Oregon Public Employees Retirement System

An Agency of the State of Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

Paul R. Cleary
Executive Director

David W. Tyler
Chief Financial Officer

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PERS Oregon Public Employees Retirement System

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Introductory Section

Letter of Transmittal

Oregon

Theodore R. Kulongoski, Governor

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December 3, 2004

Public Employees Retirement Board
Oregon Public Employees Retirement System
Tigard, Oregon 97281-3700

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Oregon Public Employees Retirement System (PERS or “the System”) for the fiscal year ended June 30, 2004. PERS management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The report is divided into five sections: (1) an Introductory Section, which contains this transmittal letter, administrative organization, and the Certificate of Achievement for Excellence in Financial Reporting; (2) the Financial Section, which contains the Independent Auditor’s Report by the Oregon Audits Division, Management’s Discussion and Analysis, the System’s financial statements, and certain required supplementary information; (3) an Investment Section, which contains the investment officer’s report on investment activity, investment policies, investment results, and various investment schedules; (4) the Actuarial Section, which contains the Actuary’s Certification Letter and the results of the biennial actuarial valuation; and (5) a Statistical Section, which includes significant PERS data. Management’s Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. We would like to direct your attention to MD&A, which begins on page 10.

This report includes all funds over which the Public Employees Retirement Board (Board) exercises authority. These funds were established to provide retirement, death, and disability benefits to members; administer retiree health insurance programs; and oversee the state-sponsored deferred compensation program. PERS currently provides services to more than 300,000 members and retirees and to 884 employers.

Major Initiatives

Several major events and initiatives dominated PERS during the past year and will dominate PERS into the next year and beyond. The Board and executive team have set aggressive goals for the agency with its new mission and vision statement:

“We are a well-respected organization that serves our members by enabling informed retirement and health benefits decisions and delivering retirement and health benefits, effectively and efficiently.”

One of the initiatives PERS will undertake to achieve this mission is a project to replace the current Retirement Information Management System (RIMS) with a new fully integrated application. The new line of business application will provide increased efficiencies through automation, integration, and data accuracy not currently provided by RIMS. During the fiscal year PERS put into effect a number of reform measures enacted by the 2003 Oregon Legislature. On January 1, 2004, PERS implemented the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of a Pension Program that provides a defined benefit pension plan for employees hired on or after August 29, 2003. The plan is funded by employer contributions. OPSRP also has an Individual Account Program, a defined contribution plan funded by employee contributions.

Other reform measures include (1) updating mortality tables and requiring the mortality tables to be reviewed on a regular basis, (2) converting the annual assumed guaranteed rate of return (currently 8.00 percent) to the assumed rate of return to be received by members on their accounts over the length of their service, (3) prohibiting the crediting of earnings to Tier One members while there is a balance in the Deficit Reserve, and (4) temporarily suspending future cost-of-living increases for retirees whose Regular accounts were credited with 20.00 percent in 1999.

Financial Information

The financial information contained in this document is presented in conformance with reporting requirements of the Governmental Accounting Standards Board (GASB) Statements 25 (defined benefit pension plans), 26 (postemployment healthcare plans), and 32 (deferred compensation plans).

Internal Controls

Management is responsible for establishing and maintaining a system of internal controls to protect PERS assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. This internal control system provides reasonable, but not absolute, assurance that these objectives are met.

Funding

Member contributions are set by statute at 6.0 to 7.0 percent of covered salary. Employer contributions have been established by actuarial valuations conducted biennially on odd-numbered calendar years. PERS' funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of employer payroll. If the level of funding is adequate, the ratio of assets accumulated to total liabilities will increase, and more income will be available for investment. Prudent investment of assets and the returns on those investments should increase the funding base and allow for a more stable employer contribution rate. Recent investment losses have caused erosion in the PERS' funded status, which currently has a funded ratio of 90 percent (see page 58).

Investments

The Oregon Investment Council (OIC) has statutory authority (ORS 293.701) to establish policies for the investment and reinvestment of PERS funds. The OIC's primary investment objective is to make PERS investment funds as productive as possible. At the same time, the OIC acts as a prudent investor in the management of the PERS portfolio. Descriptions of specific OIC policies regarding diversification, performance objectives, fees, and asset allocation are found on pages 46 through 52.

Other Information

Professional Services

Professional consultants are appointed by the Board to perform services essential to the efficient operation of PERS. The audit opinion from the Oregon Audits Division and certification from the PERS actuary are included in this report. The consultants appointed by the Board are listed in the organizational chart on page 5.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. PERS has received a Certificate of Achievement for the last 13 consecutive years. We believe our current report continues to conform with the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

PERS intends to provide complete and reliable information as a basis for making management decisions, to demonstrate responsible stewardship of assets contributed by members and their employers, and to comply with legal provisions. This report reflects the combined efforts of the PERS staff. Special recognition is extended to Gene Chouinard, CPA, who coordinated the compilation of the report.

This report will be posted on the PERS website. Summary financial information will be reported in the PERS newsletter, *Perspectives*, which is distributed to active and retired members.

The cooperation of PERS employers contributes significantly to PERS' success and is greatly appreciated. We would also like to express our gratitude to the staff, the Board, the advisors, and the many other people who work so diligently to ensure the successful operation of PERS.

Respectfully submitted,

Paul R. Cleary
Executive Director

David W. Tyler
Chief Financial Officer

Public Employees Retirement Board

The Oregon Legislature has delegated authority to the PERS Board of Trustees to administer the system. The Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits.

PERS also administers the Oregon Savings Growth Plan, a deferred compensation program for state and local government employees.

All members of the Board are appointed by the governor and confirmed by the Senate. The governor designates the chairperson.

One member must be a public employer manager or a local elected official, one member must be a union-represented public employee, and three members must have experience in business management, pension management, or investing.

The three Board members representing business management, pension management, or investing are James Dalton, Eva Kripalani, and Michael Pittman. Thomas Grimsley was appointed to represent public employees, and Brenda Rocklin was appointed to represent public employers. Pittman is Board chair; Rocklin is vice chair.

The current term for each member began September 1, 2003, and expires August 31, 2006.

Michael Pittman (chair)

Michael Pittman, chair, was named ScottishPower's Corporate Director of Human Resources in November 2001. He has served as senior vice president of PacifiCorp for human resources since May 2000, and he is a member of the PacifiCorp board of directors. Pittman is also chairman of the PacifiCorp Foundation for Learning, a private, non-profit entity that is the philanthropic arm of PacifiCorp. He started with PacifiCorp in 1979 and has held a variety of roles in human resources and operations including employee benefits and pensions. Pittman received his bachelor's degree in environmental health in 1975 and his master's degree in environmental health in 1982. Both degrees were earned at the University of Washington.

Brenda Rocklin (vice chair)

Brenda Rocklin was appointed interim president and chief executive officer of the State Accident Insurance Fund (SAIF) on August 12, 2004. Prior to SAIF, she served as director of the Oregon Lottery. Rocklin was an assistant attorney general in the Oregon Department of Justice (DOJ) from 1984 to 2002, where she worked in the Criminal Justice Division, Administration, Civil Enforcement Division, Appellate Division and Trial Division. She received the DOJ Outstanding Service Award in 1997. Prior to her employment with the state of Oregon, she was a deputy district attorney in Umatilla County from 1981 to 1983. She was a trial practice instructor at Willamette University College of Law from 1993 to 1998 and served as a student mentor for the law school in 1995 and 1996. Rocklin received her BA in journalism at Idaho State University in 1978 and received her JD at the Willamette University College of Law in 1981.

James Dalton

James Dalton has been with the Beaverton-based technology firm Tektronix since 1989. He currently serves as vice president of corporate development. He has served in a variety of positions with the company in the past, including acting vice president of human resources. He is also currently a member of the board of directors of RadiSys Corporation. He was a trustee for the Multnomah County Library Foundation from 1999 to 2001 and is currently chair of the Tektronix Foundation. Dalton received his BA in economics from the University of Massachusetts in 1981 and his JD from Boston College Law School in 1985.

Thomas Grimsley

Thomas Grimsley has taught in the Bethel School District #52 in Eugene since 1981 and was a contract negotiator for Bethel teachers' last four labor contracts. He has served as a member of Bethel's Joint Benefits and Insurance Committee for the past 15 years. He has also served as vice president of Eugene's Education Association for the past six years. He taught in the Rogue River School District from 1979 to 1981 and two high schools in San Jose, California, from 1977 to 1978. Grimsley received his BA in music and his teaching credential in music, speech, English, and drama at California State University Chico in 1977. He completed his math endorsement at Lane Community College in 1990.

Eva Kripalani

Eva Kripalani has served as the senior vice president, general counsel, and corporate secretary for KinderCare Learning Centers, Inc. since 2001. She also served as vice president, general counsel, and corporate secretary for KinderCare from 1997 to 2001. She currently serves as KinderCare's representative on the board of Chancellor Beacon Academies, Inc., a charter school management company in which KinderCare has a minority investment. She was an attorney for Stoel Rives LLP from 1987 to 1997 and served as chair of the firm's hiring committee from January 1996 to July 1997. She currently serves on the board of directors for the Greater Oregon Chapter of the March of Dimes, the Cascade AIDS Project, and the Portland State University Foundation. Kripalani received her BS magna cum laude in finance law from Portland State University in 1983. She received her JD magna cum laude from Willamette University in 1986.

Public Employees Retirement System Organizational Chart

Public Employees Retirement Board

Paul R. Cleary
Executive Director

- **Actuary:**
  Mark O. Johnson, F.S.A., Milliman USA
- **Legal Counsel:**
  Robert W. Muir, Assistant Attorney General,
  Oregon Department of Justice
  Orrick Herrington & Sutcliffe, LLP
- **Insurance Consultant:**
  B.W. Reed Benefits, Inc.
- **Medical Advisor:**
  Lawrence Duckler, M.D.
- **Technology:**
  Covansys Corporation
  Provaliant, Inc.

- Internal Auditor
- Health Insurance
- Personnel Services
- Executive Support

Marsha Bacon
Administrator, Customer Service Division
- Customer Service Center
- Deferred Compensation Program
- Publications and Communications
- Membership/Employer Relations
- Reception

Steve Delaney
Administrator, Policy, Planning, and Legislative Analysis Group
- Legislative Issues
- Research and Risk Management
- Social Security
- Contested Case Hearings
- Administrative Rules

Jeffrey M. Marecic
Administrator, Information Services Division
- Image and Information Management
- Information Services
- Technical Operations
- Software Engineering

David W. Tyler
Administrator, Fiscal Services Division
- Financial Reporting
- Actuarial Analysis
- Budget and Fiscal Operations
- Contracts and Procurement
- Banking and Contributions
- Auxiliary Services

Jacqueline Reep
Administrator, Benefit Payment Division
- Retirement Services
- Benefit Recalculation
- Specialty Services

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Public Employees Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Financial Section

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State

AUDITS DIVISION
Cathy Pollino
State Auditor

(503) 986-2255
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Auditing for a Better Oregon

The Honorable Theodore Kulongoski
Governor of Oregon
254 State Capitol
Salem, Oregon 97301-4047

The Board of Trustees
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Oregon Public Employees Retirement System (PERS), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of PERS management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4, the basic financial statements present only the Oregon Public Employees Retirement System and do not purport to, and do not, present fairly the financial position of the state of Oregon as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of PERS, as of June 30, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of PERS. The accompanying supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 3, 2004 on our consideration of the Oregon Public Employees Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report is separately presented as an other report, as listed in the table of contents.

