



Invested for you

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Results at a glance



Total Assets

\$77.3 billion

Total PERS members

356,430

Benefits that are paid with investment returns

73.7 ¢
of every dollar

Total benefits paid in 2016

\$3.66 billion

Sources: State Street; Oregon Public Employees Retirement System (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



Speakers at the Sept. 6 Sustainable Investing Summit, held in Portland, included Gina McCarthy, former administrator of the U.S. Environmental Protection Agency (far left); State Treasurer Tobias Read (center left); and Oregon Investment Council Chair Rukaiyah Adams (far right).

INVESTOR AND PUBLIC OUTREACH

Oregon Sustainable Investing Summit considered long-term risks and opportunities for pension fund

For Oregonians and our investment portfolios' beneficiaries, sustainable investing is the future — and the future can't wait.

That was a key message on Sept. 6 at the Oregon Sustainable Investing Summit, which brought together state and national financial leaders to discuss how investors can pursue positive long-term investment performance by accounting for and addressing how a rapidly changing climate impacts our economy.

The sustainability event outlined how Treasury is evaluating and managing climate risks and also how institutional investors are engaging as responsible shareholders to advance climate-related goals.

We also highlighted climate-connected opportunities in our portfolio, such as holdings in renewable energy projects.

Sustainable investing requires information. Investors need to have the best data about how companies are responding and planning for climate change, as well as other Environmental, Social and Governance (ESG) factors. At Treasury, we recently hired our first-ever investment officer focused



TOBIAS READ
State Treasurer

on ESG risks.

The Oregon State Treasury's investment division manages a trust fund portfolio that includes the Oregon Public Employees Retirement Fund (OPERF) as well as the State Accident Insurance Fund and other funds.

Positive, long-term performance for every Treasury-managed fund is important to every Oregonian.

The expanding focus on ESG risk factors will ultimately give investors a better understanding of key vital signs that suggest how well corporations are preparing and positioning for the future, and which of them is more likely to be successful, as a result. You can't make these decisions in a vacuum, and as a fiduciary, you can't make them without facts.

Also at the summit, I announced that Treasury had doubled investments in the renewable and climate-connected sectors from 2015 to 2018, two years ahead of our original 2020 goal!

We are responsible investors entrusted to manage your portfolio, for the long term. I am pleased that Oregonians are more engaged than ever not just about climate change, but also about how to invest for positive results.

PERFORMANCE SYNOPSIS — MID-YEAR 2018 RESULTS

OREGON PUBLIC EMPLOYEES RETIREMENT FUND, 2003-18



HOW IS THE OPERF REGULAR ACCOUNT DIVERSIFIED?

PUBLIC EQUITY (36.8% or \$28.2 billion)

Shares of public companies in the United States and abroad.

FIXED INCOME (22.6% or \$17.4 billion)

Income-generating investments such as corporate and government bonds.

OPPORTUNITY PORTFOLIO (2.3% or \$1.8 billion)

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

PRIVATE EQUITY (20.0% or \$15.4 billion)

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

CASH RESERVES (0.1% or \$23 million)

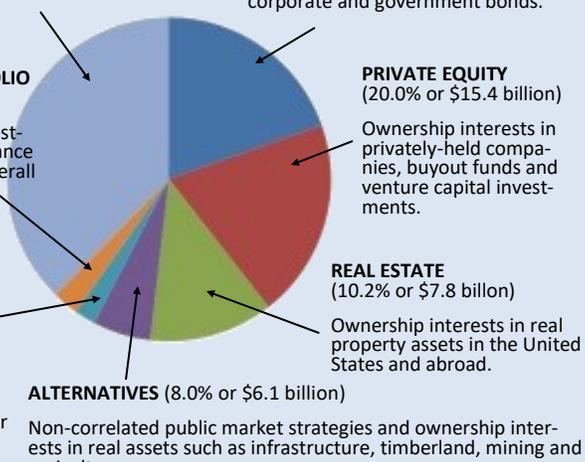
Cash from employer contributions and investment distributions, dividends and income held in the Oregon Short Term Fund to pay benefits or re-invest.

REAL ESTATE (10.2% or \$7.8 billion)

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

ALTERNATIVES (8.0% or \$6.1 billion)

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



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 are 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: \$76.7 Billion (June 30, 2018)

Globally diversified financial and real asset portfolio.

Includes Individual Account Program (IAP) balances.

1-year	3-year	5-year	10-year
+9.4%	+7.5%	+8.6%	+6.8%

VARIABLE ACCOUNT

Balance: \$552.4 Million (June 30, 2018)

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

1-year	3-year	5-year	10-year
+11.5%	+8.8%	+10.0%	+6.5%

Q&A — How can I save more for retirement?

