OREGON STATE TREASURER TOBIAS READ

Annual Report

2018

OREGON STATE TREASURY

OREGON STATE TREASURER TOBIAS READ

Everywhere in Oregon, your Treasury helps families and governments to be more financially secure

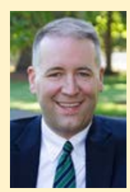
Dear Oregonians:

Every day at your State Treasury, we are working hard to make our state better by helping families, communities, schools, and government entities become more financially secure. We support meaningful investments in public infrastructure, and help families save for retirement, education, and financial independence. And we seek strong investment performance that ensures the state can keep its promises to our valuable public servants.

This annual report highlights some of our achievements on your behalf in 2018:

- Thanks to the work of our investment division, the gross returns of the Oregon Public Employees Retirement Fund were tops among our peer group from 2009 to 2018
- We successfully launched OregonSaves statewide — opening up the nation's first state-based auto-enrollment retirement savings program to more Oregonians
- We hosted the filled-to-capacity Oregon Sustainable Investing Summit, which highlighted how the state and individual investors can invest for the long-term
- We held the first-ever Local Government Investment Pool investors meeting, bringing together our local government partners and discussing ways we can support their success.

ABOUT TREASURER READ



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

Learn more on page 3

These accomplishments are in addition to work Treasury performs each day to protect the fiscal health of the state and local governments. This includes managing an investment portfolio with more than $100 billion in assets, protecting the state's credit rating, overseeing billions in bond measures, and protecting public fund deposits.

We're also help families invest for future education and disability-related costs through the Oregon College Savings Plan and Oregon ABLE Savings Plan. And we help nonprofits succeed by making tax-free financing available for community projects.

We're proud of our work and the results we're achieving for you and for Oregon. Thanks for your interest in your Treasury.


Annual Report
2018

TREASURER TOBIAS READ

Building a more secure Oregon

TREASURY LEADERSHIP

Tobias Read
State Treasurer

Dmitri Palmateer
Chief of Staff

Darren Q. Bond
Deputy State Treasurer

Michael Kaplan
Chief Operations Officer

Jackie Steffens
Chief Human Resources Officer

Deena Bothello J.D.
Director
Legal and Compliance

John D. Skjervem
Chief Investment Officer

Cora Parker
Director
Finance

Laura Lockwood McCall
Director
Debt Management

Michael Parker
Director
Oregon Savings Network

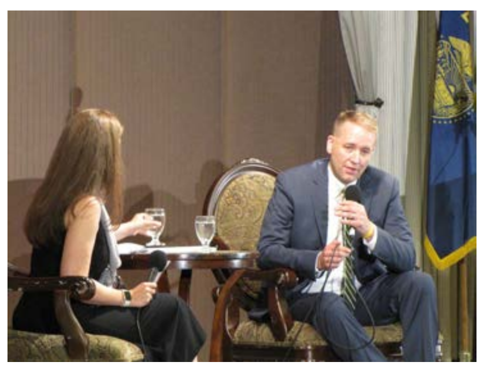
Chris Molin
Director
Information Technology

Byron Williams
Chief Administrative Officer

ABOUT TREASURER READ

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

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 $100 billion.



Before he was elected State Treasurer, Treasurer Read 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.

Treasurer Read 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.

Treasurer Read 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 volunteered for Start Making a Reader Today, as a youth sports coach, and as a member of the Willamette University Athletic Director's Advisory Board, and was 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.

TREASURY WORKS FOR ALL OREGONIANS

Our Way is Forward

ABOUT TREASURY

Treasury is led by Treasurer Tobias Read, a Constitutional elected official who is the custodian of public funds and Oregon's chief investment officer. Under Treasurer Read's leadership, we prioritize investing for the long term, ensuring the safety and integrity of public funds, and empowering Oregonians to invest in themselves. We're proud of the work we do to help families, governments, and businesses succeed.

OUR VISION

Leading the way for Oregonians to achieve long-term financial security.

OUR MISSION

Improving Oregon governments' and citizens' financial capabilities.

EMPOWERING YOUR FINANCIAL FUTURE

We provide ways to save on taxes while also helping Oregonians save for retirement. Our programs include the OregonSaves program, the Oregon College Saving Plan for college and career training costs, and our Oregon ABLE savings plan, which helps with the cost of caring for people with disabilities.

SERVING GOVERNMENTS AND TAXPAYERS

We operate the state's investing, banking, and debt programs.

We invest for the long-term, and sell Oregon bonds help to finance community projects like schools, roads and armories. Because of sound Treasury management, more than 73 cents of every dollar in pension benefits comes from investment returns.

We stretch taxpayer dollars with a strong rate of return for funds deposited in the Local Government Investment Pool, which is available to all Oregon and Tribal governments.

SAFEGUARDING PUBLIC FUNDS

We partner with banks and credit unions to protect public funds deposited by public bodies throughout Oregon.

HELPING NONPROFITS AND COMMUNITIES

We help secure low-cost loans and bonds for nonprofit projects like hospitals and make money available to Oregon lenders, who can put that money to work in their communities.

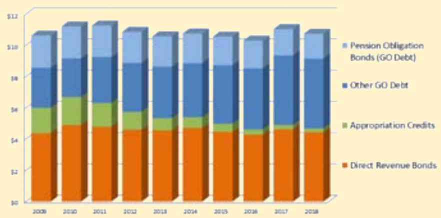
MAKING BUSINESSES MORE COMPETITIVE

We engage as a thoughtful shareholder to improve sustainable business practices. Oregon small businesses also benefit from OregonSaves, which allows them to facilitate a retirement savings option with no employer fees or fiduciary risk.

2018 PERFORMANCE AT A GLANCE

Investing in Oregon's future

DEBT MANAGEMENT



Total general obligation bonds
$6.1 billion
(As of June 30, 2018)

Total state debt tracked by Debt Management Division
$14 billion

Credit Ratings

AA+/Aa1/AA+
(GO: S&P, Moody's, Fitch)

AAA/Aa2
(Lottery: S&P, Moody's)

PUBLIC FUNDS MANAGEMENT

Total local government participants in LGIP
1,007

Total local funds deposited in LGIP
$9.5 billion

Total value of banking transactions
$265 billion

Total volume of banking transactions
15.5 million

Total funds protected by collateral pools
$2.3 billion

Total depositories in collateral pools

33 Banks

12 Credit Unions

SUSTAINABILITY & DIVERSITY

Total public equity proxy ballots cast
16,963

Securities litigation settlements (2012-18)
$19.2 million

INVESTED FOR OREGON

PUBLIC EMPLOYEES RETIREMENT FUND

Total PERS Balance: $75.1 Billion (Dec. 31, 2018)
Globally diversified financial and real asset portfolio. Includes Individual Account Program (IAP) balances.

1-year	3-year	5-year	10-year
+0.5%	**+7.5%**	**+6.3%**	**+9.5%**
+1.2%	+8.4%	+7.0%	+9.4%

STATE ACCIDENT INSURANCE FUND

Balance: $4.6 Billion (Dec. 31, 2018)
Managed on behalf of injured workers and their families.

1-year	3-year	5-year	10-year
-2.3%	**+3.9%**	**+3.6%**	**+6.0%**
-1.9%	+3.2%	+3.1%	+5.2%

COMMON SCHOOL FUND

Balance: $1.6 Billion (Dec. 31, 2018)
Managed in trust for Oregon schoolchildren, includes Oregon unclaimed property.

1-year	3-year	5-year	10-year
-3.9%	**+6.1%**	**+5.1%**	**+9.7%**
-1.4%	+7.7%	+5.7%	+9.4%

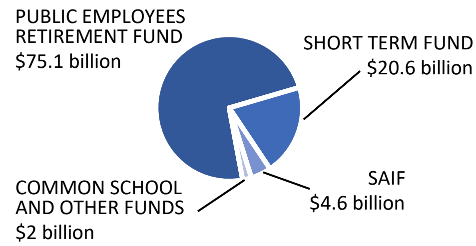
OREGON SHORT TERM FUND

Balance: $20.6 Billion (Dec. 31, 2018)
Includes Local Government Investment Pool

1-year	3-year	5-year	10-year
+2.0%	**+1.5%**	**+1.1%**	**+1.1%**
+1.9%	+1.0%	+0.6%	+0.4%

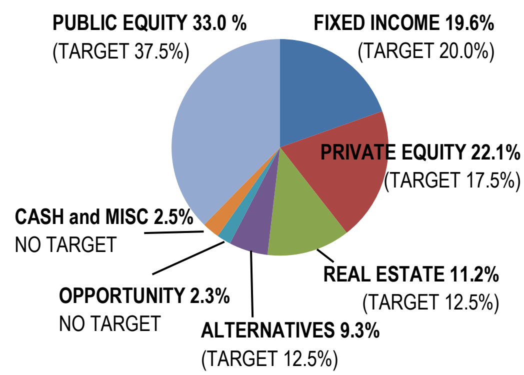
ASSETS UNDER MANAGEMENT

$100.7 Billion (Dec. 31, 2018)