OREGON AUDITS DIVISION

Bill Bradbury
Secretary of State

December 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Oregon Public Employees Retirement System's (PERS or "the System") financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the transmittal letter on pages 2 through 3 and the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

1. **Basic Financial Statements.** The System presents financial statements as of June 30, 2004 and 2003, prepared on a full accrual basis. They are:
   a. Statements of Fiduciary Net Assets
   b. Statements of Changes in Fiduciary Net Assets
   c. Notes to the Financial Statements

2. **Required Supplementary Information.** The required supplementary information consists of:
   a. Schedules of Funding Progress
   b. Schedules of Employer Contributions
   c. Notes to the Required Supplementary Information

3. **Other Supplementary Schedules.**
   a. Combining schedules show the detailed components of the ORS Chapter 238 Defined Benefit Pension Plan and Postemployment Healthcare Plan.
   b. Other schedules include detailed information on administrative expenses incurred by the System and a summary of investment fees, commissions, and expenses.

The basic financial statements contained in this CAFR are described below:

- The Statements of Fiduciary Net Assets show a point-in-time snapshot of account balances at fiscal year-end. They report the assets available for future benefit payments and any current liabilities as of the statement date. The liabilities do not include the actuarial value of future benefits. Net Assets (Assets - Liabilities = Net Assets) represent the value of assets held in trust for payment of benefits.

- The Statements of Changes in Fiduciary Net Assets show the sources and uses of funds during the fiscal year, where Additions - Deductions = Net Increase (or Decrease) in Net Assets. This Net Increase (or Decrease) in Net Assets illustrates the change in net assets as reported in the Statements of Fiduciary Net Assets from the prior year to the current year.

  The financial statements are prepared based on an economic resources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The provision of objective, consistent, and comparable information about operating costs requires a measurement focus on economic resource flows. It also requires use of the accrual basis of accounting, which recognizes economic transactions and other events when they occur, rather than only when the related inflows and outflows of cash or other financial resources occur. Acquired but unused goods and services are reported as assets until they are used, thus giving important information about resources already acquired that can be used to provide future services.

- The notes to the financial statements, beginning on page 20, are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements. Information in the notes discloses the System's organization, benefits and contributions, how asset values are determined, and contingencies and commitments.

In addition to the financial statements explained above, this CAFR includes two additional Required Supplementary Information schedules with historical trend information.

- The Schedules of Funding Progress, beginning on page 33, contain actuarial information about the status of the plan from an ongoing, long-term perspective, showing whether there are sufficient assets to pay pension and postemployment benefits when due. Actuarial Liabilities in excess of Valuation Assets indicate that insufficient assets have been accumulated as of the valuation date to fund the future benefits of current members and retirees.

- The Schedules of Employer Contributions, page 34, contain historical trend information regarding the value of total annual contributions employers must pay and the actual contributions by employers in meeting this requirement.

- The Notes to the Required Supplementary Information, page 35, provide background information and explanatory detail to help in understanding the required supplementary schedules.

The Schedules of Plan Net Assets and Schedules of Changes in Plan Net Assets, pages 36 through 39, display the components of the defined benefit and postemployment healthcare plans.

The Schedule of Administrative Expenses and Schedule of Payments to Consultants, page 40, show the costs of managing the System. The Summary of Investment Fees, Commissions, and Expenses, page 41, provides the detail of investment-related expenses included in the line item Investment Expense reported in the Statements of Changes in Fiduciary Net Assets.

FINANCIAL HIGHLIGHTS

- During fiscal year 2004 the Oregon Legislature passed House Bill 2020 establishing a successor retirement plan, the Oregon Public Service Retirement Plan (OPSRP), which provides for a defined contribution plan (OPSRP Individual Account Program or OPSRP IAP) for new and existing members of the system, and a defined benefit retirement plan (OPSRP Pension Program or OPSRP DB) for people hired on or after August 29, 2003, who had not established membership in the System prior to that date. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members.

- PERS' assets exceed its liabilities at the close of fiscal year 2004, with $46,031.8 million held in trust for pension, postemployment healthcare, OPSRP DB, OPSRP IAP, and deferred compensation benefits.

- Fiduciary net assets increased by $8,295.9 million, or 22.0 percent, during the fiscal year, due primarily to a rise in equity markets at home and abroad. Additionally, several employers made significant payments to reduce their unfunded actuarial liabilities (UALs).

- PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2002, the date of the latest actuarial valuation, the funded ratio of PERS was 90 percent. In general, this means that for every dollar of future pension benefits due, PERS has approximately $0.90 of net assets available for payment.

- Revenues (additions to fiduciary net assets) for fiscal year 2004 were $11,035.5 million, which includes member and employer contributions of $1,141.5 million, UAL payments of $2,584.8 million, and net gains from investment activities totaling $7,284.1 million.

- Expenses (deductions from fiduciary net assets) rose to $2,739.6 million, or 24.2 percent, during fiscal year 2004, from $2,206.1 million during fiscal year 2003. The increase is due to PERS paying pension benefits to more retirees and corresponding increases in healthcare subsidy payments.

FIDUCIARY NET ASSETS

The condensed comparative summary of Fiduciary Net Assets on page 12 demonstrates that the pension trust is primarily focused on investments and net assets (reserves).

- Improving financial markets produced positive returns on PERS investments for the second year in a row. Additionally, contributions were significantly higher due to employer UAL payments. The net assets of the ORS Chapter 238 defined benefit pension plan increased approximately $7,970.1 million, or 21.5 percent, during the year ended June 30, 2004.

- The net assets of the postemployment healthcare plan increased approximately $28.6 million, or 24.5 percent, during the year ended June 30, 2004, due to increases in member contributions and investments.

- The net assets of the deferred compensation plan increased approximately $95.2 million, or 16.5 percent, during the year ended June 30, 2004, primarily due to an upturn in investment markets.

TABLE 1
FIDUCIARY NET ASSETS
(in millions)
As of June 30:

	Defined Benefit Pension Plan		Postemployment Healthcare Plan		OPSRP DB		OPSRP IAP		Deferred Compensation Plan	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Cash and Receivables	$ 3,218.1	$ 3,662.3	$ 35.7	$ 36.6	$ 10.4	$ —	$ 140.7	$ —	$ 1.2	$ 4.9
Investments at Fair Value	44,110.3	36,039.5	114.4	86.0	0.1	—	63.4	—	672.5	577.0
Securities Lending Collateral	4,364.2	2,069.6	16.8	—	0.3	—	14.2	—	0.5	—
Other	11.4	9.5	—	—	6.7	—	1.9	—	—	—
Total Assets	51,704.0	41,780.9	166.9	122.6	17.5	—	220.2	—	674.2	581.9
Investment Purchases	2,085.6	2,494.2	4.9	6.0	6.1	—	3.4	—	0.3	3.7
Securities Lending Payable	4,364.2	2,069.6	16.8	—	0.3	—	14.2	—	0.5	—
Other Payables	242.9	175.9	0.1	0.1	10.6	—	1.1	—	0.1	0.1
Total Liabilities	6,692.7	4,739.7	21.8	6.1	17.0	—	18.7	—	0.9	3.8
Total Net Assets	$45,011.3	$37,041.2	$ 145.1	$ 116.5	$ 0.5	$ —	$ 201.5	$ —	$ 673.3	$ 578.1

CHANGES IN FIDUCIARY NET ASSETS

Revenues - Additions to Fiduciary Net Assets

Additions to Fiduciary Net Assets needed to finance retirement benefits are accumulated through collection of employer and member contributions and through investment income.

- Member contributions to the ORS Chapter 238 defined benefit pension plan decreased $215.3 million, or 53.7 percent, compared to fiscal year 2003. The decrease is attributed to a law change requiring member contributions after January 1, 2004, to be made to a new defined contribution plan, the OPSRP IAP. Member contributions to the OPSRP IAP totaled $201.3 million in fiscal year 2004.

- Member contributions to the postemployment healthcare plan increased $6.5 million, or 9.8 percent, compared to fiscal year 2003. The increase is attributed to higher contributions made to the Standard Retirement Health Insurance Account to pay for higher healthcare costs in fiscal year 2004.

- Member contributions to the deferred compensation plan increased $6.2 million, or 12.3 percent, compared to fiscal year 2003. The rise is due to increases in the salaries of active members and a concurrent increase in deferrals based on a percentage of those salaries. Active membership increased slightly from 18,182 to 18,306.

- Employer contributions to the ORS Chapter 238 defined benefit pension plan increased $585.2 million, or 22.7 percent, compared to fiscal year 2003. Employer contributions were $3,164.2 million in fiscal year 2004 and $2,579.0 million in fiscal year 2003. The increase in employer contributions resulted from several employers making additional contributions to reduce their UALs. Unfunded actuarial liability payments in fiscal year 2004 totaled $2,584.8 million, while they were $1,953.1 million in fiscal year 2003.

- Employer contributions to the postemployment healthcare plan increased $0.9 million, or 2.0 percent, compared to fiscal year 2003 due to salary increases on which contribution amounts are based.

- Net investment and other income in the ORS Chapter 238 defined pension plan was $7,182.5 million, a $5,716.5 million, or 389.9 percent, increase over the fiscal year 2003 increase of $1,466.0 million.

- Net investment and other income in the postemployment healthcare plan was $21.5 million, a $18.0 million increase, or 514.3 percent, over the fiscal year 2003 increase of $3.5 million.

- Net investment and other income in the deferred compensation plan was $79.9 million, a $63.9 million, or 399.4 percent, increase over the fiscal year 2003 increase of $16.0 million.

Expenses - Deductions from Fiduciary Net Assets

Benefit payments, refunds of contributions to members who terminate employment, health insurance premium subsidies, deferred compensation payments, and administrative costs comprise the System's expenses.

- Pension benefit and other payments from the ORS Chapter 238 defined benefit pension plan increased by $526.4 million, or 25.6 percent, due to the large increase in retirees during the year. The number of retirees at June 30, 2004, was 98,686, compared to 91,526 at June 30, 2003.

- Postemployment healthcare and other payments remained relatively flat decreasing $2.5 million, or 2.2 percent, from prior year payments.