Q: What guides your investment decision making?

A: The Oregon Public Employees Retirement Fund is a major institutional fund. In fact, it was the 21st largest retirement fund in the United States in 2017, according to an industry publication.

To ensure OPERF assets are invested strategically for positive and sustainable returns, and to protect the fund from excessive market volatility, the Oregon Investment Council (OIC) established "investment and management beliefs" as a philosophical framework that guides investment staff's daily management activities. In addition, the OIC sets target allocations for the fund's primary asset class exposure to ensure robust diversification and resiliency.

Investment staff use these belief state-

ments and asset allocation targets in both portfolio construction and manager selection efforts.

Q: What is an investment belief?

A: The OIC's belief statements provide a philosophical framework for how OPERF assets are invested. For instance, regarding the Council's approach to strategy and manager selection activities in public equity markets, "Passive investment management in public markets will outperform the median active manager in those markets over time." You can see the full set of approved belief statements [here](#).

Q: Is the pension fund "public money?"

A: No. This is a common misunderstanding. OPERF is a trust fund and by law must be invested for the sole and exclusive benefit

of its constituent owners, PERS members and their beneficiaries.

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: I know I need more money for my retirement. What other options are there?

A: Your pension benefit is intended to provide one part of your retirement income, in addition to Social Security and your savings. If you want to save more, you can explore options such as IRAs or work-based "defined contribution" programs.

For State of Oregon workers, the Oregon Savings Growth Plan, administered by the Public Employees Retirement System, is an option. Learn more [here](#).

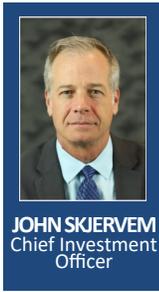
Peer reviews give Investment Division high marks for strong returns, cost efficiency, and exceptional organizational health

Everybody wants to bring home good grades. At the Investment Division, I'm proud we recently received high marks from several independent evaluators.

To measure our performance, we consider several metrics. What are our returns? How do we compare to our peers? And critically, are we maintaining a positive work environment, which will allow us to attract and retain a top-quality, high-caliber investment team.

Our ultimate goal, of course, is to secure the best possible returns for the assets we manage, including yours. As fiduciaries, we are laser-focused on building and managing a well-diversified portfolio that delivers positive and sustainable long-term results.

That type of long-term investment success



JOHN SKJERVEM
Chief Investment Officer

leads to better financial health for the state, and improved outcomes for PERS members' Individual Account Program balances.

CEM Benchmarking. This annual review compared Oregon to what we consider our peer funds, which include other large, sophisticated institutional investors managing at least \$25 billion. This year's CEM report showed that Oregon's 9.5% average annual return for the past five years exceeded the peer fund composite.

The benchmark analysis also showed that the various fees and costs incurred by

OPERF are substantially less than our peer funds after adjusting for portfolio size, complexity and investment style.

The bottom line: Good investment results, achieved cost-effectively.

McKinsey. The Investment Division scored high compared to other institutional investors on an "Organizational Health Index." In fact, McKinsey rated the division's health "exceptional" with results that placed the division within the top 25% of all survey respondents.

Top marks were achieved in survey areas such as capabilities, leadership and a positive work environment. These results are particularly gratifying in the context of the division's equally strong, long-term investment performance.

INDIVIDUAL ACCOUNT PROGRAM

Quarterly data available for new IAP Target Date funds

In January, all PERS members' IAP accounts were shifted into one of several Target Date Funds, which better align members' age and risk exposure. Following this shift, younger workers have more exposure to growth-oriented investments (e.g., stocks), while workers near retirement age will incur less volatility in their IAP account balances.

The IAP is an account balance-based, defined contribution-style program for active Oregon PERS members. This benefit is different from and in addition to your PERS pension benefit (Tier 1, Tier 2 or Oregon Public Service Retirement Plan).

In the spring of 2019, your IAP account performance from the 2018 calendar year will be credited. Interim quarterly figures are made available for informational purposes only.

For information about your personal balance, log-in to the IAP portal at IAP.Voya.com, or call PERS Member Services at 888-320-7377.

WHERE CAN I LEARN MORE ABOUT IAP FUNDS?

Quarterly data sheets and information: www.Oregon.gov/IAP.

