June 2020

OREGON STATE TREASURY

Inside the Vault

State Agency Edition

Treasury as Your Banker

According to state law, the State Treasurer is the sole banking and cash management officer of the state. As part of that role, Treasury provides a variety of banking services—including deposits, electronic funds transfers, merchant card acceptance, prepaid card issuance, check and warrant issuance, and more—to state agencies and certain public universities.

While Treasury partners with various financial institutions to provide many of those services, Treasury internally manages a commercial banking system to maintain all agency accounts. In fact, with very few exceptions, state law does not authorize agencies to open or maintain their own bank accounts. Instead, an agency's accounts are maintained at Treasury.

Treasury currently partners with 12 financial institutions across the state to accept deposits from agencies. When an agency deposits funds at one of those institutions, the funds are actually deposited in an account owned by Treasury. The financial institution reports the transaction to Treasury which then credits the agency's account. Similarly, when an agency issues a payment, the funds are drawn

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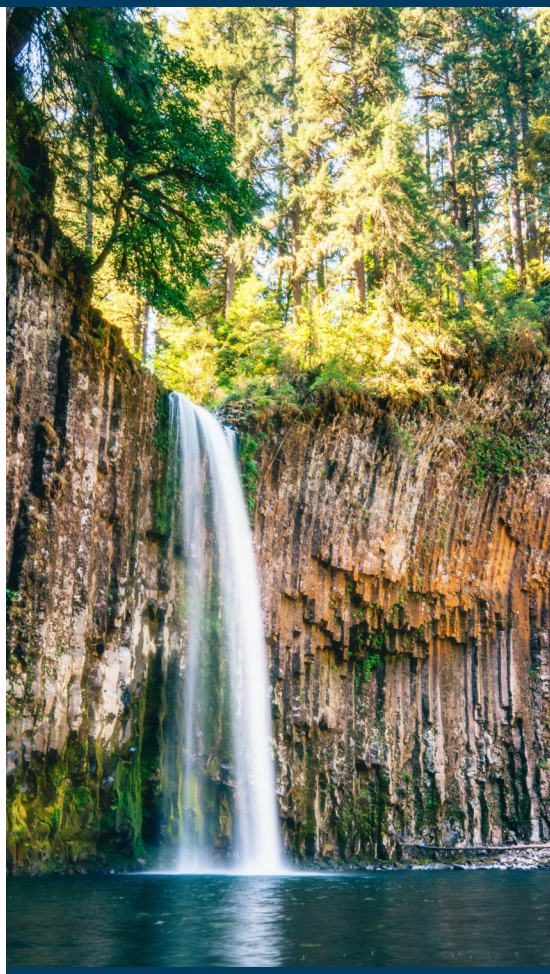

Upcoming Holiday

Treasury—along with other state agencies—will observe Independence Day on Friday, July 3, as a holiday. The Federal Reserve and Oregon banks, however, will be open that day. On July 3, Treasury staff will post all files received from the banks, run end-of-day cycles, create account statements, and make available all post and

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Interest Rates

Average Annualized Yield

May	1.4887%

Interest Rates

May 1–13	1.75%
May 14–31	1.30%

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against an account owned by Treasury. The financial institution reports the transaction to Treasury which then debits the agency's account. Each day, Treasury then provides account statements and other reporting to agencies detailing the activity in their accounts.

This model for account maintenance provides several benefits to the state. Because Treasury negotiates banking contracts on a statewide basis, all agencies benefit from significant price savings. And, agencies do not have to individually seek out and negotiate banking services. Agencies also do not have to reconcile accounts or manage funds across multiple financial institutions. And because funds are centrally pooled at Treasury, Treasury is able to rapidly invest the funds and increase interest earnings for the state.

If you have questions regarding account maintenance or cash management generally, contact Customer Solutions at customersolutions@ost.state.or.us.

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redeemed check files to our customers. Treasury also will process and distribute incoming and returned ACH items as normal.

Agencies that receive output files from Treasury can contact our I.T. Operations Desk at 503.378.2949 or via e-mail at ops.desk@ost.state.or.us the week of July 6 if they need to have a previously distributed Treasury output file resent.

July 3, is a valid settlement date for ACH transactions. Agencies originating ACH through Treasury should note the following:

STAN Online Agencies

STAN Online will be unavailable from 1:00 p.m. on Thursday, July 2, until 7:00 a.m. on Monday, July 6.

Site to Site Agencies

On July 3, Treasury will pick up and process Site to Site ACH files received by 10:00 a.m. Site to Site ACH files sent to Treasury after 10:00 a.m. will be processed by Treasury on Monday, July 6, and must have an effective date of July 7 or later.

If Treasury encounters problems with a Site to Site ACH file on July 3, we will attempt to contact the impacted agency using the regular contact information on file. If Treasury cannot reach impacted agency staff, the file will be held for resolution on Monday, July 6. Agencies may contact Brady Coy with alternate on-call contact information in advance of July 3.