PUBLIC EMPLOYEES RETIREMENT FUND

ASSET ALLOCATION



HELPING KIDS & SENIORS

COLLEGE SAVINGS PLANS
Unique Beneficiaries:189,177
Total Accounts: 194,115
Assets: $3.4 billion

RETIREMENT SAVINGS
Total businesses registered: 2,649
Contributing accounts: 24,821
Total assets: $11 million

DISABILITY-RELATED SAVINGS
Total Beneficiaries: 2,439
Assets: $12 million

AGENCY METRICS

152 FTE
Total Treasury positions

$67.9 M
Biennial Budget 2017-19

30 terabytes
Secure financial data capacity

Treasury relies on public expertise and input to better manage public financial services

OREGON INVESTMENT COUNCIL

Sets policy for investment of Oregon State Treasury-managed statutory investment funds, including the Oregon Public Employees Retirement Fund and the State Accident Insurance Fund. Rukaiyah Adams, Chair; John Russell, Vice Chair; Rex Kim; Patricia Moss; 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 529 SAVINGS BOARD

Sets policy for Savings Network, which includes the Oregon College Savings Plan and Oregon ABLE Savings Plan. Members: Tobias Read, Oregon State Treasurer, Chair; Jennifer Geller; Sydney Shook; Amy Watson; Brent Wilder. 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; Jeff Anderson; Kara Backus; Sen. Lee Beyer; Edward Brewington; Rep. Pam Marsh; 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 Retherford; 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: Martha McLennan, Chair; Sean Hubert; 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 INFRASTUCTURE EXCHANGE

Provides technical training and advice to government policymakers about innovative approaches to the procurement of capital projects and infrastructure. Anthony Buckley, Chair (Washington); Travis Brouwer (Oregon); Karmen Fore (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. Nancy Nathanson; 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.

YOU CAN SERVE

Do you have an interest in public service and expertise in financial matters? We often seek out Oregonians who can bring new perspectives and ideas to improve our programs and make them work better for the state.

Email us for more information

SERVING OREGONIANS

Volunteering to help communities and nonprofits today while protecting the state's financial future

Throughout 2018, State Treasurer Tobias Read and Treasury employees sought out ways to give back to Oregon.

From community outreach and education, to employee volunteering and charitable giving, Treasury sets a high mark when it comes to community involvement and engagement to make Oregon a better place.

In 2018, Treasury staff volunteered at the Portland Food Bank, Habitat for Humanity, and Marion-Polk Food Share. We also held regular blood drives for the American Red Cross.

For the State Employees Charitable Fund Drive, Treasury workers pledged an agency record of $8,236 to help nonprofits across the state that serve Oregonians.

For the annual State Employee Toy Drive, Treasury staff donated a total of $2,506. Investment officer Mike Mueller went sale shopping and turned those donations into 242 toys, with a retail value of $5,500.

One of the goals of Treasury is to help expand financial understanding and confidence. The Treasurer sits as an ex officio member of the State Board of Education and advocates for more personal finance programming. Treasury also facilitates meetings of the Oregon JumpStart Coalition.

STATE TOY DRIVE

AMERICAN RED CROSS

FOOD SHARE

Empowering Oregonians to Save

OREGON SAVINGS NETWORK

Treasurer Read and Representative Suzanne Bonamici discuss the Oregon College Savings Plan with young Oregonians.

Treasury is helping you invest for college, career training, retirement, and disability-related costs

Treasury offers a suite of programs to help Oregonians save for education, retirement, and disability-related expenses. The first of these programs was the Oregon College Savings Plan, which launched in 2001.

In 2015, the Oregon ABLE Savings Plan was created. It allows individuals and families to save for costs associated with disabilities that are diagnosed before the age of 25 — without jeopardizing eligibility for means-tested federal benefits.

Treasury launched OregonSaves as a pilot program in mid-2017 and began statewide expansion in 2018, giving an estimated one million Oregonians without other access to a work-based retirement savings program the opportunity to save for retirement via payroll deductions.

OREGON COLLEGE SAVINGS PLAN™ | OREGON ABLE SAVINGS PLAN | oregonsaves®

SAVINGS NETWORK CONSOLIDATED IN 2018 TO BETTER SERVE THE PUBLIC, BOOST EFFICIENCY

The Oregon Savings Network was created and consolidated into the Investment Division at Treasury in 2018 as part of a strategy to better promote empowerment programs and also to improve operational efficiency at Treasury. The new office is responsible for administering the OregonSaves, Oregon ABLE, and Oregon college savings programs. These were previously housed and staffed in different places in the organization. The staff-related savings mean OregonSaves will need less in startup loan support.

SAVINGS NETWORK METRICS

193,793	$3.4 B	$160 M	$12 M	$17 M	76,000
Total College Savings accounts	Total assets College Savings	Distributed in 2018 for post-secondary costs	Total assets Oregon ABLE plans	Total assets OregonSaves	Workers enrolled in OregonSaves

Treasurer Tobias Read and OregonSaves were recognized in October 2018 with an Excellence and innovation Award from Pensions & Investments and the Defined Contribution Institutional Investment Association (DCIIA).

LEADING THE NATION

Oregon Treasury launched OregonSaves, the first state-based retirement savings program, to help improve our business climate and give more workers the option to save

OregonSaves started as a pilot program in July 2017 and began launching statewide in 2018, making it the first state-based auto-enrollment IRA.

Through a phased approach designed to make it easy for both workers and employers, OregonSaves is expanding statewide in waves. At the end of 2018, tens of thousands of workers—most of them first time savers—had set aside more than $10 million toward retirement.

Individual Oregonians also got the opportunity in 2018 to begin their own OregonSaves accounts and join the ranks of the more than 50,000 employees who were already enrolled through a facilitating employer.

Oregon workers will continue to be enrolled automatically in OregonSaves if their employer facilitates the program.

The deadline for the third wave—for employers with 20 or more employees—was December 15, 2018. The program implementation will continue through 2020.

OUTREACH TO EMPLOYERS, WORKERS, AND THE PUBLIC

The startup of OregonSaves involves a multiphase marketing effort to help employers and the public learn the program is available to help build financial security.

Learn more in the OregonSaves annual report

The retirement savings gap in America is estimated to be at least $6.8 trillion and growing, and more than half of workers have saved nothing, according to the National Institute for Retirement Security. In Oregon, an estimated 1 million workers lack access to a work-based retirement plan.

Policymakers established OregonSaves to address the retirement savings crisis for Oregonians falling in the gap, understanding that for most of us, it's likely that Social Security payments won't be enough when it comes time to retire.

OregonSaves participants are already saving at a higher percentage of pay than expected, contributing an average of $110 per month.

The success of OregonSaves will have long-term positive implications for the savers and, more broadly, for the state and its budget. Most importantly, the program will ensure that workers will have the option and the pathway to save for their future.

SAVING FOR COLLEGE AND CAREER TRAINING

Oregon College Savers transitioned to new plan manager, improving customer service and adding Vanguard funds

New low-cost funds. New interactive features. A new guaranteed savings option. And a new emphasis on connecting even more Oregon families to saving opportunities for higher education and job training.

Those are some of the features in the improved Oregon College Savings Plan, Oregon's higher education investment program, thanks to the transition to a new plan manager in 2018.

What's not new? The Oregon College Savings Plan maintains popular tax deductions and tax-free account growth that have helped families to save for almost 20 years.

The Oregon 529 Savings Board approved the transition to a new program manager after surveying the marketplace for the best deal for Oregonians.

The new platform improves account access and includes a lineup of low-cost options, including a guaranteed saving fund, and also adds popular Vanguard mutual funds.

$25 Minimum to open an account	**4,243** Baby Grad new accounts
$1.8 B Oregon College Savings Plan assets	**$1.3 B** MFS Oregon Plan assets

The switchover included a shift to a new technology platform and affected more than 100,000 Oregon families.

In conjunction with the relaunch, Treasury is ramping up outreach to families statewide through the Be College Ready program and the Baby Grad program, which offers a $25 match to people who open accounts before a baby's first birthday.

Accounts can be opened with as little as $25.

Sumday, the new administrator, is the recordkeeper for Treasury's Oregon ABLE Savings Plan.

Oregon offers two 529 plan options to save for higher education and job training: Oregonians can invest on their own through the Oregon College Savings Plan or via broker-sold mutual funds offered by MFS Investment Management. The plans operate independently of each other but are governed by the same state and federal laws.