TARGET DATE FUND PERFORMANCE— JAN-JUNE 2018

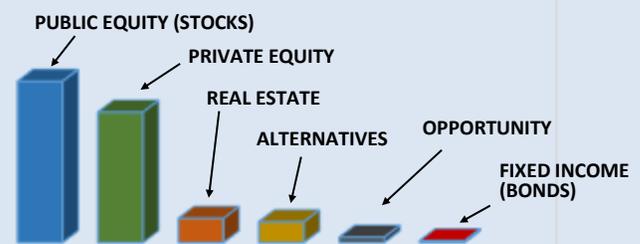
IAP 2060 Target Date Fund	+1.55%	Born 1993 or after
IAP 2055 Target Date Fund	+1.46%	Between 1988 and 1992
IAP 2050 Target Date Fund	+1.41%	Between 1983 and 1987
IAP 2045 Target Date Fund	+1.40%	Between 1978 and 1982
IAP 2040 Target Date Fund	+1.55%	Between 1973 and 1977
IAP 2035 Target Date Fund	+1.58%	Between 1968 and 1972
IAP 2030 Target Date Fund	+1.37%	Between 1963 and 1967
IAP 2025 Target Date Fund	+1.03%	Between 1958 and 1962
IAP 2020 Target Date Fund	+0.68%	Between 1953 and 1957
Retirement Allocation Fund	+0.50%	Born in 1952 or before

THREE THINGS TO KNOW ABOUT TRACKING INVESTMENT RISK

Watching markets: Treasury analyzes investing risks, volatility

1 Risk is part of investing. Investors are compensated based on the level of risk they are willing to take. That's why safe government bonds yield less over time than investments in startups or other commercial business ventures.

2 Treasury manages a balanced portfolio that is exposed to an array of risk factors. The Portfolio Risk and Research team tracks and quantifies these exposures in order to facilitate better long-term decisions. Examples of investment risk include: inflation; market volatility; foreign currency exchange rates; and Environmental, Social and Governance (ESG) factors.



3 As of June 30, 2018, the risk signature of the Oregon Public Employees Retirement Fund showed the highest levels of portfolio risk exposure were attributable to equity ownership stakes in both public and private companies. Not surprisingly, these equity investments have historically produced the highest returns.

New director of Public Employees Retirement System agency joins Oregon Investment Council as a nonvoting member

Kevin Olineck, who was recently hired as the new director of the Public Employees Retirement System agency, has joined the Oregon Investment Council (OIC).

The Council sets policy and oversees Treasury-managed investments. The largest piece of the OST-managed portfolio is the Oregon Public Employees Retirement Fund (OPERF).

Four of OIC's six members are appointed by the governor. The other two are the State Treasurer and the PERS agency director. The PERS director is the Council's only non-voting member, and serves primarily to inform and advise other Council members about matters directly connected to OPERF's liabilities and administration of the Public Employees Retirement System.



Similarly, the PERS director serves as a liaison between the OIC and the appointed board of PERS, a separate legislative and fiduciary body.

Prior to joining PERS in July, Mr. Olineck was a senior executive with British Columbia Pension Corporation as well as Alberta Pension Services, two of the largest public sector pension administrators in Canada.

He has a degree in Public Administration from the University of Saskatchewan, his Certified Employees Benefits Specialist (CEBS) designation as well as his Institute of Corporate Governance, Directors (ICD.D) designation.

CORPORATE GOVERNANCE

Advancing diversity: As a responsible shareholder, Treasury seeks more viewpoints on corporate boards

Fostering sustainable returns sometimes means looking beyond the balance sheet and income statement to consider other business risks and opportunities.

One of those key opportunities is diversity — and conversely, a lack of diversity increasingly imposes risk.

Oregon is taking a national leadership role in advancing diversity both across the investment industry in general, and among the boards of companies in which it invests in particular.

We are a long-term investor and a responsible shareholder, and we advocate for an array of viewpoints on boards to promote prudent and sustainable corporate governance practices. This advocacy mani-



JENNIFER PEET
Corporate Governance Director

festes via direct engagements with executives and also through proxy votes at annual company meetings.

In addition, the Oregon pension fund is invested with several highly successful minority and woman-owned managers, and we support efforts to further advance industry

diversity through organizations such as the Institutional Limited Partner Association.

Research suggests companies benefit from diverse viewpoints. A 2014 study

from Credit Suisse said companies with at least one woman in a director role outperformed peers by as much as 5 percent.



Progress is happening: 99 percent of S&P 500 companies and 88 percent of Russell 3000 companies have at

least one woman director, up from 89 percent and 60 percent in 2010, according to the 30 Percent Coalition, an advocacy organization.

Oregon supports diversity and inclusion efforts in principle and in practice: As part of the corporate governance program, Oregon Treasury has served on the 30 Percent Coalition's board of directors.

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 would like to be notified by email when Invested for You is available.

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