Please contact Brady Coy, Cash Management Improvement and Renewal Program Manager, at 503.378.2457 if you have any questions.

Invested for You

YEAR-END PERFORMANCE 2019

OREGON STATE TREASURY

COVID-19 and Your PERS Investments

Details on how Treasury's investment team is managing public employees' retirement investments during this volatile and uncertain time.

We started seeing reactions to COVID-19 in the stock market in February. The downturn intensified in March, with big and in some cases historic drops in stock prices followed by continued ups and downs in April and May. This has meant a large reduction in stock market value, erasing much of the gains that had been realized over the past few years, and a dramatic real-time demonstration that economic cycles and financial markets can be volatile.

Oregon and the country had been riding the longest economic expansion in our country's history. OPERF ended the 2019 calendar year up 13.6 percent, roughly double the rate assumed by the Oregon Public Employees Retirement System.

For the first quarter of 2020, total fund performance is down 7.2 percent. For just the capital markets portion of our portfolio – essentially, stocks and bonds – fund performance was a negative 14.0 percent for the quarter.

The difference between overall fund performance and the portion invested in the stock market reflects the diversity and composition of the retirement fund. It also reflects a core value of Treasury's investment team: we know the investment decisions we make for OPERF have to stand over the long haul, in both up and down markets. That's why over the past several years, we've taken deliberate steps to improve fund resilience (see page 4 for details).

This does not mean OPERF is immune to economic uncertainty and financial market volatility, as our first quarter results demonstrate. Instead, it means that OPERF is better positioned to weather all types of economic and financial market conditions, with less dramatic swings either up or down.

We've seen this play out over the last two years. At the end of 2018, stock prices dropped sharply, but OPERF posted modest positive returns while other public plans ended 2018 in the red. OPERF's 2019 performance of 13.6 percent was a good absolute result, but more tellingly, compared to similar public pension plans, it was achieved with much less exposure to stocks and other risk-based assets.

There's a lot of uncertainty and, frankly, bad news right now surrounding COVID-19 and its broader effects on global economic activity and the financial markets. With stay-at-home orders and record levels of job losses, Oregonians have immediate, pressing concerns related to the virus. But we know the long-term effects matter to you, too. To that end, we'll continue managing Oregon's public employees' retirement fund with a focus on sustainable, long-term returns and strong risk management practices.

Thanks for reading and keeping in touch.

— Treasurer Tobias Read

Oregon Public Employees Retirement Fund: $82.1 billion — Total assets as of 12/31/19

OPERF Annual Performance: 13.6% — For calendar year 2019

Benefits Paid with Investment Returns: 73.9¢ — of every dollar

Inside:
- Interviews with both outgoing and new Treasury Chief Investment Officers
- Year-end performance for OPERF and IAP
- Responsible Investing Highlights

INVESTED FOR YOU | SPRING 2020 | 1

Invested for You

Public employees work hard to serve their fellow Oregonians, and Treasury works hard to ensure that Oregon keeps it promise of a secure retirement for our valuable public employees by seeking strong and stable investment returns.

PERS members can stay informed about Treasury's investment program and fund performance—including Individual Account Program Target Date Funds—through our twice-yearly newsletter called *Invested for You*. The publication is aimed at beneficiaries of the funds we invest, notably the Oregon Public Employees Retirement Fund. If you are a PERS member, this fund is managed for your benefit!

Click here to read the current and past issues, and be sure to subscribe.