SAVING FOR DISABILITY RELATED EXPENSES

Oregon ABLE Savings Plan and ABLE for ALL give families the ability to save without jeopardizing vital benefits

Before Congress and the Oregon 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 such as Medicaid and Supplemental Security Income. These programs required individuals to have less than $2,000 in their name.

ABLE Accounts, which are tax-advantaged savings accounts for individuals with disabilities and their families, were authorized by the federal Stephen Beck Jr., Achieving a Better Life Experience Act of 2014.

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

ABLE SAVINGS

2,439

Total ABLE accounts as of Dec. 31, 2018

$100,000

Amount that can be saved per individual without impairing SSI benefit eligibility

Oregon offers two plans: the Oregon ABLE Savings Plan for Oregonians and the nationwide ABLE for ALL Savings Plan.

The amount saved in ABLE accounts grew from $3.4 million in 2017 to $12 million in 2018. The average account size for Oregon ABLE is $4,044, almost $400 more than the national average.

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 also empower people with disabilities.

To serve more savers and also mitigate administration costs, Oregon in 2018 began partnering with Washington state and Maryland via an ABLE Collaboration.

OREGON 529 SAVINGS BOARD

The Oregon 529 Savings Board is the oversight panel for education- and disability-related savings programs administered by the Oregon Savings Network. Treasurer Read chairs the Board, with four appointed members of the public. The plans are: Oregon College Savings Plan, Oregon MFS Savings Plan, Oregon ABLE Savings Plan, and ABLE for ALL, which is the nationwide ABLE savings option.

Investing for the Long Term

INSTITUTIONAL INVESTMENT MANAGEMENT

Analysis showed pension fund is gaining millions due to new investment capacity and cost-saving insourcing

With the support of the Oregon Legislature, Treasury is implementing a new staffing strategy that is increasing internal capacity and reducing investment management fees and expenses.

The strategy called for "insourcing" more investment activities at the State Treasury, while simultaneously lowering the fund's dependence on external providers.

The result, according to internal analysis, is stronger net performance of assets managed by Treasury.

We ramped up to handle the additional workload by adding personnel in investment analysis, operations, risk and research, and legal and compliance. The strategy is working well and saving millions as expected.

+ $149 Million

Net return impact to pension fund due to new internal capacity

2016-2018

Our insourcing initiative has produced another major benefit: internally-managed pension fund assets are generating returns that match or exceed corresponding investment benchmarks.

Net savings due to lower fees — more than $1 million a month — combined with above-benchmark investment performance resulted in $149 million in additional pension fund capital between 2016 and 2018. The expanded internal capacity is also improving the net financial performance of the Oregon Short Term Fund, which saw savings of $39 million in fees and comparative outperformance worth an additional $236 million, for a total net performance impact of $275 million.

The savings are net of all costs related to the investment division's new operating capabilities and additional staff.

INVESTMENT PROGRAM METRICS

$100.7 B	$75.1 B	+0.48%	+9.50%	$20.6 B	$4.6 B
Assets under management	Public Employees Retirement Fund (OPERF)	OPERF Single year return, 2018	OPERF 10-year return, 2009-2018	Oregon Short Term Fund	State Accident Insurance Fund

Treasurer Read and Oregon Investment Council Chair Rukaiyah Adams listen to presenters at an OIC meeting.

LONG-TERM PERFORMANCE FOR PENSION FUND BENEFICIARIES

Thanks to investment success and capacity improvements, gross returns exceeded peer funds from 2009-18

Over the past decade, the investment performance for the Oregon Public Employees Retirement Fund ranked first among U.S. public pension peers on gross returns, according to an annual industry report.

The top-of-class showing followed a series of strategic changes — authorized by the Oregon Investment Council and implemented by Treasury's investment division — that boosted returns and improved the diversification profile of the fund, which totaled $75.1 billion as of December 31, 2018.

Over the past decade, Oregon's average annual investment return was tops among public fund peers according to rankings recently published by the Wilshire Trust Universe Comparison Service in its annual investment performance survey. That peer group included 46 other U.S. public funds, all with assets in excess of $10 billion.

From 2009 to 2018, Oregon's pension fund realized an average annual net return — which means gross returns minus fees — of 9.46%.

These results represent an important milestone in our ongoing efforts to balance the fund's competing objectives of short-term resilience and long-term sustainability. Our top rankings also reinforce Oregon's reputation as an elite institutional investor.

Treasury and the Oregon Investment Council began fortifying fund diversification over eight years ago with the introduction of an "Alternatives Portfolio" allocation in 2011.

Designed to pursue return streams that are less correlated to movements in global stock and bond markets, the Alternatives Portfolio today comprises nearly 10 percent of total fund capital, and includes investments in areas such as infrastructure, agriculture, timberland and television royalties.

More recently, Treasury's investment team reconstituted portions of the fund's allocation to listed equities by moving several billion dollars into defensive or "low volatility" stock strategies.

The investment division also capitalized on recent budget authorizations from the Oregon State Legislature that have enabled Treasury to modernize the investment division's operating procedures and improve its risk management efforts.

MARKETS COOLED IN LATE 2018, BUT PENSION FUND POSTED POSITIVE RETURN

For 2018, a year in which most global financial markets registered negative results, Oregon's pension fund posted an annual net return of +0.48%, placing its single-year performance within the top 10 percent among peer public funds with assets in excess of $10 billion.

The Oregon investment Council met eight times in 2018 to hear reports on portfolio performance, consider investment policy amendments, and hear final presentations on proposed investments.

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

MEMBERS

Rukaiyah Adams
Chair
Meyer Memorial Trust

John Russell
Vice Chair
Russell Development Co

Rex Kim
Multnomah Group

Patricia Moss

Tobias Read
Ex-officio
State Treasurer

Kevin Olineck
Ex-officio
Director, PERS agency

The Oregon Investment Council 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. Treasurer Read 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 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

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.

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.

INDIVIDUAL ACCOUNT PROGRAM

New Target Date Fund framework delivered as expected in late 2018 market downturn

The Oregon Investment Council acts cares about beneficiaries and their financial futures. As fiduciaries for the pension fund and other state-managed retirement accounts, the Council is committed to serving the best investment interests of all PERS members.

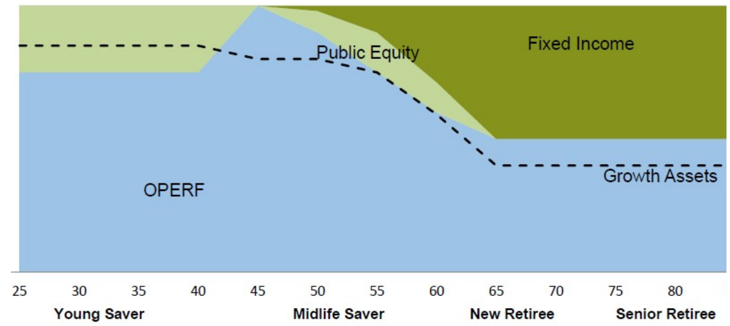
In 2017, the Council made the decision to realign the investment approach used in the Individual Account Program, the defined contribution portion of PERS members' retirement benefit. Currently, IAP accounts receive employees' 6% annual contribution, but, unlike the pension fund, there is no investment or benefit payment guarantee. In other words, in IAP, members bear all investment risks.

Previously, IAP assets were invested identically for every participant, independent of age or individual retirement horizon.

The more common approach uses age as a proxy for risk tolerance and suggests investors' portfolios become increasingly conservative as retirement approaches.

The Council chose an automatic risk-adjusting framework for the IAP, known as a Target-Date Fund.

In this framework, younger workers gain more exposure to higher risk growth investments, such as stocks, while older workers increasingly give up that growth exposure in exchange for lower account balance volatility as they near and enter retirement.



In 2018 — IAP participants' inaugural experience with Target-Date Funds — the new framework worked as designed and intended.

Younger workers saw strong returns in the bull market that prevailed during the first nine months of 2018, while older workers were protected from the brunt of the market downturn during the year's final quarter.

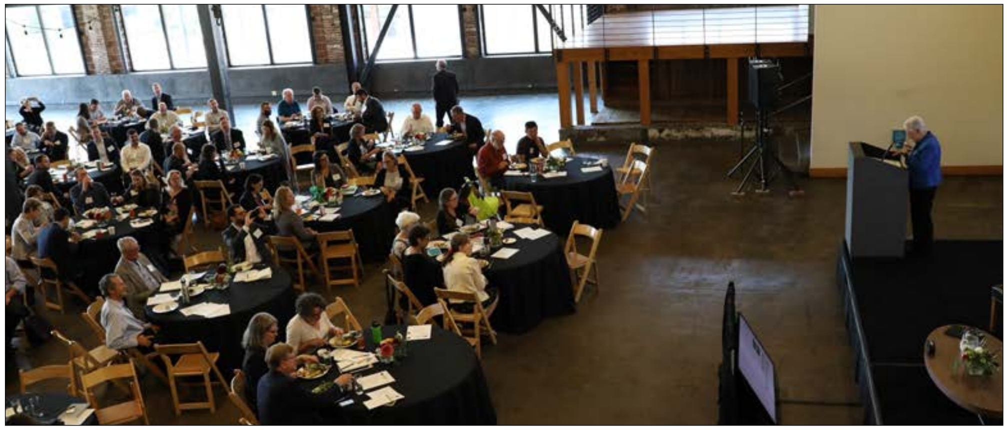
In addition, every single tier within the IAP's Target-Date Fund structure outperformed its corresponding industry peer group for the 2018 calendar year.