- Deferred compensation benefit and other payments increased $6.9 million, or 20.1 percent, due to an increase in the number of retirees.

The table below shows a condensed comparative summary of the changes in fiduciary net assets and reflects the activities of the plans administered by the System.

TABLE 2
CHANGES IN FIDUCIARY NET ASSETS
(in millions)
For the Years Ending June 30:

	Defined Benefit Pension Plan		Postemployment Healthcare Plan		OPSRP DB		OPSRP IAP		Deferred Compensation Plan	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Additions:										
Member Contributions	$ 185.7	$ 401.0	$ 72.9	$ 66.4	$ —	$ —	$ 201.3	$ —	$ 56.5	$ 50.3
Employer Contributions	3,164.2	2,579.0	43.7	42.8	1.9	—	—	—	—	—
Other Sources	23.8	21.4	—	—	—	—	—	—	—	—
Net Investment and Other Income (Loss)	7,182.5	1,466.0	21.5	3.5	—		1.6		79.9	16.0
Total Additions	10,556.2	4,467.4	138.1	112.7	1.9	—	202.9	—	136.4	66.3
Deductions:										
Pension Benefits	2,510.4	1,994.4	—	—	—	—	—	—	40.4	33.6
Other	75.7	65.3	109.5	112.0	1.4	—	1.4	—	0.8	0.7
Total Deductions	2,586.1	2,059.7	109.5	112.0	1.4	—	1.4	—	41.2	34.3
Total Increase (Decrease)	$ 7,970.1	$ 2,407.7	$ 28.6	$ 0.7	$ 0.5	$ —	$ 201.5	$ —	$ 95.2	$ 32.0

PLAN MEMBERSHIP

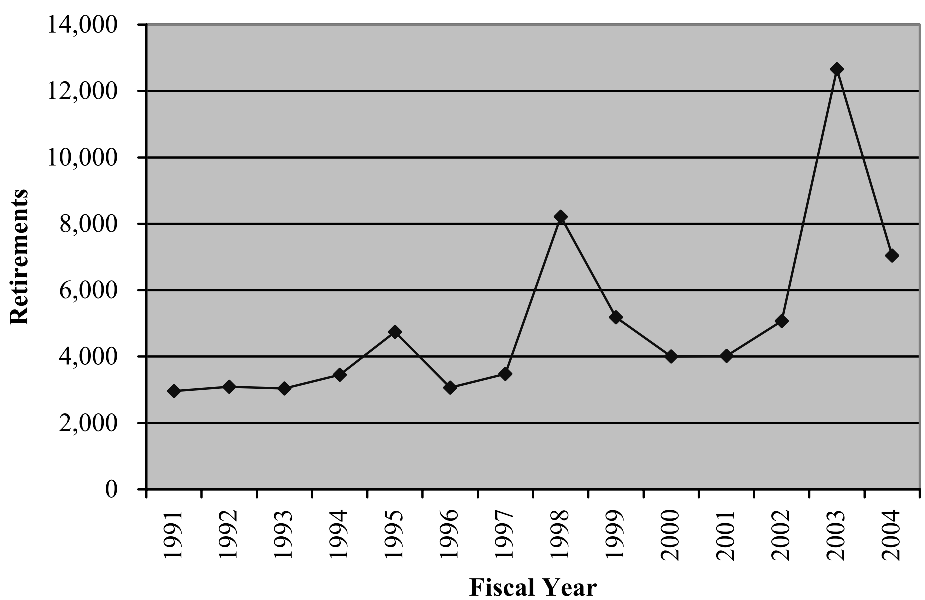
The table below reflects the defined benefit pension plan membership as of the beginning and end of the fiscal year.

TABLE 3
CHANGES IN PLAN MEMBERSHIP
As of June 30:

	2004	2003	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	91,973	85,395	7.7%
Police and Fire	6,713	6,131	9.5
Total	98,686	91,526	7.8
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	140,192	139,971	0.2
Police and Fire	11,567	11,229	3.0
Nonvested:			
General	54,371	58,502	(7.1)
Police and Fire	3,305	3,882	(14.9)
Total	209,435	213,584	(1.9)%

Service retirements in fiscal year 2004 were 7,043, compared to 12,654 in fiscal year 2003, a decrease of 44.3 percent. A record number of public employees retired in fiscal year 2003 to avoid an impact to their pension benefits as a result of laws enacted by the 2003 Oregon Legislature.

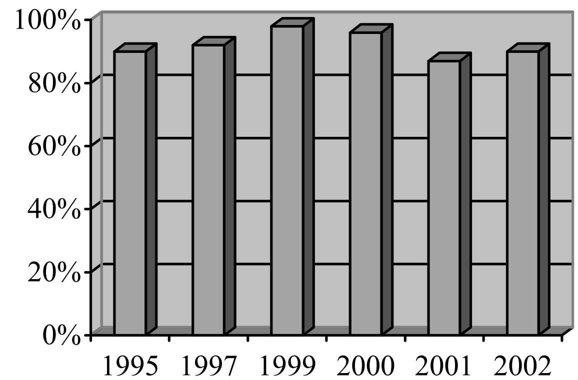
TABLE 4
SERVICE RETIREMENTS
By Fiscal Year



FUNDING STATUS

The System's UAL as of December 31, 2002, was $3,983.4 million, which was derived using the entry age cost method (see Summary of Actuarial and Unfunded Actuarial Liabilities on page 58). The 2002 UAL decreased by $2,112.1 million, or 34.7 percent, from $6,095.5 million in 2001. The 2003 Oregon Legislature passed a number of bills resulting in a significant reduction in the UAL. Additionally, several employers made large payments specifically to reduce their UALs.

TABLE 5
SCHEDULE OF FUNDING PROGRESS
FUNDED RATIO
As of December 31:



INVESTMENT ACTIVITIES

During fiscal year 2004, domestic and international equities increased approximately $4,332.9 million and alternative equities increased approximately $247.8 million due to improvements in global equity markets. Investments in fixed income securities increased approximately $3,493.4 million as a result of purchases made in accordance with the Oregon Investment Council's asset allocation policy. Real Estate investments remained relatively stable, increasing approximately $88.7 million. One-year returns on asset classes and comparative benchmarks are presented in the table below.

TABLE 6
INVESTMENT RETURN
Periods Ending June 30:

	2004	2003
Total Portfolio	18.0%	2.8%
Domestic Stocks	22.5	0.8
Benchmark: Russell 3000 Index	20.5	0.8
International Stocks	31.7	(3.5)
Benchmark: Custom Index	32.5	(2.5)
Fixed Income Segment	2.4	14.3
Benchmark: Custom Index	0.9	11.1
Real Estate	20.9	5.9
Benchmark: NCREIF	9.7	7.1
Private Equity	16.5	(8.2)
Benchmark: S&P 500 + 5%	43.4	(18.7)

EFFECT OF ECONOMIC FACTORS

The financial position of the System improved during the fiscal year due to significant UAL payments and strong global equity markets. Table 6 above shows portfolio returns and indexes, which are reflective of the market environment.

Total benefit payments increased due to additional retirements. Retirees who elected to continue participating in the Variable Annuity Account after retirement experienced an increase in benefits of approximately 19 percent, effective February 1, 2004. This increase in benefits was due to investment gains experienced by the Variable Annuity Account for the period November 1, 2002, through October 31, 2003.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide plan participants, employers, citizens, taxpayers, and others with a general overview of the System's finances and to demonstrate the Board's oversight of the System. If you have questions about this report or need additional financial information, please contact the Fiscal Services Division Administrator, P.O. Box 23700, Tigard, OR 97281-3700.

Statements of Fiduciary Net Assets - Defined Benefit Pension Plan, Postemployment Healthcare Plan, Oregon Public Service Retirement Plan Pension Program, Oregon Public Service Retirement Plan Individual Account Program, and Deferred Compensation Plan
June 30, 2004

	Defined Benefit Pension Plan	Post-employment Healthcare Plan	Oregon Public Service Retirement Plan Pension Program
Assets:			
Cash and Cash Equivalents	$ 2,459,543,374	$ 17,693,094	$ 548,181
Receivables:			
Employer	81,092,986	10,767,087	1,134,836
Plan Member	—	—	—
Interest and Dividends	139,070,103	350,390	326
Investment Sales and Other Receivables	536,445,877	1,424,352	13,199
Total Receivables	756,608,966	12,541,829	1,148,361
Due from Other Funds	2,016,646	5,471,754	—
Investments:			
Fixed Income	12,744,117,190	33,707,334	31,322
Equity	25,319,713,917	64,468,260	59,906
Real Estate	1,805,418,715	4,835,160	4,493
Alternative Equity	4,241,049,736	11,358,115	10,554
Commingled Investments	—	—	—
Total Investments	44,110,299,558	114,368,869	106,275
Securities Lending Cash Collateral	4,364,197,746	16,782,366	266,097
Restricted Investment Contracts	—	—	8,752,863
Deferred Compensation Mutual Funds	—	—	—
Prepaid Expenses and Deferred Charges	2,699,322	—	104,492
Equipment and Fixtures, Cost Net of Accumulated Depreciation at 2004: $2,406,511; at 2003: $2,189,494	1,558,526	—	6,541,090
Land and Building, Cost Net of Accumulated Depreciation at 2004: $1,280,236; at 2003: $1,096,598	7,100,308	—	—
Office Supplies Inventory, Cost	7,560	—	—
Total Assets	**51,704,032,006**	**166,857,912**	**17,467,359**
Liabilities:			
Investment Purchases and Accrued Expenses	2,085,551,191	4,846,825	6,100,898
Deposits and Other Liabilities	156,120,161	—	—
Due to Other Funds	35,880,973	139,803	1,756,576
Bonds/COPs Payable	50,894,020	—	8,838,893
Securities Lending Collateral Due Borrowers	4,364,197,746	16,782,366	266,097
Total Liabilities	**6,692,644,091**	**21,768,994**	**16,962,464**
Net Assets held in trust for benefits (Schedules of Funding Progress are presented on page 33.)	**$ 45,011,387,915**	**$ 145,088,918**	**$ 504,895**

The accompanying notes are an integral part of the financial statements.