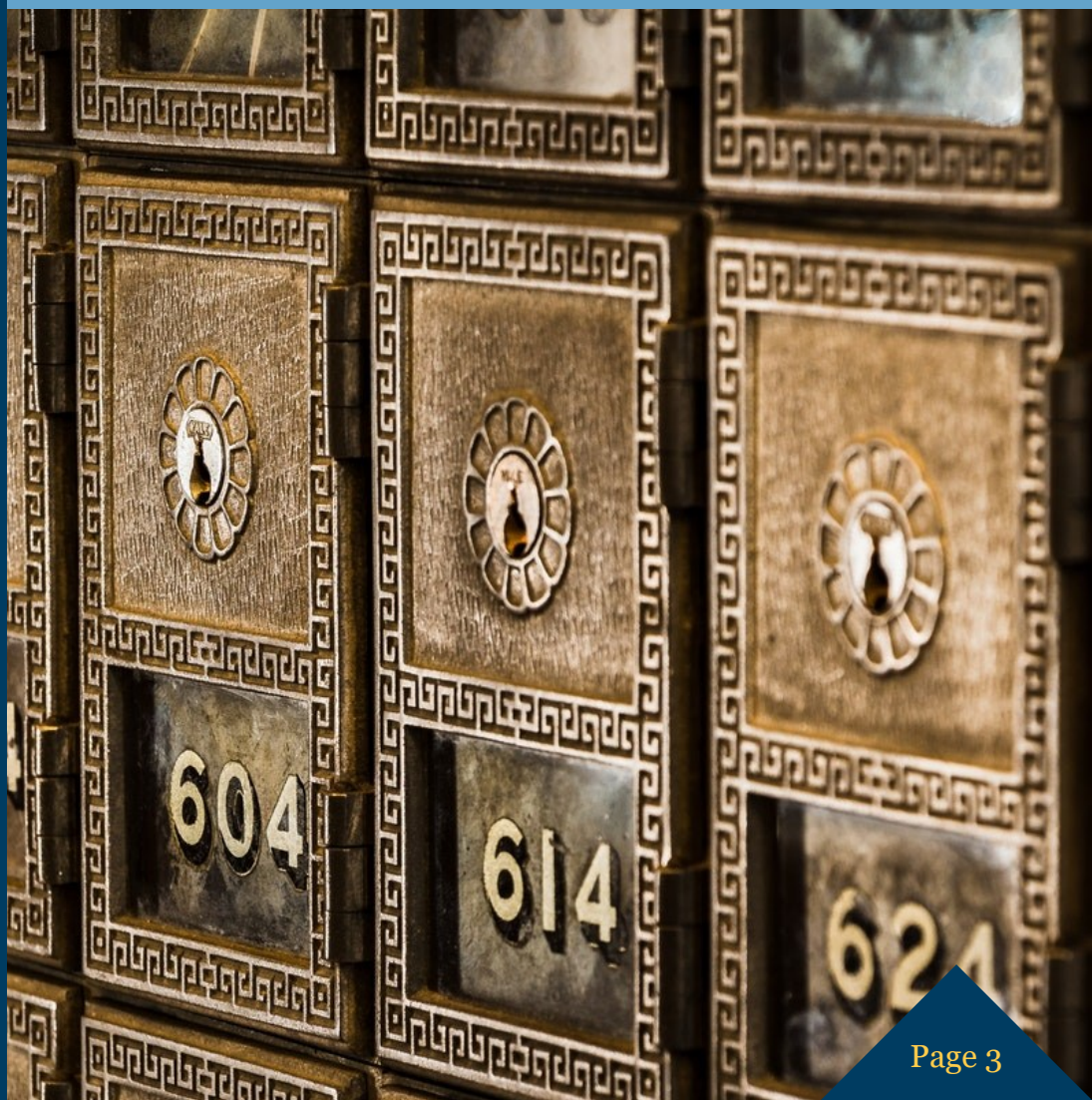
Service Spotlight

Lockbox is a payment collection service offered by financial service providers. A company's customers mail payments to a specific post office box. A service provider collects the payments from the post office box, processes the payments, and deposits funds to the company's account. There are two main types of lockbox:

Retail lockbox is designed for relatively low-dollar, high-volume consumer-to-corporate payments that are accompanied by a payment coupon or other scannable document.

Wholesale lockbox is designed for relatively high-dollar, low-volume corporate-to-corporate payments *not* accompanied by a payment coupon or other scannable document.

Agencies interested in either type of lockbox must access services through Treasury. If you are interested in evaluating your business needs and available options, or have questions regarding remittance processing methods generally, contact Customer Solutions at customersolutions@ost.state.or.us.



Online User Validation

It is time once again to complete annual online user validation. This validation is part of Treasury's security plan to assure only authorized access to cash management systems. User reports were sent earlier this month, by e-mail, to designated Password Administrators and contain a listing of authorized agency users set up to access Online Reporting and U.S. Bank SinglePoint (for those agencies using SinglePoint services). In addition, we sent a separate, more detailed user report for each agency using STAN Online.

Agencies are asked to review the reports and verify that the authorized users are appropriate for agency business purposes. We strongly encourage agencies to review users who have not accessed these systems within the past six months to determine whether access is still appropriate (*note that the report does not reflect actual user access activity for SinglePoint*). If changes are needed, users easily can be deregistered using Treasury's C.26 Registration/Deregistration form. The form should be submitted by a Password Administrator via e-mail to ost.banking@ost.state.or.us.

Treasury also would like to remind users that *user IDs and passwords for Treasury applications must not be shared*. A process is in place for resetting passwords and for registration/deregistration of individual users. If you have questions regarding that process, please work with your agency Password Administrator. Protecting the security and integrity of the state's banking and cash management systems is a task that is shared by all users. Treasury thanks you for your diligence in this important effort.

Signing & Submitting Cash Management Forms

With many state employees working from home to support social distancing, Treasury recognizes that agencies may face challenges signing and submitting certain cash management forms. To assist agencies, we have revised our wire transfer and account transfer forms to accommodate electronic signatures. The revised forms, and instructions on how to complete them, are now available on our website.

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