IAP TARGET DATE FUNDS

What is the investment mix for IAP Target Date Funds?

With a target-date fund, your money is spread across many different investment types, and that mix evolves over time. The objective for each fund is to achieve a higher total return over time, while incurring an appropriate level of risk that is consistent with the fund's asset mix. The custom target date format includes exposure for every investor to the Oregon Public Employees Retirement Fund, and evolving exposures to index funds from State Street Global Advisors (SSGA). The levels change gradually. Peer median performance is from Alliance Bernstein.

	2018 RETURN	PEER MEDIAN	BIRTH YEAR	COMBINED ASSETS
IAP 2060 Target Date Fund	-1.95%	-8.7%	1993 -	$15,763,000
IAP 2055 Target Date Fund	-2.01%	-8.6%	1988-1992	$123,514,000
IAP 2050 Target Date Fund	-2.02%	-8.6%	1983-1987	$415,904,000
IAP 2045 Target Date Fund	-2.03%	-8.3%	1978-1982	$876,836,000
IAP 2040 Target Date Fund	-0.40%	-8.0%	1973-1977	$1,277,096,000
IAP 2035 Target Date Fund	-0.21%	-7.3%	1968-1972	$1,579,132,000
IAP 2030 Target Date Fund	-0.80%	-6.5%	1963-1967	$1,533,167,000
IAP 2025 Target Date Fund	-0.69%	-5.4%	1958-1962	$1,446,915,000
IAP 2020 Target Date Fund	+0.20%	-4.5%	1953-1957	$967,138,000
Retirement Allocation Fund	+0.38%	-3.4%	Before 1953	$693,039,000



PROMOTING SUSTAINABLE INVESTING

Oregon Treasury summit convened national leaders to highlight strategies for institutional investors and the public

The effects of climate change are creating both risks and opportunities for investors large and small. Recognizing this, on September 6, 2018, Treasurer Read brought together state and national financial leaders to discuss how investors can drive positive investment performance and environmental progress at the Oregon Sustainable Investing Summit.

"For Oregonians and our investment portfolios' beneficiaries, sustainable investing is the future — and the future can't wait," said Treasurer Read, who announced at the summit that Treasury had already achieved a goal set in 2015 to double renewable energy holdings by 2020.

Keynote presenters were Gina McCarthy, former administrator at the U.S. Environmental Protection Agency and now Operating Advisor at Pegasus Capital Advisors; John Streur, President and Chief Executive Officer of Calvert Research and Management; Rukaiyah Adams, Chair of the Oregon Investment Council and Chief Investment Officer at Meyer Memorial Trust; and John Goldstein, managing director of Goldman Sachs Asset Management.

The increase in Oregon's renewable-related exposure reflects an evolving energy and environmental landscape; specific investments in solar power and other projects were highlighted at the summit. Another summit presentation focused on a national food service business that realized operating efficiencies and a commensurate increase in profitability following the application of environmental and logistical improvements.

The summit outlined how Treasury evaluates climate risks – such as hiring the state's first investment officer devoted to analyzing Environmental, Social and Governance (ESG) risk factors – and also how institutional investors are engaging as responsible shareholders to advance climate-related goals. The summit also gave individual investors a toolbox of ideas – such as local sustainable bonds and clean tech startups —to invest their own money in ways that match their values.

Other presenters and panelists came from leading investment firms and service organizations, including BlackRock, Sustainable Accounting Standards Board (SASB), KKR & Co., Dimensional Fund Advisors, State Street Global Advisors, Service Employees International Union, Pacific Pension & Investment Institute, VertueLab, Sustainable Northwest, Council of Institutional Investors, Brookfield, and Stonepeak Infrastructure Partners.

STEWARDSHIP

Treasury's Corporate Governance and ESG report highlights how we engage to improve the value of companies in which we invest.

Oregon funds engage as a responsible shareholder in pursuit of sustainable performance

As a responsible investor, Oregon Treasury is leading efforts to account for environmental, social, and governance risks — and to press corporations to make decisions that improve long-term value.

The portfolio will benefit from predictable market structures and companies that prioritize shareholders and their long-term investments. Consistent with this fiduciary obligation, Treasury engages via our corporate governance program to improve the economic sustainability, ESG profile, and long-term profitability of companies in which we invest.

Priorities include advancing shareholder rights, improving board diversity, and recognizing and acting on material risks and opportunities connected to the environment and climate change. We are also working to better quantify social risks connected to workforce safety, cybersecurity, and customer treatment.

Corporate Governance is the process and rules under which a company is managed on the behalf of internal and external stakeholders. Good governance balances interests among management, shareholders, directors, employees, customers, suppliers, financiers, government, and the community.

TREASURER FILED SHAREHOLDER RESOLUTION AT OPIOD DISTRIBUTOR

Treasurer Tobias Read called for more responsible executive compensation practices and accountability at pharmaceutical giant McKesson, via a shareholder resolution filed jointly by Oregon and other investors.

Environmental, Social, and Governance (ESG) criteria are measures of key elements of a company's performance. Environmental criteria consider how a company performs as a steward of the natural environment. Social criteria examine how a company manages relationships with its employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive compensation, audits, internal controls, and shareholder rights.

Oregon trust funds must be invested for the sole and exclusive benefit of beneficiaries, and trust fund capital cannot legally be invested or divested exclusively to advance social, political, or economic development goals.

PROXY VOTING

TOTAL SHARES — OPERF

9,500	74	2.2 B
public companies	countries	shares

ANNUAL MEETINGS PARTICIPATED

7,638	8,981	9,453
2016	2017	2018

TOTAL BALLOTS CAST

12,432	15,227	16,963
2016	2017	2018

RESOLUTIONS CONSIDERED—2018

MANAGEMENT

88,014

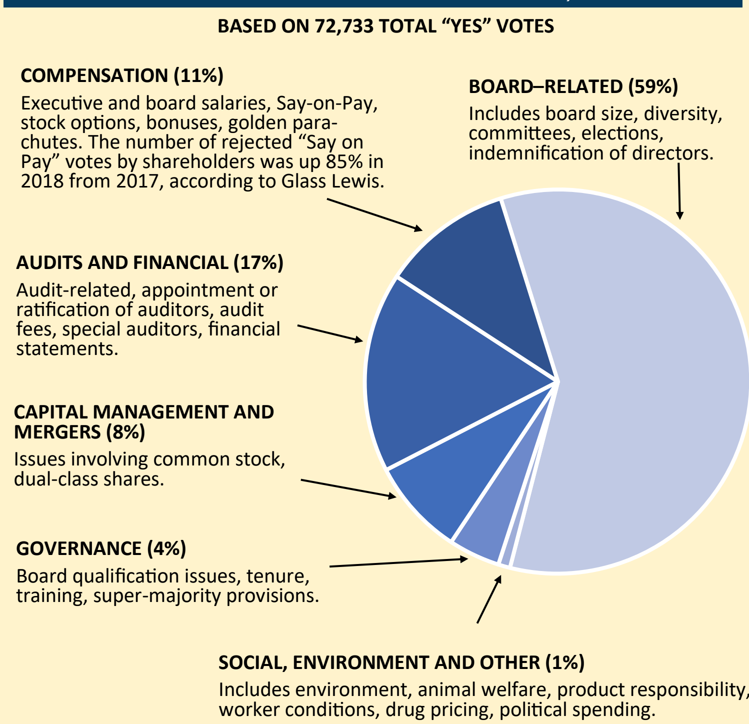
Supported 82.3%

SHAREHOLDER

777

Supported 41.4%

OREGON-SUPPORTED RESOLUTIONS, BY TYPE



INVESTMENTS

PORTFOLIO SIZE — FIVE YEAR TREND

(MARKET VALUE IN MILLIONS)

	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Public Employees Retirement Fund (OPERF)	$75,094	$77,915	$70,460	$68,704	$70,025
Regular account and variable					
Oregon Short Term Fund (OSTF)*	17,357	16,281	14,457	13,479.9	12,439.5
State Accident Insurance Fund (SAIF)	4,560	4,848	4,673	4,483.4	4,589.9
Common School Fund (CSF)	1,572	1,676	1,465	1,424.2	1,433.7
Oregon War Vet Bond Sinking Fund	98	101	102	89.9	99.1
DCBS Fund	284	261	238	220.3	205.2
DAS Funds	142	144	143	147.8	148.3
Other Funds	1,588	1,393	1,130	1,027.6	552.3
TOTAL	$100,696	$102,619	$92,668	$89,577.5	$89,538.2

* The Short Term Fund total listed excludes amounts held in the Fund by other investment funds in the table.