Oregon Public Service Retirement Plan Individual Account Program	Deferred Compensation Plan	2004	2003
$ 20,198,163	$ 1,134,300	$ 2,499,117,112	$ 2,397,295,782
—	—	92,994,909	30,559,815
89,149,243	—	89,149,243	23,914,118
194,303	—	139,615,122	108,114,720
791,337	66,893	538,741,658	1,131,948,853
90,134,883	66,893	860,500,932	1,294,537,506
30,385,456	—	37,873,856	11,931,978
18,691,880	—	12,796,547,726	9,280,301,953
35,749,876	—	25,419,991,959	21,038,177,227
2,681,263	—	1,812,939,631	1,720,012,476
6,298,467	—	4,258,716,872	4,001,041,295
—	—	—	85,963,696
63,421,486	—	44,288,196,188	36,125,496,647
14,199,585	534,336	4,395,980,130	2,069,624,570
1,094,108	—	9,846,971	—
—	672,427,851	672,427,851	577,048,849
13,061	—	2,816,875	1,516,174
808,449	—	8,908,065	901,106
—	—	7,100,308	7,058,373
—	—	7,560	5,710
220,255,191	**674,163,380**	**52,782,775,848**	**42,485,416,695**
3,438,111	259,983	2,100,197,008	2,503,779,245
—	—	156,120,161	112,119,105
—	96,502	37,873,854	11,931,978
1,104,862	—	60,837,775	52,144,627
14,199,585	534,336	4,395,980,130	2,069,624,570
18,742,558	**890,821**	**6,751,008,928**	**4,749,599,525**
$ 201,512,633	**$ 673,272,559**	**$ 46,031,766,920**	**$ 37,735,817,170**

Statements of Changes in Fiduciary Net Assets - Defined Benefit Pension Plan, Postemployment Healthcare Plan, Oregon Public Service Retirement Plan Pension Program, Oregon Public Service Retirement Plan Individual Account Program, and Deferred Compensation Plan
For the Year Ended June 30, 2004

	Defined Benefit Pension Plan	Post-employment Healthcare Plan	Oregon Public Service Retirement Plan Pension Program
Additions:			
Contributions:			
Employer	$ 3,164,219,088	$ 43,720,234	$ 1,933,985
Plan Member	185,693,017	72,894,536	—
Other Sources	23,763,183	—	—
Total Contributions	3,373,675,288	116,614,770	1,933,985
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	6,327,231,042	3,662,368	1,686
Interest, Dividends, and Other Investment Income	1,074,111,891	18,105,317	13,331
Total Investment Income	7,401,342,933	21,767,685	15,017
Less Investment Expense	219,148,971	254,653	51
Net Investment Income	7,182,193,962	21,513,032	14,966
Other Income	330,243	7,345	—
Total Additions	10,556,199,493	138,135,147	1,948,951
Deductions:			
Benefits	2,510,375,912	—	—
Death Benefits	8,610,162	—	—
Refunds of Contributions	42,193,518	—	—
Administrative Expense	24,874,201	2,378,635	1,444,056
Healthcare Premium Subsidies	—	26,289,873	—
Retiree Healthcare Expense	—	80,896,727	—
Total Deductions	2,586,053,793	109,565,235	1,444,056
Net Increase (Decrease)	**7,970,145,700**	**28,569,912**	**504,895**
Net Assets held in trust for benefits			
Beginning of Year	37,041,242,215	116,519,006	—
End of Year	**$ 45,011,387,915**	**$ 145,088,918**	**$ 504,895**

The accompanying notes are an integral part of the financial statements.

Oregon Public Service Retirement Plan Individual Account Program	Deferred Compensation Plan	2004	2003
$ —	$ —	$ 3,209,873,307	$ 2,621,837,816
201,306,142	56,479,388	516,373,083	517,648,484
—	—	23,763,183	21,436,993
201,306,142	56,479,388	3,750,009,573	3,160,923,293
758,696	74,236,878	6,405,890,670	866,836,101
346,032	6,951,623	1,099,528,194	817,716,153
1,104,728	81,188,501	7,505,418,864	1,684,552,254
39,575	1,893,778	221,337,028	200,104,117
1,065,153	79,294,723	7,284,081,836	1,484,448,137
541,638	579,278	1,458,504	1,009,080
202,912,933	136,353,389	11,035,549,913	4,646,380,510
—	40,377,599	2,550,753,511	2,027,997,652
—	—	8,610,162	5,922,665
—	—	42,193,518	42,640,295
1,400,300	759,180	30,856,372	19,719,779
—	—	26,289,873	25,274,234
—	—	80,896,727	84,504,240
1,400,300	41,136,779	2,739,600,163	2,206,058,865
201,512,633	**95,216,610**	**8,295,949,750**	**2,440,321,645**
—	578,055,949	37,735,817,170	35,295,495,525
$ 201,512,633	**$ 673,272,559**	**$ 46,031,766,920**	**$ 37,735,817,170**

Notes to the Financial Statements
June 30, 2004

(1) Description of Plan

A. Plan Membership

The Oregon Public Employees Retirement System (PERS or "the System") provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (Board). For state agencies, community colleges, and school districts, PERS is a cost-sharing, multiple-employer system. PERS is an agent multiple-employer system for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional, but irrevocable if elected. Plan assets of the defined benefit, defined contribution, postemployment healthcare, and deferred compensation plans may legally be used to pay benefits only to plan members or plan beneficiaries for which the assets were accumulated.

Employee and Retiree Members

Retirees and beneficiaries currently receiving benefits:	6/30/2004
General	91,973
Police and Fire	6,713
Total	98,686

Current employees and terminated employees entitled to benefits but not yet receiving them:	
Vested:	
General	140,192
Police and Fire	11,567
Nonvested:	
General	54,371
Police and Fire	3,305
Total	209,435

Participating Employers

	6/30/2004
State Agencies	131
Political Subdivisions	496
Community Colleges	17
School Districts	240
Total	884

For many years, retirement programs for Oregon judges were administered by special legislation and programs under the Judges' Retirement Fund (JRF), established in 1963 under ORS 1.314 to 1.380. Effective August 1, 1991, the JRF was merged into the Public Employees Retirement Fund.

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995 which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. As of June 30, 2004, there were 106,257 Tier One members and 103,178 Tier Two members in the System.

The 2003 Legislature enacted HB2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Public employees hired on or after August 29, 2003, and inactive Tier One or Tier Two members who return to employment following a six-month or greater break in service participate in the OPSRP Pension Program.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions will be deposited into the member's IAP account, not into the member's PERS account. Accounts are to be credited with earnings and losses. Administrative costs of the plan are to be charged to these accounts. OPSRP is administered by PERS, the agency. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

B. Plan Benefits

a. PERS Pension (Chapter 238)

1. Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which they are entitled.

Police and fire members may purchase increased benefits that are payable between the date of retirement and age 65.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members.

A judge member who has made contributions to the PERS Fund during each of five calendar years shall receive a retirement allowance, payable monthly, for life. Before reaching age 60, judge members must choose the calculation formula under which they will retire. The election is irrevocable after the member attains age 60. The two formulas, A and B, are described below.

The Plan A retirement allowance for judge members is computed by multiplying 2.8125 percent by the final average salary for the first 16 years of service and 1.67 percent of the final average salary multiplied by the number of years of service as a judge in excess of 16. For most judge members the maximum amount is limited to 65 percent of final average salary. The Plan B retirement allowance for judge members is computed by multiplying 3.75 percent by the final average salary for the first 16 years of service and 2.0 percent of the final average salary multiplied by the number of years of service as a judge in excess of 16. For most judge members the maximum amount is limited to 75 percent of final average salary. Plan B requires a judge to serve up to 35 days per year for a period of five years as a pro-tem judge. There is no actuarial reduction for retirement prior to age 65.

Judges' Retirement System (JRS) members were entitled to a monthly amount equal to one-twelfth of final average salary upon reaching age 65 with 16 years of service or at age 70 with 12 years of service.

2. Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided that one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

A member's beneficiary may choose a monthly payment for life instead of the lump sum, or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of $30 per month.

Surviving spouses of JRS members and judge members of PERS receive benefits as provided in ORS 238.055 and ORS 238.565.

3. Disability Benefits

A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including judge members of PERS) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Judge members of PERS who have served a minimum of six consecutive years and who become physically or mentally incapacitated are entitled to benefits as provided in ORS 238.555.

4. Benefit Changes After Retirement

Members may choose to continue participation in a "variable" stock investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Monthly benefits are adjusted annually through cost-of-living changes except for certain retirees affected by recent legislation. Two percent per year is the maximum cost-of-living adjustment. Periodically, the Oregon Legislature has granted *ad hoc* increases to post-retirement benefits.

b. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire (P&F): 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for P&F members is age 60 or age 53 with 25 years of retirement credit. To be classified as a P&F member, the individual must have been employed continuously as a P&F member for at least five years immediately preceeding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached $70\frac{1}{2}$ years.

3. Disability Benefits

A member who has accrued ten years or more of retirement credits before the member becomes disabled or when a member becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

c. OPSRP Individual Account Program (OPSRP IAP)

1. Pension Benefits.

Upon retirement, a member of the Individual Account Program (IAP) may receive the amounts in the member's employee account, rollover account, and employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period.

A member of OPSRP IAP becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP program is terminated, the date the active member becomes disabled, or the date the active member dies.

2. Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and employer's account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

3. Recordkeeping

PERS contracts with CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain IAP participant records. The state treasurer, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide custodial services for investments that are pooled with other Public Employees Retirement Fund investments.

d. Postemployment Healthcare Benefits

Under ORS 238.410 the Board contracts for medical and hospital insurance on behalf of retired members. Members and their dependents are eligible for PERS healthcare coverage if the member is receiving a retirement allowance or benefit under the System. A surviving spouse of a PERS retiree is eligible to participate if he or she was covered under the health plan at the time of the retiree's death.

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to $60 from RHIA toward the monthly cost of health insurance for eligible PERS members.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

For the year ended June 30, 2004, all PERS employers contributed 0.64 percent of PERS-covered salaries to fund RHIA benefits based on the December 31, 2001 actuarial valuation. This is included in the employer contribution rates listed on page 24. The employer contribution rate covers the normal cost payment and an amount to amortize the unfunded actuarial accrued liability over a period commencing on the actuarial valuation date and ending on December 31, 2027.

The employers' contributions are advance-funded on an actuarially determined basis. Employers' actual contributions for the fiscal year ended June 30, 2004, were $40.6 million. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The number of active plan RHIA participants was 34,599 for the fiscal year ended June 30, 2004.

ORS 238.415 established the Retiree Health Insurance Premium Account (RHIPA) and requires the Board on or before January 1 of each year to calculate the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the Board and health insurance premiums paid by state employees who are not retired. ORS 238.415 authorizes payment of this average difference to qualified retired state employees. Retired state employees are qualified to receive this benefit if they had eight or more years of qualifying service in the System at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died, and the member retired on or after September 29, 1991.

For the year ended June 30, 2004, state agencies contributed 0.16 percent of PERS-covered salaries to fund RHIPA benefits, based on the December 31, 2001 actuarial valuation. See health cost inflation assumptions on page 35. The number of active plan RHIPA participants was 889 for the fiscal year ended June 30, 2004.

