, as well as IAP account benefits, which are not guaranteed and instead depend on market-based investment performance.

Starting in 2018, and as part of our goal to improve workers’ retirement security, we will revise the IAP investment structure. Specifically, we plan to better match IAP participants’ investments with their age.

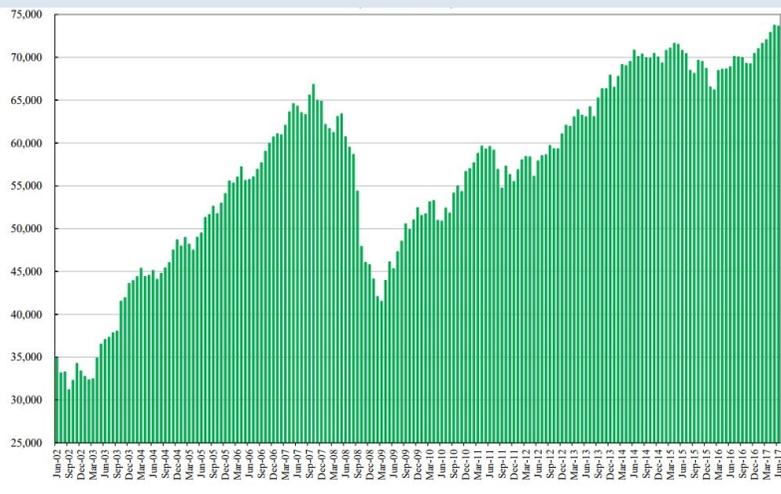
This matching approach is an “investment best practice” and will replace IAP’s current “one-size-fits-all” structure. The upshot: participants will be less exposed to volatility and less likely to experience large losses — or large gains — toward the end of their career and into retirement.

We are proud to introduce this important investment best practice change, and suggest you refer to page 3 for a graphic illustration of how the new IAP investment structure will work.

As always, thanks for the work you do, for Oregon.

PERFORMANCE SYNOPSIS — MID-YEAR 2017 RETURNS

OREGON PUBLIC EMPLOYEES RETIREMENT FUND, 2002-17



HOW IS THE OPERF REGULAR ACCOUNT DIVERSIFIED?

PUBLIC EQUITY (39.5% or \$28.9 billion)

Shares of public companies in the United States and abroad.

FIXED INCOME (21.8% or \$15.9 billion)

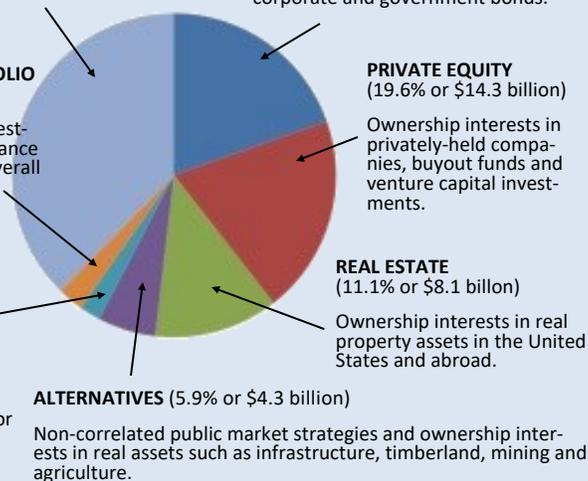
Income-generating investments such as corporate and government bonds.

OPPORTUNITY PORTFOLIO (2.1% or \$1.5 billion)

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

CASH RESERVES (0.1% or \$29 million)

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



ALTERNATIVES (5.9% or \$4.3 billion)

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

PRIVATE EQUITY (19.6% or \$14.3 billion)

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

REAL ESTATE (11.1% or \$8.1 billion)

Ownership interests in real property assets in the United States and abroad.

The **Oregon Public Employees Retirement Fund (OPERF)** is the trust fund that belongs to beneficiaries of Oregon's public employee retirement system, including teachers, public safety workers, and other state and local government employees. By law, OPERF assets must be invested with the goal of maximizing investment returns on a risk-adjusted basis. The Oregon Investment Council (OIC) sets investment policy and oversees overall fund performance, while Oregon State Treasury investment staff is responsible for all daily fund management activities.

To increase the likelihood of successful, sustainable investment performance, OPERF capital is diversified across a wide array of asset classes, markets, and investment strategies including public company stocks, real estate, bonds, private equity, and alternatives like timberland and agriculture.

Depending on initial hire date, PERS-covered workers are impacted differently by OPERF performance. "Tier 1" workers (hired before 1996) have some investment guarantees no matter what happens in financial markets, while most other PERS members earn "realized" or actual returns.

Annual OPERF performance impacts the PERS system's "unfunded liability," an amount equal to the difference between the present value of OPERF's assets and the present value of all projected benefit payment obligations.

INVESTMENT RETURNS

PUBLIC EMPLOYEES RETIREMENT FUND

Regular Account Balance: \$73.0 Billion (June 30, 2017)

Globally diversified financial and real asset portfolio.

Includes Individual Account Program (IAP) balances.