PERFORMANCE — KEY FUNDS

PLUS PERFORMANCE VERSUS POLICY BENCHMARKS

PUBLIC EMPLOYEES RETIREMENT FUND
Total PERS Balance: $75.1 Billion (Dec. 31, 2018)
Globally diversified financial and real asset portfolio. Includes Individual Account Program (IAP) balances.

1-year	3-year	5-year	10-year
+0.5%	**+7.5%**	**+6.3%**	**+9.5%**
+1.2%	+8.4%	+7.0%	+9.4%

STATE ACCIDENT INSURANCE FUND
Balance: $4.6 Billion (Dec. 31, 2018)
Managed on behalf of injured workers and their families

1-year	3-year	5-year	10-year
–2.3%	**+3.9%**	**+3.6%**	**+6.0%**
-1.9%	+3.2%	+3.1%	+5.2%

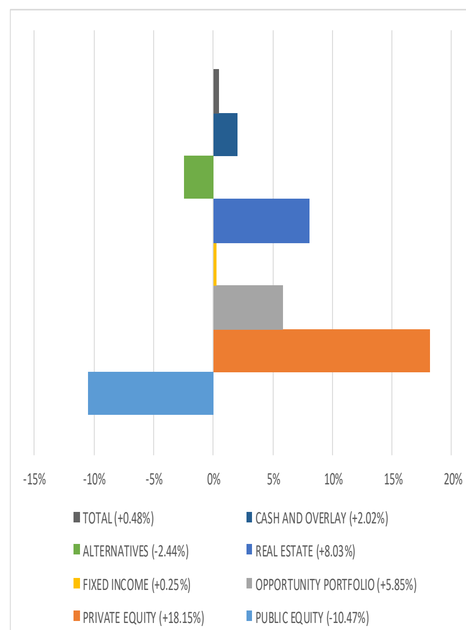
COMMON SCHOOL FUND
Balance: $1.6 Billion (Dec. 31, 2018)
Managed in trust for Oregon schoolchildren, includes Oregon unclaimed property.

1-year	3-year	5-year	10-year
–3.9%	**+6.1%**	**+5.1%**	**+9.7%**
-1.4%	+7.7%	+5.7%	+9.4%

OREGON SHORT TERM FUND
Balance: $20.6 Billion (Dec. 31, 2018)
Includes Local Government Investment Pool

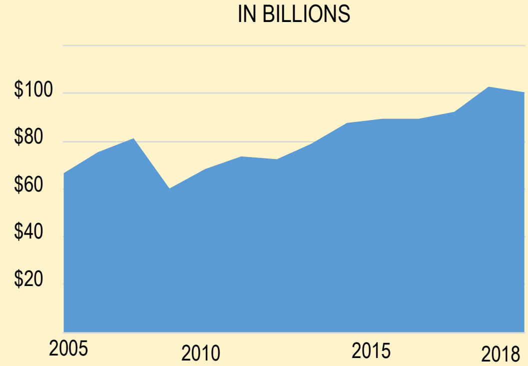
1-year	3-year	5-year	10-year
+2.0%	**+1.5%**	**+1.1%**	**+1.1%**
+1.9%	+1.0%	+0.6%	+0.4%

PERFORMANCE ASSET CLASSES — OPERF



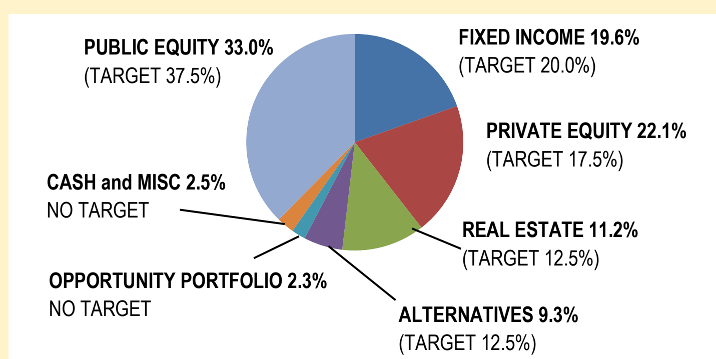
TREASURY ASSETS UNDER MANAGEMENT

IN BILLIONS



OREGON PUBLIC EMPLOYEES RETIREMENT FUND

ASSET ALLOCATION



INVESTED IN OREGON VENTURE CAPITAL

In accordance with ORS 293.731-293.741, the Oregon Investment Council sets investment policy and may contract with external service providers to perform investment management functions. By statute, the OIC and Treasury are fiduciaries required to act for the exclusive benefit of 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 $777.4 million or approximately 5.5 % of the Fund's private equity portfolio which totaled $14 billion as of December 31, 2018.

This represented a roughly 11.4% increase. For the calendar year ended December 31, 2017, Oregon companies comprised $697.7 million or approximately 4.8 % of the Fund's then $14.7 billion private equity portfolio.

PRIVATE PARTNERSHIP COMMITMENTS — 2018

PRIVATE EQUITY
(in millions of Dollars/Euros)

A&M Capital Europe	Buyout	Middle Market	Europe	€ 135
A&M Capital Partners II	Buyout	Middle Market	North America	$ 200
Bridgepoint Europe VI	Buyout	Upp.Middle Mkt	Europe	€ 281
Hellman & Friedman IX	Buyout	Large Buyout	NA/Europe	$ 280
KSL Capital Partners V	Buyout	Middle Mkt - Leis	NA/Europe	$ 200
Pathway Private Equity C-III	Buyout	Diversified	Global	$ 250
TPG Partn. VIII & Healthcare Partners	Buyout	Large Buyout	NA/Europe	$ 500
Vista Equity Partners VII	Buyout	Large Buyout	North America	$ 500
BUYOUT SUB-TOTAL				$2,403
General Atlantic Separate Account	Growth	Generalist	Global	$ 250
GGV Capital VII, VII Plus & Discover II	Venture	Multi-Stage	US/China	$ 100
USV 2019 & Opportunity 2019	Venture	Multi-Stage	US	$ 34
ClearVue Partners III	Growth	Consumer	China	$ 200
GROWTH/VC SUB-TOTAL				$ 584
TOTAL				$2,987

REAL ESTATE
(in millions of dollars)

Prime Property Fund	$250.0
Harrison Street Core property Fund LP	$150.0
Heltman America Real Estate Trust LP	$150.0

ALTERNATIVES PORTFOLIO
(in millions of dollars)

AQR Managed Futures	$ 250
Blackstone Energy III	$ 200
Digital Colony	$ 150
Westbourne	$ 230
EQT Infra IV	$ 290
Global Infrastructure Partners IV	$ 400
TOTAL	$1,520

TOP 10 OPERF INVESTMENTS BY MARKET VALUE

	Investment Fund	Value	Weight	Asset Class
1	Government Portfolio	$5.2 B	7.2%	Fixed Income
2	Dimensional Large Cap Core	$3.4 B	4.7%	Public Equity
3	OST Risk Premia	$2.7 B	3.7%	Public Equity
4	OST S&P 500 Index	$2.3 B	3.2%	Public Equity
5	Western Asset Core	$1.7 B	2.3%	Fixed Income
6	Wellington Core	$1.6 B	2.3%	Fixed Income
7	Alliance Bernstein	$1.6 B	2.3%	Fixed Income
8	Blackrock Core	$1.6 B	2.3%	Fixed Income
9	Arrowstreet 130-30	$1.4 B	1.9%	Public Equity
10	Oak Hill Advisors	$1.3 B	1.9%	Fixed Income

Building a Better Oregon

DEBT MANAGEMENT and OREGON FACILITIES AUTHORITY

From financing affordable housing to education facilities, Treasury is making Oregon a better place to live

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.

Treasury's 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 on the Oregon Treasury website.

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.

Credit rating firms have applauded Oregon's careful attention to debt and budget discipline, and the state's credit ratings remain steady and solid. 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 ensuring Oregon can get the most mileage for today's jobs and tomorrow's opportunities.

STATE DEBT POLICY ADVISORY COMMISSION

Chaired by Treasurer Read, the commission evaluates the level of bonded indebtedness for the state, produces an annual report, and makes recommendations to the Governor and Legislature about prudent debt limit.

MUNICIPAL DEBT ADVISORY COMMISSION

The Oregon Municipal Debt Advisory Commission was established in 1975 to assist local government in the cost-effective issuance, sale, and management of their debt. The Commission is composed of seven members, including Treasurer Read (or his designee), three public body finance officers, one representative for the special districts, and two public members.