ORS 238.410(7) established the Standard Retiree Health Insurance Account (SRHIA). All subsidy payments from the RHIA, the RHIPA, and contributions from retired members are deposited in the SRHIA. Payments for medical and hospital insurance contracted for on behalf of retired members are made from SRHIA.

(2) Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements 25, 26, and 34, as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds. Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity (trust funds).

PERS' activities are accounted for in two trust funds:

- Public Employees Retirement Fund:
  - Defined Benefit Pension Plans
  - Defined Contribution Plan
  - Postemployment Healthcare Plan
- Deferred Compensation Fund:
  - Deferred Compensation Plan

B. Basis of Accounting

The accrual basis of accounting is used for all funds. Revenues are recognized when earned. Contributions are recognized when due. Expenses are recognized when incurred. Benefits and refunds are recognized in the month they are due and payable.

C. Budgetary Data

Only administrative expenses are subject to biennial legislative budget control. The Legislature exercises this control at the agency level. Any unobligated balance lapses at the end of each biennium.

Encumbrance accounting is allowed only during the biennium. All encumbrances lapse at the end of the biennium except capital construction, capital improvements, and contested claims.

Budgetary accounting is not consistent with generally accepted accounting principles (GAAP) because the measurement focus is on decreases in financial resources rather than net income determination.

The accompanying schedule reconciles administrative expenses on the budgetary basis to administrative expenses presented in the Statements of Changes in Fiduciary Net Assets. The legislatively approved budget includes increases approved by the Legislative Emergency Board through June 2004.

	Legislatively Approved Budget	Actual	Unobligated Balance at June 30, 2004
2003 - 2005 Biennium:			
Personal Services	$ 37,578,364	$ 15,591,003	$ 21,987,361
Services and Supplies	31,430,861	12,752,702	18,678,159
Capital Outlays	9,223,439	995,576	8,227,863
2003 - 2005 Totals	**$ 78,232,664**	**$ 29,339,281**	**$ 48,893,383**
Total Expenses July 1, 2003 - June 30, 2004			
Budgetary Basis (non-GAAP)			$ 29,339,281
Biennium Adjustments to Administrative Expenses			
Add:			
Depreciation Expense - Other			65,201
Depreciation Expense - IT			276,430
Depreciation Expense - Building			183,638
COP Amortization			31,781
Increase in Compensated Absences			71,899
Decrease in Prepaid Expenses			78,911
Increase in Accruals			7,433,357
Costs Reflected in Prior Biennium Budget			1,786,162
Deduct:			
Capital Outlay, July 1, 2003 - June 30, 2004			8,022,917
Increase in Supplies Inventory			1,850
Decrease in Travel Advance			11,811
Encumbrances as of June 30, 2004			373,710
Statement of Changes in Fiduciary Net Assets			**$ 30,856,372**

D. Valuation of Investments

Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of debt and equity securities is determined by the custodial agent, using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued at the midpoint between the bid and ask prices. A small percentage of debt securities cannot be priced in this manner, and for these a similar "benchmark" security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued, and its market risk is similar considering current market conditions. Mortgage loans on real estate and state agency loans are stated at the amortized unpaid principal balance. Fair values of investments in real estate are based upon valuations provided by investment managers and advisors retained by the Oregon State Treasury. Investments that do not have an established market are represented at estimated fair value.

E. Distribution of Earnings

By law earnings distribution to members is made on a calendar-year basis. Members in Tier One were guaranteed to receive at least the assumed earnings rate used in the most recent actuarial valuation through December 31, 2002. Members participating in the Variable Account and Tier Two members receive actual earnings or losses.

(3) Contributions and Reserves

A. Contributions

a. Member Contributions

Member contributions are set by statute at 6.0 to 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers. For the OPSRP IAP Program, a participating employer may agree to make member contributions on the member's behalf. The Member Reserve, described in Note (3)C.a., represents member contributions and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

	State Agencies and Community Colleges	Schools	Political Subdivisions		Judiciary
			Police and Fire	General	
Employee Normal Cost	6.00%	6.00%	6.00%	6.00%	7.00%
Employer Normal Cost	11.87%	12.75%	17.47%	10.80%	21.28%
Unfunded Actuarial Liability/(Surplus)	(1.36)	(2.28)	(2.36)	(2.36)	(2.69)
Healthcare Benefits	0.80	0.64	0.64	0.64	0.80
Total Employer Rates	11.31%	11.11%	15.75%	9.08%	19.39%

b. Employer Contributions

Employer contribution rates are determined by an actuarial formula known as the "entry-age cost method." Under this method, a "normal cost" rate for each member is calculated. Normal cost is a level percentage of salary. Beginning at the member's entry into the System, the calculated normal cost should accumulate an amount sufficient to provide the member's retirement benefit. After the unfunded supplemental present value created by this method has been determined, the employer contribution rates are established as a level percentage of salary. The rates are set to cover the normal cost and amortize the unfunded amount over a period commencing on the actuarial valuation date and ending on December 31, 2027.

The employer contribution rate for state agencies and community colleges is 11.31 percent, for schools the rate is 11.11 percent, and for the judiciary the rate is 19.39 percent of PERS-covered salaries, effective July 1, 2003. The rates for political subdivisions are presented in the aggregate. Actual rates for political subdivisions vary by employer (see table above for average rate).

Employer contribution rates during the period were based on December 31, 2001 actuarial valuation, effective July 1, 2003. The state of Oregon made a UAL payment of $2 billion on October 31, 2003, which reduced the contribution rate from 11.31 percent to 4.71 percent. Certain schools, community colleges, and political subdivisions have made UAL payments, and their rates have been reduced.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a level percentage of annual covered payroll, coupled with employee contributions, are intended to accumulate sufficient assets to pay benefits when due.

Oregon Laws 2001, Chapter 945, Section 13 authorized the establishment of the State and Local Government Rate Pool. Local political subdivisions were given the option to join the state of Oregon and community colleges for the actuarial purpose of calculating employer rates. Participation by local political subdivisions in this pool was effective for the actuarial valuation period beginning January 1, 2002.

Separate contribution rates are adopted by the Board for all state agencies and community colleges combined, all school districts combined, the state judiciary, and each individual political subdivision employer that did not pool.

Employer aggregate contributions to the Public Employees Retirement Fund (PERF) for the calendar year ended December 31, 2003, were $3,771.2 million less $3,187.0 million for integration of prior plan assets by employers merging into the System and payments of certain employers toward their unfunded actuarial liabilities from the 2001 actuarial valuation, $2.9 million pertaining to salaries from prior years and $1.5 million for the Benefit Equalization Fund, for a total of $579.8 million attributable to calendar year 2003 activity. Employer contributions consist of $588.1 million normal cost, $50.2 million amortization of the unfunded actuarial accrued surplus, $40.8 million to fund the RHIA, and $2.2 million to fund the RHIPA. Employer contributions attributable to the period were equivalent to 9.09 percent of the members' aggregate annual salaries of $6,377.5 million.

Employee contributions for the calendar year ended December 31, 2003, consisted of $405.0 million less $14.3 million for member purchases and $5.9 million of contributions pertaining to salaries from prior years and integration of prior plan assets of employees merging into the System, for a total of $384.8 million of employee contributions attributable to calendar year 2003 activity.

Based on the actuarial valuation as of December 31, 2001, judiciary, state agencies, and certain political subdivisions received lower employer contribution rates. Schools and other political subdivisions experienced an increase in their employer contribution rates. The Board practice has been to implement the new employer contribution rates for those employers who experienced a decrease and to delay implementation of the new employer contribution rates for those employers who experienced an increase in their employer contribution rate to provide employers an opportunity to budget for the increases. Due to a significant increase in employer contribution rates, based on the December 31, 2001 valuation, the Board allowed local employers to elect actuarially equivalent rates which deferred increases to future periods.

B. Actuarial Cost Method and Assumptions

Employer contribution rates are set using the entry age actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for amortization of the unfunded actuarial accrued liability over a period commencing on the valuation date and ending on December 31, 2027, and (3) an actuarially determined amount for funding postemployment healthcare subsidies.

C. Reserves and Designations (Chapter 238)

a. Member Reserve

The Member Reserve of $8,596.1 million as of June 30, 2004, represents member contributions and earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities.

b. Employer Contribution Designation

The Employer Contribution Designation of $15,341.6 million as of June 30, 2004, represents employer contributions and earnings allocations less amounts transferred to reserves for retirements and disabilities.

c. Benefit Reserve

The Benefit Reserve of $18,347.0 million as of June 30, 2004, is the amount set aside to pay future benefits. It includes funds transferred from the individual member and employer accounts and earnings allocations less amounts paid for retirements and disabilities.

d. Undistributed Investment Earnings Designation

The Undistributed Investment Earnings Designation may be credited with investment earnings in excess of required minimum distributions. Oregon law requires individual accounts for Tier One members to be credited at the assumed rate of return on investments adopted by the Board for use in actuarial valuations. In previous years, this designation has been used to meet this crediting requirement. As of June 30, 2004, the balance of this designation was zero, and it is not fully funded according to Board policy.

e. Contingency Reserve

The Contingency Reserve is to be maintained and used by the Board to prevent any deficit of moneys available for the payment of retirement allowances due to interest fluctuations, changes in mortality rates, or other unforeseen contingency. As of June 30, 2004, the balance of this reserve was $729.6 million.

f. Employer Contingency Reserve

The Employer Contingency Reserve was established by the Board to prevent any deficit in the fund caused by the insolvency of an employer. The reserve is funded only by earnings on employer contributions. As of June 30, 2004, the reserve had a balance of $58.3 million.

g. Capital Preservation Reserve

The Capital Preservation Reserve, as of June 30, 2004, had a balance of $432.9 million. In accordance with ORS 238.670, funds in this reserve may be used only to offset gains and losses of invested capital.

h. Unallocated Earnings Designation

The Unallocated Earnings Designation represents January through June investment earnings or losses less administrative expenses, which will be distributed after member accounts have been credited with contributions. This distribution takes place in March of the following year after employer annual reports have been reconciled and contributions have been posted to individual member and employer accounts. As of June 30, 2004, the balance of this designation was $1,761.5 million.

i. Deficit Reserve

The Deficit Reserve was established for amounts credited to members' Regular accounts as required by ORS 238.255, prior to its amendment in 2003. This statute required the Board to credit Tier One member regular accounts with at least the assumed rate of return on investments. As of June 30, 2004, the balance of this designation was ($255.6) million.

j. Retirement Health Insurance Account

The RHIA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2004, the balance of this account was $132.8 million.

k. Retiree Health Insurance Premium Account

The RHIPA plan net assets balance represents the program's accumulation of employer contributions and investment earnings less premiums and administrative expenses. As of June 30, 2004, the balance of this account was $4.7 million.

l. Standard Retiree Health Insurance Account

The SRHIA plan net assets balance represents the program's accumulation of retiree contributions and interest earnings less premiums and administrative expenses. As of June 30, 2004, the balance of this account was $7.6 million.