6-month	1-year	5-year	10-year
+7.3%	+11.9	+9.2%	+5.4%

VARIABLE ACCOUNT

Balance: \$593.5 Million (June 30, 2017)

Closed to new deposits by legislative action. Invested in global stock market index fund.

6-month	1-year	5-year	10-year
+11.6%	+19.5%	+11.1%	+3.7%

Q&A—Your retirement fund is not public money

Q: Is the pension fund public money?

A: No. OPERF is a **trust fund** and by law must be invested for the sole and exclusive benefit of its constituent owners (current and retired state and local government employees). OPERF assets also cannot legally be invested or diverted for any political purpose that might otherwise impair the fund's investment productivity and purpose.

Q: What is the Oregon Investment Council (OIC)?

A: The Council is made up of six people and sets investment policy for OPERF and other trust funds managed by the Oregon State Treasury. As fiduciaries, OIC members focus on policies that support successful and sustainable, long-term investment performance. The OIC does not control nor have

access to individual PERS members' accounts or records. In addition to the State Treasurer and PERS Director who both serve by position, the Governor appoints four volunteer OIC members.

Q: Why is divestment a bad idea for trust funds?

A: In order to better manage risk, the OIC has globally diversified OPERF by asset class, industry sector and economic geography. Divestment would increase the fund's risk by undercutting its diversification profile, making it more vulnerable to market volatility. In addition, trust funds cannot legally be used for political purposes which impair asset productivity or investment returns. As fiduciaries, the OIC cannot make decisions with your money to achieve goals that do not benefit you or the portfolio.

Q: Are OIC meetings open?

A: Yes. Learn more about OIC and its meetings on our website at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Investment-Council-\(OIC\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Investment-Council-(OIC).aspx)

Q: Why do investment officers travel as part of their jobs?

A: For proper investment oversight and monitoring, regular travel is an essential job requirement at Treasury. To critically evaluate the potential and on-going efficacy of various investment strategies, Treasury staff meet with dozens of existing and prospective partners around the world each year. These "on the ground" meetings are often staff's only way to ensure the highest standards of investment performance, prudence and care.

New Target-Date Funds will adjust investment risk as you age

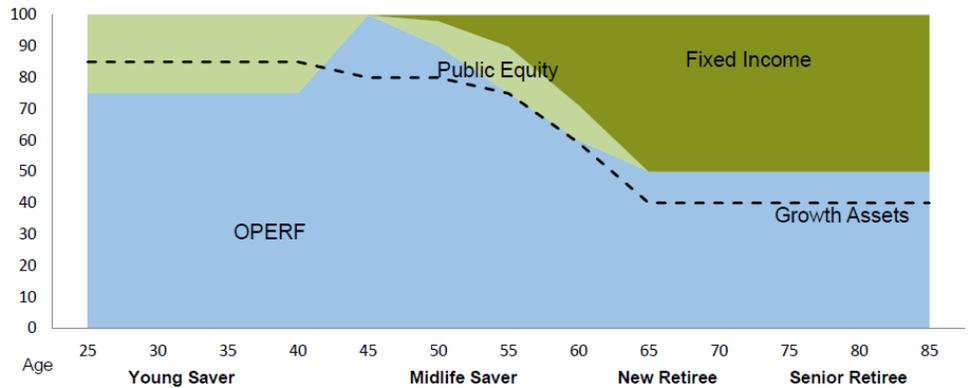
To improve the retirement security of participants in the Individual Account Program (IAP), the Oregon Investment Council and Oregon State Treasury are planning an important change in 2018 that aligns IAP with investment best practices. Specifically, this change will better match IAP participants' individual investment mix with their individual risk profile.

The IAP is separate from pension benefits, and is currently funded with 6 percent of workers' pay. Created by the 2003 Legislature, IAP was designed to replace as much as 20 percent of workers' income after 30 years of employment. Importantly, IAP returns are not guaranteed and instead determined exclusively by financial market investment performance.

The structural change planned for IAP includes a switch from a "one-size-fits-all" format to a Target-Date Fund approach that increases savings growth potential for younger workers and lowers the risk of investment losses for older workers.

Under the current structure, older public employees are exposed to the same level of investment risks as younger workers. With the new approach, the risk of investment losses will decline gradually as workers approach and ultimately reach retirement age. This "glide path" feature is an investment best practice.

It is important that PERS beneficiaries understand this change and its accompanying rationale. In addition, the change will



be automatic — PERS members won't need to do a thing.

As opposed to the current "one-size-fits-all" format, each IAP participant will be invested in a Target-Date Fund based on birth year. Investment of the IAP will continue to be managed by Treasury, and this planned change will not impact members' pension benefits in any way.

As fiduciaries, the Oregon Investment Council and State Treasury are committed to managing PERS members' retirement

assets for strategic and sustainable long-term success. This new IAP structure matches investment best practice and is therefore consistent with that fiduciary obligation.

You can find additional questions and answers online at www.Oregon.gov/IAP. For information about your personal balance, log-in to the IAP portal at IAP.Voya.com, which is managed by Voya, or call PERS Member Services at 888-320-7377.