DEBT MANAGEMENT METRICS

AA+/Aa1/AA+	AAA/Aa2	$1.1 B	$7.4 B	$1,868
General Obligation credit ratings	Lottery bond credit rating	New state debt issued in 2018	Net state tax-supported debt	Net tax-supported debt per capita

ADVANCING SUSTAINABLE COMMUNITIES

Inaugural sale of Sustainability Bonds exceeded expectations and will finance affordable housing statewide

Oregon Treasury's first sale of innovative Oregon Sustainability Bonds exceeded expectations, with more buyers than the supply of available bonds. As a result, in addition to helping Oregonians invest in their state, Treasury was able to shave interest costs with competitive long-term financing rates.

The first Sustainability Bond sale was a $40 million federally taxable issuance for affordable housing construction and home ownership programs throughout the state.

Based on the successful sale, Treasury will explore future potential sales dedicated to sustainable communities and environmental protection, said Treasurer Read, who originated the new Oregon municipal debt classification. The bonds are tailored for socially responsible investors.

"Sustainability is an Oregon value," said Treasurer Read. "This landmark sale by the State Treasury proves there is robust demand to invest in strengthening our communities and conserving our resources."

The bonds were priced and allocated to buyers, which included Oregon retail buyers and managers of institutional mutual funds, including a number of firms that focus on socially responsible investments and who bid for Oregon bonds for the first time.

Because the bonds were approximately three times oversubscribed, it allowed for slightly lower yields on most bond maturities, which will save about $75,000 in interest costs over the life of the bonds.

The bonds will mature between one and 20 years, with coupons ranging from 2.29 to 3.98 percent.

They earned ratings of AA+/Aa1/AA+ from Standard & Poor's, Moody's Investor Service, and Fitch Investor's Service, respectively.

In addition to being dedicated to sustainable public priorities, such as affordable housing, Oregon Sustainability Bonds have a higher level of transparency: annual reports will be made available on the uses and spend-down of the bond proceeds, until the funds are spent in full.

The $40 million will finance grants for the construction of affordable housing projects via the State's Local Innovation and Fast Track (LIFT) Affordable Housing Program, managed by the Oregon Housing and Community Services Department.

Projects that receive financing assistance from the LIFT program are in historically underserved communities and for households earning at or below 60% of Area Median Income.

TREASURY MANAGED $1.1 B IN STATE DEBT ISSUANCES IN 2018

Given the state's strong credit ratings, State of Oregon bonds continue to be sought after by municipal debt investors. This has allowed Treasury to finance state programs for first-time homebuyers and infrastructure development at very favorable rates.

ELLIOTT STATE FOREST SUSTAINABILITY SALE PLANNED

The Debt Management Division will sell $100 million in Certificates of Participation in early 2019 as part of the strategy by the Oregon Land Board, and approved by the Legislature, to preserve the public benefits of the Elliott State Forest in Southwest Oregon near Reedsport.

OREGON FACILITIES AUTHORITY

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

The Oregon Facilities Authority 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 that help Oregonians.

OFA, created by the Oregon Legislature in 1989, has issued more than $3.7 billion in bonds.

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

- Purchase of facilities or equipment
- major remodeling of facilities
- construction financing
- 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 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

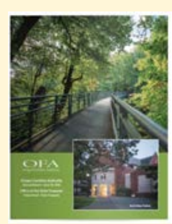
$92 million for cultural institutions (9 projects)

$64 million for social services (19 separate projects).

"For decades, Oregon nonprofits have stretched dollars and better served Oregonians thanks to the Oregon Facilities Authority, which puts low-cost financing in reach for real estate purchases and other capital projects. When charities, schools and health clinics—to name just a few—can achieve their missions better and serve more people, every Oregonian wins."

State Treasurer Tobias Read

ANNUAL REPORT



The OFA annual report includes the full list of nonprofit projects that have qualified for low-cost financing through the program.

SERVICES FOR COMMUNITIES AND LOCAL GOVERNMENTS

The **Municipal Debt Advisory Commission** implements programs aimed at lowering borrowing costs and improving debt management practices for local governments, particularly in the area of capital planning and debt administration.

On behalf of the MDAC, the Debt Management Division maintains the Oregon Bond Education Center. The site is a resource for Oregon local governments issuing and managing debt.

Treasury is not an economic development agency, but through a suite of financial tools, we help facilitate local economic activity and save money for taxpayers, nonprofits, school districts.

The **Private Activity Bond Committee** is responsible for determining which private projects can qualify. Certain types of privately owned facilities — such as airports, marine port facilities, affordable housing, or other economic development projects — provide significant benefits to the communities they serve. When the construction of a private facility would provide important public benefits, the project can often be financed using tax-exempt bonds.

Under federal law, each state can approve a limited amount of tax-exempt debt that can be used for private projects. To qualify for this lower cost financing, the financed projects need to benefit the public.

Under the **School Bond Guaranty Act**, approved by voters in 1998, public school districts and community colleges can lower their borrowing costs by having their bonds based on the state's credit rating, saving taxpayers millions.

In those cases, the districts are responsible for retiring the debt, but the bonds are guaranteed by the full faith and credit of the state. Statewide, a total of 20 bond issuances in calendar year 2018 were backed by the state.

SCHOOL BOND GUARANTY PROGRAM — 2018

Issuer		Issued Amt.		Principal + Interest	Closing Date	Maturity Date
Washington Cty SD 88J (Sherwood)	$	94,784,965	$	228,910,000	2/13/2018	6/15/2048
Washington Cty SD 88J (Sherwood)	$	24,315,000	$	33,427,750	2/13/2018	6/15/2029
Marion County SD 15 (North Marion)	$	15,378,009	$	44,930,000	2/22/2018	6/15/2048
Marion County SD 15 (North Marion)	$	26,820,000	$	41,578,350	2/22/2018	6/15/2036
Lane County SD 71 (Lowell)	$	4,000,000	$	6,462,600	2/27/2018	6/15/2038
Lane County SD 76 (Oakridge)	$	6,200,000	$	9,858,400	3/7/2018	6/15/2041
Jackson Cty SD 4 (Phoenix-Talent)	$	48,101,046	$	103,370,000	3/20/2018	6/15/2048
Jackson Cty SD 4 (Phoenix-Talent)	$	19,895,000	$	29,746,800	3/20/2018	6/15/2032
Coos County SD 9 (Coos Bay)	$	40,000,000	$	70,884,700	4/18/2018	6/15/2043
Marion County SD 24J (Salem Keizer)	$	383,230,000	$	629,696,450	7/25/2018	6/15/2039
Benton Cty SD 509J (Corvallis)	$	42,969,046	$	65,665,500	8/2/2018	6/15/2038
Benton Cty SD 509J (Corvallis)	$	117,030,000	$	200,495,750	8/2/2018	6/15/2038
Tillamook Cty SD 101 (Nestucca)	$	2,927,776	$	6,730,000	8/15/2018	6/15/2039
Tillamook Cty SD 101 (Nestucca)	$	22,770,000	$	38,159,900	8/15/2018	6/15/2037
Linn Cty SD 7J (Harrisburg)	$	2,106,567	$	2,305,000	8/21/2018	6/15/2024
Linn Cty SD 7J (Harrisburg)	$	6,835,000	$	9,680,400	8/21/2018	6/15/2033
Clackamas Cty SD 12 (N Clackamas)	$	110,357,000	$	195,096,905	12/18/2018	6/15/2042
Clackamas Cty SD 62 (Oregon City)	$	22,470,950	$	51,765,000	12/20/2018	6/15/2042
Clackamas Cty SD 62 (Oregon City)	$	128,115,000	$	276,783,906	12/20/2018	6/15/2049
Clackamas Cty SD 62 (Oregon City)	$	7,410,000	$	8,660,367	12/20/2018	6/15/2026
	$	**1,125,715,359**	**$**	**2,054,207,778**		

STATE DEBT

The State Debt Policy Advisory Commission tracks Oregon's financial health and protects Oregon's credit rating by informing state officials about amount of debt that Oregon can prudently incur.

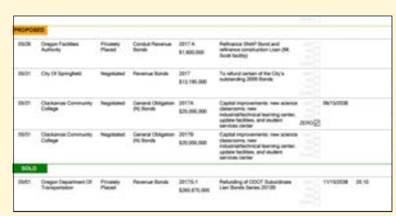
Oregon's combined long-term general obligation, appropriation and revenue bond debt outstanding was $10.9 billion as of June 30, 2018. Learn more in the SDPAC annual report.

LOCAL DEBT

As of Dec. 31, 2018, there was roughly $26.8 billion in outstanding local debt borrowed by local government entities. A total of $3.02 billion in local debt was issued in 2018.