D. Administrative Costs

Costs for administering the System are funded from investment earnings and administrative fees collected from members and are allocated to all plans and programs administered by the System.

(4) Reporting Entity

The Public Employees Retirement Board is the governing authority of the System. It consists of five people appointed by the governor and subject to confirmation by the state Senate. The Board appoints an executive director to act as the principal administrative officer of the System. The Board has independence in the operation and management of the System. The state Legislature has significant ability to influence funding, approve the System's budget, and pass laws governing the System.

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasury has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the *State of Oregon Comprehensive Annual Financial Report*.

(5) Assets Used in Plan Operations

A. *Building and Improvements*

Capital construction of PERS' headquarters in Tigard, Oregon, was completed May 31, 1997. The land, building, and improvements are recorded at cost. The depreciation of the building and improvements is computed on the straight-line method over the estimated useful life of 40 years.

B. Equipment and Fixtures

Equipment and fixtures are recorded at cost. These are items which are not consumed in the normal course of operations, have a useful life of more than two years, and whose value is $5,000 or more. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Useful lives range from three to ten years.

C. Office Supplies Inventory

Office supplies inventory is reflected at cost, using the first-in/first-out (FIFO) method.

(6) Deposits and Investments

A. Cash

PERS cash and cash equivalents consist of cash on hand, demand deposits, and deposits in the Oregon Short Term Fund and are carried at cost. The carrying amount is separately displayed on the balance sheet as cash and cash equivalents. Statutes require that all moneys received by the pension trust fund be deposited with the state treasurer.

Deposits	Carrying Amount	Bank Balance
Investment Managers with Custodian Banks	$ 2,174,194,858	$ 2,174,194,858
State Treasury	324,920,163	326,224,065
Other Banks	2,091	2,091
	$ 2,499,117,112	**$ 2,500,421,014**

PERS deposits are classified in three categories of credit risk to give an indication of the level of risk assumed by PERS as of year end. The three categories of credit risk are:

1) insured or collateralized with securities held by the state treasurer or its custodian in the name of the state of Oregon,
2) collateralized with securities held by the pledging financial institution's trust department or custodian in the name of the state of Oregon, and
3) uncollateralized.

As of June 30, 2004, all PERS deposits held by the state treasurer were in credit risk category "1." Deposits of cash and cash equivalents from the proceeds of certificates of participation held in other banks are classified as credit risk category "3."

Investment managers' deposits with custodian banks consist of cash and cash equivalents that represent buying reserves. As of June 30, 2004, there was $2,174.2 million on deposit for the accounts of the Public Employees Retirement Fund (PERF) investment managers. These deposits, with State Street Bank, are classified as uncollateralized, category "3."

B. Investments

By statute, the Oregon Investment Council (OIC) is responsible for investment policy. The state treasurer is the investment officer. ORS 293.726 allows any kind of investment that is prudent. Common stock acquisitions are limited to 50 percent of the moneys contributed. The state treasurer is prohibited from investing in common stock. Independent investment managers selected and evaluated by the OIC make common stock investments.

GASB Statement No. 3 requires that investments be categorized to give an indication of the level of risk assumed at year-end. Certain investment types in the PERS portfolio, such as equity real estate, mutual funds, leveraged buyouts, and deferred compensation investments, cannot be categorized within the guidelines established by GASB Statement No. 3. These investments total approximately $24,886.7 million in fair value.

	Risk Category 1	Risk Category 2	Risk Category 3	Total Fair Value
Pension Trust Fund Investments				
Investment Type:				
U.S. Government Securities	$ 178,527,051	$ —	$ —	$ 178,527,051
U.S. Agency Securities	2,399,964,002	—	—	2,399,964,002
Domestic Corporate Securities	2,427,556,227	—	—	2,427,556,227
Domestic Stocks	6,029,898,812	—	737,964,131	6,767,862,943
International Government and Corporate Securities	1,033,987,520	—	—	1,033,987,520
International Stocks	4,790,216,768	—	—	4,790,216,768
Asset-Backed Securities	1,724,065,407	—	—	1,724,065,407
Real Estate Securities	619,940,753	—	—	619,940,753
Investments on Securities Loan for Securities and Tri-Party Agreement Collateral:				
Domestic Stocks	2,837,636	—	—	2,837,636
International Stocks	126,042,682	—	—	126,042,682
International Government and Corporate Securities	2,901,161	—	—	2,901,161
Subtotal Pension Plan Investments	$ 19,335,938,019	$ —	$ 737,964,131	$ 20,073,902,150
Unclassified as to Risk:				
Real Estate				1,812,939,631
Real Estate Mortgages				2,187,732
Annuity Contracts				3,796,708
Leveraged Buyouts				1,398,092,032
Venture Capital				458,317
Limited Partnerships				2,860,166,523
Domestic Mutual Funds				9,787,912,432
Global Mutual Funds				4,227,262,182
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:				
U.S. Government Securities				1,641,949,358
U.S. Agency Securities				206,573,236
Domestic Stocks				820,322,167
Domestic Corporate Securities				404,522,006
International Stocks				1,011,529,273
International Government and Corporate Securities				36,582,441
Total Pension Plan Investments				$ 44,288,196,188
Deferred Compensation Mutual Funds Unclassified as to Risk				672,427,851
Total PERS Investments				**$ 44,960,624,039**

Note: Fair value amounts and reported amounts are the same.

PERS investments are classified in three categories of credit risk to give an indication of the level of risk assumed by PERS as of year-end. The three categories of credit risk are:

1) insured or registered, or securities held by the state of Oregon or its agent in the state of Oregon's name for PERS;
2) uninsured and unregistered with securities held by the counterparty's trust department or agent in the state of Oregon's name for PERS; and
3) uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the state of Oregon's name for PERS.

The schedule above presents the fair value of the investments held by the state of Oregon for PERS as of June 30, 2004.

Derivatives. Deriatives are contracts for which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. In accordance with state investment policy, the state treasury invests either directly or through its outside investment managers on behalf of PERF in contracts that have derivative characteristics. Derivatives are used to manage the overall risk of investment portfolios. PERF does not hold or issue derivative financial instruments for trading purposes.

PERS reports investments in accordance with GASB Technical Bulletin 2003-01. The standard provides disclosure requirements for governmental units holding derivatives that are not reported at fair value in the statement of net assets. Since all investments, including those with derivative characteristics, are reported at fair value in accordance with GASB Statements 25 and 31, no additional disclosures are required.

C. Securities Lending

In accordance with state investment policies, PERF participates in securities lending transactions. Through securities lending authorization agreements, the state treasury has authorized its custodian to lend its securities pursuant to a form of loan agreement. Both PERF and the borrowers maintained the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the period of these financial statements.

Securities Loaned Fair Value		
U.S. Government Securities	$ 1,641,949,358	
U.S. Agency Securities	206,573,236	
Domestic Stocks	823,159,803	
Domestic Corporate Securities	407,423,166	
International Stocks	1,137,571,955	
International Government and Corporate Securities	36,582,441	
Total		**$4,253,259,959**
Collateral Fair Value		
Cash	$ 4,242,296,143	
Securities	140,538,397	
Total		**$4,382,834,540**

The custodian had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, letters of credit, and foreign sovereign debt of Organization of Economic Cooperation and Development (OECD) countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security, or 105 percent in the case of international securities. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and PERF did not impose any restrictions during the fiscal year on the amount of the loans the custodian made on its behalf. PERF is fully indemnified against losses due to borrower default by its current custodian. There were no losses during the year from the failure of borrowers to return loaned securities and no recoveries of amounts from prior losses.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2004, is effectively one day. On June 30, 2004, PERF had no credit risk exposure to borrowers because the amounts the PERF owes borrowers exceed the amounts borrowers owe PERF. The fair values of the collateral received and the securities on loan from PERF as of June 30, 2004, including accrued income, were $4,382.8 million and $4,253.3 million, respectively. For the fiscal year ended June 30, 2004, total income from securities lending activity was $39.5 million, and total expenses for the period were $29.5 million for net income of $10.0 million.

PERF's cash balances held by the state treasurer are invested in the Oregon Short Term Fund (OSTF), as is the cash of other state agencies. As of June 30, 2004, the fair values of the collateral received and the securities on loan, including accrued income, from the OSTF were $3,861.4 million and $3,777.5 million, respectively. PERF's allocated portions of the collateral received and securities on loan were $153.7 million and $150.3 million, respectively. These amounts are not included in the table above.

The total cash collateral of $4,396.0 million is not categorized as to risk.

(7) Leases

Operating leases are rental agreements where the payments are chargeable as rent and recorded in the services and supplies expense account. Should the legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses which provide for cancellation of the lease as of the end of a fiscal year. Lease obligations decrease each year because of various lease expirations. It is expected that ongoing leases will be replaced with leases which have higher rental rates due to inflation. Fiscal year 2004 operating lease expenses were $101,697.

	Operating Leases
2005	$ 137,087
2006	137,762
2007	111,711
2008	6,618
Thereafter	0
Total Future Minimum Lease Payments	**$ 393,178**

The schedule to the right summarizes the minimum lease payments for operating leases in effect as of June 30, 2004.

(8) Deferred Compensation Plan

Deferred compensation plans are authorized under Internal Revenue Code Section 457. The Oregon Legislature enacted Chapter 179, Oregon Laws 1997 that established the Deferred Compensation Fund. ORS 243.400 to 243.507 established and provided for PERS to administer the state deferred compensation plan, known as the Oregon Savings Growth Plan (OSGP). As of June 30, 2004, the fair value of investments was $672.4 million.

The plan is a benefit available to all state employees. To participate, an employee executes an individual agreement with the state deferring current earnings to be paid at a future date. Participants in the plan are not required to pay federal and state income taxes on the deferred contributions and earnings until the funds are received. Participants or their beneficiaries cannot receive the funds until at least one of the following occurs: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a *de minimis* distribution from inactive accounts valued less than $5,000.

PERS contracts with CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain the OSGP participant records. The state treasurer, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. There are nine investment options with varying degrees of market risk. Up to four financial institutions provide investment services in mutual funds for each investment option. A participant receives a blend of these mutual funds within the investment option. Participants direct the selection of investment options and also bear any market risk. The state has no liability for losses under the plan but does have the prudent investor responsibility of due care.

PERS may assess a charge to the participants not to exceed 2.0 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. Actual charges to participants, including investment charges, for the year ended June 30, 2004, averaged 0.30 percent of amounts deferred.

Oregon Revised Statute 243.505 established a Deferred Compensation Advisory Committee to provide input to the PERS Board. This committee is composed of seven members who meet at least quarterly.