WHICH TARGET-DATE FUND WILL I BE IN?

Born 1993 or after
 Born between 1988 and 1992
 Born between 1983 and 1987
 Born between 1978 and 1982
 Born between 1973 and 1977
 Born between 1968 and 1972
 Born between 1963 and 1967
 Born between 1958 and 1962
 Born between 1953 and 1957
 Born in 1952 or before

IAP 2060 Target Date Fund
 IAP 2055 Target Date Fund
 IAP 2050 Target Date Fund
 IAP 2045 Target Date Fund
 IAP 2040 Target Date Fund
 IAP 2035 Target Date Fund
 IAP 2030 Target Date Fund
 IAP 2025 Target Date Fund
 IAP 2020 Target Date Fund
 Retirement Allocation Fund

THREE THINGS TO KNOW ABOUT SECURITIES LITIGATION AND PROTECTING THE PENSION FUND

Treasury can take legal action if bad actors reduce share value



From 2011 to 2016, Treasury recouped \$12.6 million through the securities litigation program.

1 Stock prices go up and down. Those changes are most often a simple function of market volatility, and based on factors such as expectations of economic growth and corporate profitability. However, in some instances, share prices can fall due to allegations of corporate malfeasance among executives or board members.

2 The Oregon Public Employees Retirement Fund is a major investor across financial markets, and can be impacted. When deemed a strong case, Treasury works with the Oregon Attorney General to seek accountability when malfeasance results in losses, and restore fund value via our securities litigation program.

3 Lawsuits, while often a powerful deterrent, are not Treasury's preferred approach as litigation can be lengthy and expensive. As an alternative path to improving corporate practices, Treasury engages proactively with companies and regulators via a comprehensive "corporate governance" program. With the goal of improving long-term shareholder value, these efforts reduce the need for, and frequency of, legal action.

Meet current OIC Chair Rukaiyah Adams, an Oregon finance leader and the investment chief at Meyer Memorial Trust



Rukaiyah Adams was appointed to the Oregon Investment Council in 2013, and elected chair by her Council peers in 2017. Chief Investment Officer at Meyer Memorial Trust in Portland, Chair Adams is driven by the belief that people want to take care of each other.

Renowned for asking tough questions, she is looking out for the future of all Oregonians. Her desire to succeed in capital markets for the benefit of everyday people attracted her to both her current position at Meyer as well as her volunteer role on the Council,

which oversees \$95 billion in public trust fund investments managed by the Oregon State Treasury.

Chair Adams previously worked as director of investment management at The Standard in Portland, and started her career as a mergers and acquisitions lawyer at Skadden, Arps, Slate, Meagher & Flom in San Francisco. She holds a BA from Carleton College with Academic Distinction, a JD from Stanford Law School, and an MBA from The Stanford Graduate School of Business.

TREASURY BUDGET PROPOSAL

Newly approved state budget clears the way for more in-house investing capacity at Treasury, which will save PERS money

The State Treasury was successful in getting legislative approval to allow the office to increase investing capacity to better manage a growing and increasingly complicated portfolio.

With expanded internal capacity, Treasury will hire more staff in Oregon and reduce its current reliance on external partners and consultants. This “insourcing” initiative will translate into millions of dollars of annual fee savings for PERS and its beneficiaries.

Due to its successful, long-term investment track record, the Oregon Public Em-

ployees Retirement Fund (OPERF) has grown to become one of the country’s largest public pension funds. At the same time, the number of staff assigned to OPERF management hasn’t kept up, forcing Treasury to hire external managers and consultants to handle daily activities such as securities trading, research and financial reporting.

Additional staff will not require new tax money or compete for General Fund dollars against other state workers or programs as all of Treasury’s fund management activities are funded through invest-

ment fees.

New positions to enhance overall risk management will provide focused attention on Environmental, Social and Governance factors, and bolster current monitoring efforts among existing investments in both public and private markets. More resources were also added in cybersecurity to fortify digital firewalls and protect critical operating and investment data.

Even when all these newly-budgeted positions are filled, Treasury will still rank as one of the leanest institutional investment managers in its peer group.

WHO TO CONTACT

I have questions about my PERS benefits or retirement options.

Public Employees Retirement System
www.Oregon.gov/PERS
888-320-7377

I have questions about the IAP and my personal account balance.

Public Employees Retirement System
www.Oregon.gov/PERS
888-320-7377

I would like to know more about the Oregon Savings Growth Plan.

<http://www.oregon.gov/pers/osgp/pages/index.aspx>
osgpcustsvc.PERS@state.or.us
888-320-7377

I have questions about the Oregon Investment Council.

Oregon State Treasury
Communications and Stakeholder Relations
www.Oregon.gov/Treasury
503-378-4000

I would like to communicate with the State Treasurer.

Office of the State Treasurer
www.Oregon.gov/Treasury
Oregon.Treasurer@ost.state.or.us
503-378-4329

I have questions or story ideas for Invested For You.

Oregon State Treasury
Communications and Stakeholder Relations
www.Oregon.gov/Treasury
503-378-4000