The six categories responsible for the most overall outstanding debt were: school districts at $10.1 B, cities at $6.1 B, ports at $1.9 B, hospital facilities at $1.7 B, community colleges at $1.4 B, and counties at $1.2 B. Learn more in the MDAC annual report.

BOND CALENDAR



The Municipal Debt Advisory Commission maintains a statewide bond calendar to enable agencies and local governments to minimize conflicts that may affect marketability. By request, the commission also provides overlapping debt reports.

STATE DEBT ISSUANCES IN 2018

Issuer	Bond Type	Issued Amt.	Issue Date	Description
Housing & Community Services	Conduit Revenue Bonds	15,439,000	2/28/2018	The Commons Apartments Project
Business Development Comm	Conduit Revenue Bonds	90,455,000	4/5/2018	Clean energy project
Business Development Comm	Conduit Revenue Bonds	5,165,000	4/5/2018	Clean energy project
Business Development Comm	Conduit Revenue Bonds	40,000,000	4/5/2018	Clean energy Project
Business Development Dept	Revenue Bonds	31,275,000	4/10/2018	Small Scale Energy Loan program
Housing & Community Services	Conduit Revenue Bonds	850,000	4/19/2018	Fisterra Gardens Townhomes (Yachats)
Housing & Community Services	Conduit Revenue Bonds	2,175,000	4/19/2018	Fisterra Gardens Townhomes (Yachats)
Department Of Admin Services	General Obligation (N) Bonds	70,100,000	5/22/2018	State Real Property - Article XI-Q (Tax-Exempt): 8 projects
Department Of Admin Services	General Obligation (N) Bonds	40,200,000	5/22/2018	State Real Property - Article XI-Q (Federally Taxable): Sustainability Bonds housing projects
Department Of Admin Services	General Obligation (N) Bonds	21,455,000	5/22/2018	Seismic Rehab Grants - Schools
Department Of Admin Services	General Obligation (N) Bonds	8,580,000	5/22/2018	Seismic Rehab - Emergency Services
Housing & Community Services	Revenue Bonds	62,590,000	6/5/2018	Mortgage Revenue Bonds
Housing & Community Services	Revenue Bonds	30,000,000	6/5/2018	Mortgage Revenue Bonds
Oregon Facilities Authority	Conduit Revenue Bonds	11,735,000	7/31/2018	Arco Iris new school facilities
Oregon Facilities Authority	Conduit Revenue Bonds	365,000	7/31/2018	Arco Iris new school facilities
Oregon Facilities Authority	Conduit Revenue Bonds	2,150,000	8/31/2018	Expand and remodel Greenhill animal shelter facilities and add veterinary clinic.
Oregon Facilities Authority	Conduit Revenue Bonds	5,083,359	8/31/2018	Refinance a loan at Warner Pacific University and finance new student housing
Oregon Facilities Authority	Conduit Revenue Bonds	4,400,000	8/31/2018	NW Housing Alternatives shelter project and office headquarters building
Housing & Community Services	Revenue Bonds	87,420,000	9/25/2018	Mortgage Revenue Bonds
Housing & Community Services	Conduit Revenue Bonds	15,571,000	9/28/2018	Cascadian Apartments
Housing & Community Services	Conduit Revenue Bonds	3,022,000	9/28/2018	Cascadian Apartments
Housing & Community Services	Conduit Revenue Bonds	27,943,000	10/1/2018	The Fields Apartments
Housing & Community Services	Conduit Revenue Bonds	10,358,000	10/1/2018	Willow Creek Crossing Apartments
Housing & Community Services	Conduit Revenue Bonds	3,755,000	10/24/2018	Fields Apartments Project
Housing & Community Services	Conduit Revenue Bonds	10,392,000	10/24/2018	Willow Creek Crossing Apartments
Oregon Facilities Authority	Conduit Revenue Bonds	4,105,473	10/31/2018	La Clinica Del Valle Family Health Care Center
Oregon Facilities Authority	Conduit Revenue Bonds	45,975,000	10/31/2018	Refunding of Series 2008A
Oregon Facilities Authority	Conduit Revenue Bonds	100,000,000	10/31/2018	Refunding 2008A and 2008B Bonds
Housing & Community Services	Conduit Revenue Bonds	9,060,000	10/31/2018	Holman 42 Apartments Project
Oregon Facilities Authority	Conduit Revenue Bonds	17,840,000	11/8/2018	Farmington Square Medford
Oregon Facilities Authority	Conduit Revenue Bonds	2,520,000	11/8/2018	Farmington Square Medford
Oregon Facilities Authority	Conduit Revenue Bonds	4,965,000	11/8/2018	Farmington Square Medford
Housing & Community Services	Conduit Revenue Bonds	2,964,236	11/21/2018	Magnolia Phase 2 Apartments
Housing & Community Services	Conduit Revenue Bonds	4,635,764	11/21/2018	Magnolia Phase 2 Apartments
Department of Veterans' Affairs	General Obligation (S) Bonds	4,435,000	11/28/2018	Veterans' Home Loan / Welfare Bonds
Department of Veterans' Affairs	General Obligation (S) Bonds	39,195,000	11/28/2018	Veterans' Home Loan / Welfare Bonds
Housing & Community Services	Conduit Revenue Bonds	5,300,000	11/29/2018	Two Rivers - St. Helens and Winston
Oregon Facilities Authority	Conduit Revenue Bonds	75,000,000	12/3/2018	Refunding of 2011A Bonds
Housing & Community Services	Revenue Bonds	82,885,000	12/19/2018	New Money Fixed Rate Bonds
Housing & Community Services	Revenue Bonds	41,000,000	12/19/2018	New Money Variable Rate Bonds
Housing & Community Services	Conduit Revenue Bonds	17,200,000	12/21/2018	Ya Po Ah Terrace
Housing & Community Services	Conduit Revenue Bonds	23,300,000	12/28/2018	The Henry Building Apartments
TOTAL		**1,080,858,832**		

Managing Public Funds

CASH MANAGEMENT, RESILIENCY, AND SAFEGUARDS

Treasury is helping governments succeed and save money while protecting taxpayer dollars

The Treasurer is the sole banking and cash management officer for the State of Oregon. To that end, Treasury's Finance Division provides a variety of cash management services to all state agencies, some 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 core banking system and internally developed statement reporting tool
- facilitates cash management transactions via secure technology infrastructure and 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 and Oregon public funds laws
- works closely with the Oregon Department of Administrative Services on issues 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 also administers the Public Funds Collateralization Program to protect public funds deposited in private-sector financial institutions. Collateral is used to protect 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.

CASH MANAGEMENT, LGIP AND COLLATERALIZATION METRICS

$265 B	**$9.5 B**	**1,007**	**2.75%**	**$2.3 B**	**$1.6 B**
Total value of banking transactions	LGIP deposits in Oregon Short Term Fund	Local governments in LGIP	Rate paid as of Dec. 31 for LGIP deposits	Public entity deposits protected by pools	Collateral posted by qualified depositories

PROTECTING PUBLIC FUNDS

Treasury is leading a conversation to help keep public funds protected amid an increase in government vendors

House Bill 2779 (2017) directed Treasurer Read to convene a work group to review provisions of state law relating to depositories of public funds (ORS chapter 295). Specifically, the work group was charged with considering changes to improve processes for transfer and deposit of public funds or to better protect public funds against loss. The catalyst for the charge was an increasing number of challenges related to public funds requirements as state governments pursued partnerships with third party vendors to deliver modern and efficient services.

The work group met four times in 2018 and included representatives from Treasury, state agencies, local governments, and depositories.

Oregon's public funds law was first enacted in the 1930s following the failure of financial institutions during the Great Depression. The law was structured to protect public funds against loss due to financial institution failure or insolvency. Public funds are defined as funds that a public official has custody of or controls by virtue of office, and the law applies broadly across all governmental entities.

Much has changed since the law was first enacted. Public bodies across Oregon, driven by constrained resources and the efficiencies of modern technology, are increasingly pursuing partnerships with third party vendors to provide services. When those partnerships include payment-related components, a public body—under existing law—must ensure that the third party vendor segregates the public body's funds from all other funds; holds the public body's funds in a segregated account; and deposits the public body's funds with a qualified depository.

Some third party vendors can comply with public funds requirements or alter their established business processes to comply with public funds requirements, but that's not always the case. Third party vendors often serve clients nationally or internationally—across both public and private sectors—and may be unable or unwilling to establish unique processes, alter existing systems and technology, or alter their own established relationships with financial institutions in order to meet Oregon's public funds requirements.

The work group identified two main challenges that public bodies encounter when evaluating partnerships with third party vendors. First, that the proposed or current vendor does not bank with a qualified depository. Second, that the proposed or current vendor banks with a qualified depository, but the funds are not segregated or held in a segregated account on behalf of the public body (meaning funds are, effectively, not collateralized).