(9) Long-Term Debt

In 1992 PERF entered into an agreement to guarantee $50 million in taxable special revenue obligation bonds issued by the Port of Portland on behalf of a start-up aircraft maintenance company at Portland International Airport. The company ceased operations at the end of October 1993. Initial interest payments were made from a reserve fund established from bond sale proceeds. This reserve fund was depleted and interest payments from the retirement trust fund commenced in October 1994.

Pamcorp Taxable Special Obligation Revenue Bonds Issued and Outstanding

	Amount Issued and Outstanding	Interest Rate	Due Date	Issue Date
Series “A”	$ 7,500,000	8.350%	May 15, 2010	June 1, 1992
Series “B”	9,800,000	8.875	May 15, 2015	June 1, 1992
Series “C”	27,000,000	9.200	May 15, 2022	June 1, 1992

PERS has purchased a lease-hold interest in the facility. The value of any recovery cannot be estimated because it will depend on whether PERS can re-lease or sell the facility, and on what terms. In October 1996 the attorney general filed a lawsuit against the owners of the company and the consulting firm that advised the investment. At the time of this report, some claims are still pending. The value of any recovery from pending claims cannot be estimated at this time.

The table above describes taxable obligation revenue bonds issued and outstanding guaranteed by the retirement fund.

The table below summarizes the amounts necessary to pay all future long-term guaranteed debt principal and interest requirements as of fiscal year ending June 30, 2005, for each fiscal year during the next five-year period ending June 30, 2009, and for the five-year periods ending June 30, 2014, June 30, 2019, and June 30, 2024. The current portion of the long-term guaranteed debt is $4,980,000.

In 1996 PERF purchased the land and began construction on a new retirement system headquarters building in Tigard, Oregon. The construction was financed by the sale of certificates of participation. The certificates of participation were sold on March 16, 1996, for $8.6 million at a 5.45 percent interest rate. On March 1, 2002, a new COP, Series B, was issued at a 4.41 percent interest rate and was used to partially refund the original Series A COP. The remaining Series A COP has a final repayment due May 1, 2006. The Series B COP has a final repayment due May 1, 2017.

Pamcorp Debt Service Requirements to Maturity

Fiscal Year	Series “A” Principal	Series “A” Interest	Series “B” Principal	Series “B” Interest	Series “C” Principal	Series “C” Interest	Total Principal	Total Interest	Total Expenses
2005	$ 1,000,000	$ 626,250	$ —	$ 869,750	$ —	$ 2,484,000	$ 1,000,000	$ 3,980,000	$ 4,980,000
2006	1,100,000	542,750	—	869,750	—	2,484,000	1,100,000	3,896,500	4,996,500
2007	1,200,000	450,900	—	869,750	—	2,484,000	1,200,000	3,804,650	5,004,650
2008	1,300,000	350,700	—	869,750	—	2,484,000	1,300,000	3,704,450	5,004,450
2009	1,400,000	242,150	—	869,750	—	2,484,000	1,400,000	3,595,900	4,995,900
2010-2014	1,500,000	125,250	7,600,000	3,399,128	—	14,904,000	9,100,000	18,428,378	27,528,378
2015-2019	—	—	2,200,000	195,250	11,400,000	8,473,200	13,600,000	8,668,450	22,268,450
2020-2024	—	—	—	—	15,600,000	3,312,000	15,600,000	3,312,000	18,912,000
	$ 7,500,000	$ 2,338,000	$ 9,800,000	$ 7,943,128	$ 27,000,000	$ 39,109,200	$ 44,300,000	$ 49,390,328	$ 93,690,328

The first table on this page describes PERS building COPs issued and outstanding. The second table below summarizes all future PERS building certificates of participation payments of principal and interest as of fiscal year ending June 30, 2005, for each fiscal year during the next five-year period ending June 30, 2009, and the five-year periods ending June 30, 2014, and June 30, 2019. The current portion of the PERS building debt is $709,555.

PERS Building Certificates of Participation Issued and Outstanding

	Amount Issued and Outstanding	Interest Rate	Due Date	Issue Date
Series "A"	$ 735,000	5.450%	May 1, 2006	March 16, 1996
Series "B"	5,850,000	4.410	May 1, 2017	March 1, 2002

PERS Building Debt Service Requirements to Maturity

Fiscal Year	Series "A" Principal	Series "A" Interest	Series "B" Principal	Series "B" Interest	Total Principal	Total Interest	Total Expenses
2005	$ 360,000	$ 36,210	$ 10,000	$ 303,345	$ 370,000	$ 339,555	$ 709,555
2006	375,000	18,750	15,000	303,075	390,000	321,825	711,825
2007	—	—	405,000	302,625	405,000	302,625	707,625
2008	—	—	425,000	282,375	425,000	282,375	707,375
2009	—	—	445,000	261,125	445,000	261,125	706,125
2010-2014	—	—	2,620,000	933,450	2,620,000	933,450	3,553,450
2015-2019	—	—	1,930,000	205,800	1,930,000	205,800	2,135,800
	$ 735,000	**$ 54,960**	**$ 5,850,000**	**$ 2,591,795**	**$ 6,585,000**	**$ 2,646,755**	**$ 9,231,755**

In 2004 certificates of participation, Series A, were issued to finance the purchase of computer software and system upgrades to maintain accuracy and statutory compliance with current Oregon law. The certificates of participation were sold on June 16, 2004, for $9.9 million at a 3.20 percent interest rate. The Series A COP has a final repayment due May 1, 2009. Proceeds from the 2004 Series A COP, not yet used, are listed as "Restricted Investment Contracts" on the Statement of Fiduciary Net Assets. These restricted investment contracts are unclassified as to credit risk.

This table describes OPSRP computer system COPs issued and outstanding.

OPSRP Computer System Certificates of Participation Issued and Outstanding

	Amount Issued and Outstanding	Interest Rate	Due Date	Issue Date
Series "A"	$ 9,865,000	3.200%	May 1, 2009	June 16, 2004

The table below summarizes all future certificates of participation payments of principal and interest as of fiscal year ending June 30, 2005, and for each fiscal year during the next five-year period ending June 30, 2009. The current portion of OPSRP computer system debt is $2,148,009.

OPSRP Computer System

Fiscal Year	Series "A" Principal	Series "A" Interest	Total Expenses
2005	$ 1,905,000	$ 243,009	$ 2,148,009
2006	1,910,000	239,625	2,149,625
2007	1,960,000	191,875	2,151,875
2008	2,015,000	133,075	2,148,075
2009	2,075,000	72,625	2,147,625
	$ 9,865,000	**$ 880,209**	**$ 10,745,209**

The following table summarizes the changes in long-term debt for the year ended June 30, 2004:

Long-Term Debt Activity

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Amounts Due Within One Year
Pamcorp Principal	$ 45,200,000	$ —	$ 900,000	$ 44,300,000	$ 4,980,000
PERS Building Principal	6,935,000	—	350,000	6,585,000	709,555
OPSRP Computer System	—	9,865,000	—	9,865,000	2,148,009
Plus: Premium (Net)	349,436	78,754	24,363	403,827	41,487
Less: Deferred Gain (Net)	(339,809)	—	(23,757)	(316,052)	(25,545)
Total Bonds/COPS Payable	**$ 52,144,627**	**$ 9,943,754**	**$ 1,250,606**	**$ 60,837,775**	**$ 7,853,506**

(10) Litigation

Following is a summary of current PERS-related lawsuits:

a. Consolidated Public Employees Retirement System Litigation ("Strunk")

A series of cases have been filed by numerous PERS members and are pending in the Oregon Supreme Court. The lead case is the *Strunk* case, and we will hereafter collectively refer to these cases as the *Strunk* case. The consolidated *Strunk* case asserts a series of constitutional law challenges to certain aspects of legislation enacted in 2003 to reform the Oregon Public Employee Retirement System (hereinafter referred to as the "Reform Legislation"). The *Strunk* petitioners assert that due to the 2003 Legislative Reforms their PERS benefits have been improperly reduced in an amount that exceeds $9 billion. According to *Strunk*, the challenged Reform Legislation breaches and/or impairs a contract between Tier One PERS members and the State. They have asked the Oregon Supreme Court to declare the Reform Legislation unconstitutional. *Strunk* has been fully briefed to the Oregon Supreme Court. Oral argument occurred in July 2004, and the case is under submission for decision.

b. City of Eugene et al. v. State of Oregon et al

This case involves a judgment rendered by Marion County Circuit Court Judge Paul J. Lipscomb in an action titled *City of Eugene et al. v. State of Oregon et al ("City of Eugene")*. The *City of Eugene* litigation involved a challenge by certain participating employers ("petitioners") to PERB's 1998 and 2000 rate orders as well as PERB's allocation of 1999 PERS Fund earnings. A group of PERS members intervened in the proceedings ("intervenors"), challenging a decision by the former PERS Board to allocate approximately $300 million to employers in the variable account as part of its 1999 earnings allocation order. The judgment rendered in the *City of Eugene* litigation vacated PERB's 1998 and 2000 rate orders and the 1999 earnings allocation order. PERB and intervenors appealed this judgment. PERB subsequently settled its appeal with the petitioners. Intervenors chose to pursue their appeal from the judgment, even though PERB took action to vacate the 1998 employer rate order, the 2000 employer rate order, as well as the 1999 earning allocation order, and had issued revised orders. The intervenor's appeal has been fully briefed. The Oregon Supreme Court heard oral argument and took the appeal under submission in November 2004. Intervenors estimate that the amount that would have to be restored to Tier One PERS member accounts would exceed $4 billion if the *City of Eugene* judgment is reversed.

c. Henderson et al v. State of Oregon et al

The *Henderson* plaintiffs are PERS members who seek to hold PERS Board members in civil contempt for adopting updated actuarial equivalency factors in 2003 in accordance with the requirements of the 2003 Reform Legislation. Plaintiffs allege that a 1978 consent decree requires PERB to calculate member benefits based on 1978 male-only mortality tables. The Honorable Michael Mosman, U.S. District Court judge, granted PERS' motion for summary judgment on June 10, 2004. Plaintiffs timely appealed Judge Mosman's decision to the 9th Circuit Court of Appeals. On September 16, 2004, plaintiffs filed a second motion to reopen the *Henderson* case. The second lawsuit sought an order from Judge Mosman declaring that the 1978 consent decree required PERS to use the 1978 male-only mortality table in perpetuity in calculating Tier One member benefits. The second motion to reopen *Henderson* was summarily denied. The plaintiffs filed a second notice of appeal. It is expected that these two appeals will be consolidated. The parties are in the process of briefing the issues on appeal to the 9th Circuit. When the Reform Legislation was being considered, the PERS actuary estimated that the continuing use of out-of-date mortality tables would cost PERS approximately $1.6 billion.

d. Robertson v. State of Oregon et al

The *Robertson* plaintiffs are PERS members who seek to have the 2003 Reform Legislation declared unconstitutional under the contract and takings clauses of the U.S. Constitution. Summary judgment was granted by the Honorable Michael Mosman, U.S. District Court judge, to PERB August 23, 2004. The plaintiffs have appealed to the 9th Circuit Court of Appeals. Briefing for this appeal will begin in January, 2005. Because the *Robertson* plaintiffs' federal constitutional law claims parallel the state law constitutional law claims in the *Strunk* case, the potential damage exposure in both cases is the same (approximately $9 billion if the Reform Legislation is invalidated.)

e. White v. PERB

The *White* plaintiffs are challenging PERB's revised 1999 earnings allocation order pursuant to PERB's settlement with the petitioners in *City of Eugene*. This Marion County Circuit Court case is currently stayed until March 2005 while the parties resolve a dispute concerning venue. Also pending are issues of whether the case should be reassigned to another judge and a request to stay proceedings until the *Strunk* case is resolved. At this time, we are unable to evaluate the likelihood of an unfavorable result from these allegations or the range of potential loss.

f. Canby v. PERB

The *Canby* plaintiffs, like the *White* plaintiffs, are challenging PERB's implementation of the 1999 earnings allocation order pursuant to the terms of the *City of Eugene* settlement agreement. This case has been consolidated with the *White* case and so also is currently stayed until March 2005. At this time, we are unable to evaluate the likelihood of an unfavorable result from these allegations or the range of potential loss.