Based on those challenges, the work group cited four complementary solutions for Treasury to put forth for consideration during the 2019 legislative session. Under existing law, public funds are protected either by federal deposit insurance or by the collateral that qualified depositories pledge under the Public Funds Collateralization Program. In either case, the protection of public funds is provided via the financial institution where such funds are deposited.

Under the proposed solutions, which will operate as exceptions to existing requirements, public funds would be secured by collateral posted instead by third party vendors. Treasury will administer the solutions on behalf of all state agencies, while other public bodies will be empowered to administer solutions that address their unique needs. In both cases, the recommended solutions are designed to protect public funds while also supporting modern and efficient business practices.

COLLATERAL POOLS

Treasury monitors financial institutions serving Oregon public entities in order to protect public funds

Across the state, public entities collect money to fund government services. When these public funds are deposited at local banks and credit unions, they are protected through federal deposit insurance and a program at Treasury known as the Public Funds Collateralization Program.

Under the program, banks and credit unions that hold public funds in excess of federal deposit insurance limits must pledge collateral. This collateral is pooled among all participating banks and credit unions, respectively, to spread risk and increase protection. If a participating bank or credit union were to fail or suffer a loss of funds, Treasury would use this collateral to repay impacted public entities.

Treasury works with the Oregon Department of Consumer and Business Services to monitor the financial health of participating banks and credit unions and to set the required amount of collateral. Treasury works with other institutions to monitor the value and quality of collateral.

Public officials responsible for public funds must report to Treasury where funds are deposited and ensure that any funds in excess of federal deposit insurance limits are deposited only at participating banks and credit unions. If public officials fail to follow the program's requirements and funds are lost, they can be held personally liable for repayment.

While Treasury has never had to access collateral due to the failure of a participating bank or credit union, program staff work constantly to protect the public's money.

TREASURY PROCESSED MORE THAN $265 BILLION IN TRANSACTIONS IN 2018

The Finance Division managed nearly 15.5 million financial transactions in 2018—including cash deposits, electronic fund transfers, and check issuances.

DEPOSITS AND COLLATERAL PLEDGED (AS OF DEC. 31, 2018)

Depository	Uninsured Public Funds Deposits
Baker Boyer Bank	1,154,263.00
Bank of America	79,961,147.39
Bank of Eastern Oregon	25,192,607.00
Bank of the Pacific	350,337.48
Bank of the West	25,415,052.00
Banner Bank	56,113,485.48
Beneficial State Bank	17,024,960.00
Citizens Bank	8,165,211.74
Clackamas County Bank	1,891,133.00
Clatsop Community Bank	5,557,727.30
Columbia State Bank	64,630,701.06
Community Bank	12,296,903.00
First Federal Savings and Loan	1,236,078.00
First Interstate Bank	80,973,524.95
Heritage Bank	3,085,337.45
HomeStreet Bank	0.00
JPMorgan Chase Bank, N.A.	1,750,000.00
KeyBank National Association	44,864,515.00
Lewis & Clark Bank	15,741,744.00
MUFG Union Bank, N.A.	5,478,871.00
Northwest Bank	0.00
Oregon Coast Bank	17,613,465.00
Oregon Pacific Bank	8,308,622.76
Peoples Bank of Commerce	10,794,837.39
Riverview Community Bank	0.00
Summit Bank	0.00
U. S. Bank National Association	694,440,036.10
Umpqua Bank	662,337,884.00
Washington Federal	175,382,274.22
Washington Trust Bank	0.00
Wells Fargo Bank	227,513,426.59
Willamette Community Bank	12,781,397.04
ZB, N.A.	854.64

Aggregate Oregon Uninsured Public Funds Deposits
$2,260,056,396.59
Aggregate Oregon Public Funds Collateral Pledged
$1,557,436,041.63

Depository	Uninsured Public Funds Deposits
Advantis Credit Union	0.00
Marion and Polk Schools Credit Union	0.00
Northwest Community Credit Union	6,051,466.00
Old West Federal Credit Union	0.00
OnPoint Community Credit Union	189,238.00
Oregon Community Credit Union	4,023,650.00
Oregon State Credit Union	16,812,986.00
Pacific Crest Federal Credit Union	1,229,868.49
Rogue Credit Union	19,666.41
St Helens Community Federal Credit Union	175,526.00
Unitus Community Credit Union	9,108,011.18
Wauna Federal Credit Union	241,515.84

Aggregate Oregon Uninsured Public Funds Deposits
$37,851,927.92
Aggregate Oregon Public Funds Collateral Pledged
$57,653,664.65

Treasurer Read was among the presenters to Oregon local government finance officers at the first-ever LGIP Investor Meeting in 2018.

OUTREACH TO CUSTOMERS

To improve connections with Oregon local governments, Treasury hosted first-ever LGIP investor meeting

Oregon local governments are able to invest their short-term funds with the State Treasury via the Local Government Investment Pool. The assets of the LGIP are part of the larger Oregon Short Term Fund, which is invested in a suite of fixed income securities. State agencies also invest in the Short Term Fund.

The fund was posting a 2.75% rate at the end of 2018.

More than one thousand Oregon local governments utilize the Local Government Investment Pool. By statute, the fund is available to cities, counties, school districts, sovereign tribes, and special service districts such as those that manage cemeteries and parks.

The fund has beaten its policy benchmark, 91-day U.S. Treasury Bills, every year for the past decade.

As part of its mission to serve the public's financial needs, Treasury hosted the first-ever Local Government Investment Pool investor meeting on August 30, 2018, for more than 50 government financial officers, who came from across the state. Based on the interest in the event, which filled to capacity, Treasury plans to offer sessions in the future.

The daylong session included remarks from Treasurer Tobias Read, updates from investment staff including Chief Investment Officer John Skjervem, an overview of the economy by State Economist Mark McMullen, and a capital markets review by Western Asset Portfolio Manager John Bellows.

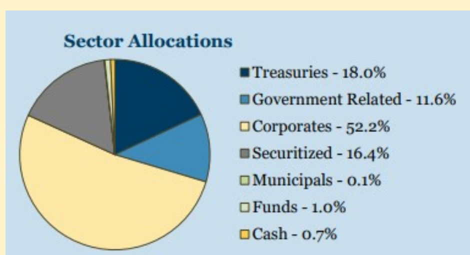
Treasurer Read underscored the importance of Treasury's support for local governments. "Oregonians rely on local governments to be efficient while providing essential public services. One of our jobs is to help local leaders stretch taxpayer dollars by providing superior investment performance for short term deposits, between when revenue is collected and when it is needed to pay bills."

$20.6 B

Oregon Short Term Fund, as of 12/31/18

2.75 %

Rate paid on deposits, as of 12/31/18



OREGON SHORT TERM FUND

Oregon investment division staff invest Oregon Short Term Fund capital consistent with the fund's investment objectives by creating a diversified portfolio comprised of a broad range of fixed income investments.

The objectives are, in priority order: preservation of principal, maintenance of a sufficient level of liquidity to meet all state, agency, and local government operating requirements, and attainment of a yield greater than money market and short-term alternatives through the investment in high quality U.S. dollar-denominated fixed income securities.

RESILIENCY

Treasurer Read is increasing attention to operational resiliency to better protect the public's financial business

Treasury is preparing for both the expected and the unexpected.

The long-term vitality of the state relies on secure and safe financial operations. To that end, in 2018 we increased our attention on business continuity, operational resiliency, and planning to ensure uninterrupted continuation of business in the event of a natural disaster or other major disruption.

We back up data to a network of scattered storage sites.

We're also archiving institutional memory as managers and other veteran staff retire and developing plans that support quick resumption of business after a disaster.

As part of our goal to ensure Treasury is able to continue to serve Oregonians well, Treasurer Read hosted an all-staff meeting in 2018 focused on disaster readiness, followed up with monthly tips for staff to improve readiness at work and at home.

AUDITS, CYBERSECURITY and SHARED SERVICES

Critical internal safeguards, accounting, and information technology services help to protect public financial functions

As the financial hub for Oregon government and the conduit to critical financial services for local government and members of the public, Treasury prioritizes a system of safeguards and tools to ensure business runs smoothly and accountably.

Those include a highly secure and functioning technology program to protect Oregon assets, transactions and investment trade secrets, an internal auditing function and a shared services division that provides accounting, project management, and other critical functions to ensure the efficiency and protection of Treasury operations.

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.

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.

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.

FOR MORE INFORMATION

Find us online at **oregon.gov/treasury**.

The Oregon Savings Plan can be found at **oregonsaves.com**. The Oregon Able Savings Plan is at **oregonablesavings.com**. And the Oregon College Savings Plan is at **oregoncollegesavings.com**.

You can also find the Oregon Treasury and Treasurer Read on Facebook and Twitter.

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