Required Supplementary Information
Schedules of Funding Progress
(dollar amounts in millions)

Valuation Date	Actuarial Liability	Valuation of Assets	Assets as a % of Actuarial Liabilities	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a % of Annual Active Member Payroll
Pension Benefits						
12/31/2002	$ 38,947.0	$ 35,446.9	91.0%	$ 3,500.1	$ 6,383.5	54.8%
12/31/2001#	37,258.3	39,772.7	106.7	(2,514.4)	6,254.0	(40.2)
12/31/2001	45,386.1	39,772.7	87.6	$ 5,613.4	6,254.0***	89.8
12/31/2000	42,783.9	41,739.6	97.6	1,044.3	6,195.9	16.9
12/31/1999	40,395.4	39,920.9	98.8	474.5	5,676.6	8.4
12/31/1997	31,178.0	29,097.2	93.3	2,080.8	5,161.6	40.3
12/31/1995	22,794.0	20,963.6	92.0	1,830.4	4,848.1	37.8
12/31/1993	18,614.7	17,560.1	94.3	1,054.6	4,466.8	23.6
12/31/1991	14,378.7	14,679.4	102.1	(300.7)	3,887.5	(7.7)
Postemployment Healthcare Benefits - Retirement Health Insurance Account*						
12/31/2002	$ 542.3	$ 87.4	16.1%	$ 454.9	$ 6,383.5	7.1%
12/31/2001#	533.7	76.5	14.3	456.6	6,254.0	7.3
12/31/2001	532.1	76.5	14.4	455.6	6,254.0***	7.3
12/31/2000	543.5	62.1	11.4	481.4	6,195.9	7.8
12/31/1999	495.3	41.4	8.4	453.9	5,676.6	8.0
12/31/1997	473.8	10.7	2.3	463.1	5,161.6	9.0
12/31/1995	428.1	(3.4)	(0.8)	431.5	4,848.1	8.9
12/31/1993	360.7	(6.8)	(1.9)	367.5	4,466.8	8.2
12/31/1991	263.2	(11.5)	(4.4)	274.7	3,887.5	7.1
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account**						
12/31/2002	$ 31.2	$ 2.8	9.0%	$ 28.4	$ 1,741.9	1.6%
12/31/2001#	30.2	3.0	9.9	22.2	1,954.1	1.4
12/31/2001	29.5	3.0	10.0	26.5	1,954.1***	1.4
12/31/2000	23.1	2.9	12.6	20.2	1,984.0	1.0
12/31/1999	17.2	2.5	14.5	14.7	1,802.7	0.8
12/31/1997	13.1	0.3	2.3	12.8	1,399.8	0.9
12/31/1995	26.5	(2.6)	(9.8)	29.1	1,581.5	1.8
12/31/1993	25.9	(1.3)	(5.0)	27.2	1,498.1	1.8
12/31/1991	29.3	0.0	0.0	29.3	1,440.6	2.0

*The Retirement Health Insurance Account provides postemployment healthcare benefits for eligible members for all participating employers. When created, the account also assumed the debt of its predecessor trust fund of $11.5 million, resulting in a negative valuation of assets prior to December 31, 1997.

**The Retiree Health Insurance Premium Account provides postemployment healthcare benefits only for eligible members who retired from state of Oregon employers. Required annual contributions did not begin until July 1, 1995, while benefits were being paid, resulting in a negative valuation of assets prior to December 31, 1997.

***Effective in 2001, the Annual Active Member Payroll excludes the member pick-up, if any.

#The 2001 valuation was revised to include the input of PERS reform legislation enacted in 2003. This legislation is currently under judicial review.

Required Supplementary Information
Schedules of Employer Contributions
(dollar amounts in millions)

Year Ended	Annual Required Contribution	Percentage Contributed
Pension Benefits		
12/31/2003	$ 537.4	99.7%
12/31/2002	665.9	97.4*
12/31/2001	681.5	94.6*
12/31/2000	635.6	95.2*
12/31/1999	545.9	96.6*
12/31/1998	452.1	100.0
12/31/1997	440.0	100.0
12/31/1996	432.1	100.0
12/31/1995	401.4	100.0
12/31/1994	402.7	100.0
Postemployment Healthcare Benefits - Retirement Health Insurance Account**		
12/31/2003	$ 40.8	100.0%
12/31/2002	41.0	100.0
12/31/2001	41.7	100.0
12/31/2000	41.1	100.0
12/31/1999	37.4	100.0
12/31/1998	33.7	100.0
12/31/1997	30.7	100.0
12/31/1996	28.0	100.0
12/31/1995	24.6	100.0
12/31/1994	21.8	100.0
Postemployment Healthcare Benefits - Retiree Health Insurance Premium Account***		
12/31/2003	$ 2.2	100.0%
12/31/2002	1.6	100.0
12/31/2001	1.3	100.0
12/31/2000	1.1	100.0
12/31/1999	1.7	100.0
12/31/1998	2.2	100.0
12/31/1997	2.3	100.0
12/31/1996	2.4	100.0
12/31/1995	1.2	100.0

*Due to a significant increase in employer contribution rates based on the December 31, 1997 and December 31, 1999 actuarial valuations, the Board allowed employers to elect to defer increases to future periods.

**The Retirement Health Insurance Account provides postemployment healthcare benefits for eligible members for all participating employers.

***The Retiree Health Insurance Premium Account provides postemployment healthcare benefits only for eligible members who retired from state of Oregon employers. Required annual contributions did not begin until July 1, 1995.

Notes to Required Supplementary Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	PERS
Valuation Date	December 31, 2002
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary over a period commencing on the valuation date and ending on December 31, 2027.
Actuarial Assumptions:	
Investment Rate of Return	8.0 percent
Projected Salary Increases	4.25 percent
Consumer Price Inflation (Inflation Rate)	3.5 percent
Health Cost Inflation	Graded from 8.5 percent in 2004, to 5.0 percent in 2011, at the rate of 0.5 percent per year.
Cost-of-living Adjustments	2.0 percent
Method Used to Value Assets	The actuarial value of assets is equal to the fair market value of assets on the valuation date, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the evaluation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25.0 percent per year. The actuarial value of assets is limited to a 10.0 percent corridor above and below the fair market value.
Amortization Period	25 years
Selection of Amortization Approach	Closed

Note: The December 31, 2002 valuation will amortize the unfunded actuarial liability over a 25-year period. This amortization period will be shortened each valuation until a 20-year amortization period is achieved.

Schedule of Plan Net Assets - Defined Benefit Pension Plan June 30, 2004

	Regular Account	Variable Account	Totals 2004	Totals 2003
Assets:				
Cash and Cash Equivalents	$ 2,254,890,842	$ 204,652,532	$ 2,459,543,374	$ 2,374,451,307
Receivables:				
Employer	81,092,986	—	81,092,986	28,590,437
Plan Member	—	—	—	18,911,770
Interest and Dividends	130,833,497	8,236,606	139,070,103	108,114,720
Investment Sales and Other Receivables	533,704,340	2,741,537	536,445,877	1,131,859,411
Total Receivables	745,630,823	10,978,143	756,608,966	1,287,476,338
Interaccount Receivables and Payables	22,968,259	(22,968,259)	—	—
Due from Other Funds	2,016,646	—	2,016,646	344,264
Investments:				
Fixed Income	12,586,109,810	158,007,380	12,744,117,190	9,280,301,953
Equity	24,072,049,180	1,247,664,737	25,319,713,917	21,038,177,227
Real Estate	1,805,418,715	—	1,805,418,715	1,720,012,476
Alternative Equity	4,241,049,736	—	4,241,049,736	4,001,041,295
Total Investments	42,704,627,441	1,405,672,117	44,110,299,558	36,039,532,951
Securities Lending Cash Collateral	4,217,007,757	147,189,989	4,364,197,746	2,069,624,570
Prepaid Expenses and Deferred Charges	2,699,322	—	2,699,322	1,516,174
Equipment and Fixtures, Cost Net of Accumulated Depreciation at 2004: $2,406,511; at 2003: $2,189,494	1,558,526	—	1,558,526	901,106
Land and Buildings, Cost Net of Accumulated Depreciation at 2004: $1,280,236; at 2003: $1,096,598	7,100,308	—	7,100,308	7,058,373
Office Supplies Inventory, Cost	7,560	—	7,560	5,710
Total Assets	**49,958,507,484**	**1,745,524,522**	**51,704,032,006**	**41,780,910,793**
Liabilities:				
Investment Purchases and Accrued Expenses	2,026,976,801	58,574,390	2,085,551,191	2,494,137,076
Deposits and Other Liabilities	155,385,293	734,868	156,120,161	112,119,105
Due to Other Funds	35,880,973	—	35,880,973	11,643,200
Bonds/COPS Payable	50,894,020	—	50,894,020	52,144,627
Securities Lending Collateral Due Borrowers	4,217,007,757	147,189,989	4,364,197,746	2,069,624,570
Total Liabilities	**6,486,144,844**	**206,499,247**	**6,692,644,091**	**4,739,668,578**
Net Assets held in trust for pension benefits	**$ 43,472,362,640**	**$ 1,539,025,275**	**$ 45,011,387,915**	**$ 37,041,242,215**

Schedule of Changes in Plan Net Assets - Defined Benefit Pension Plan For the Year Ended June 30, 2004

	Regular Account	Variable Account	Totals 2004	Totals 2003
Additions:				
Contributions:				
Employer	$ 3,164,219,088	$ —	$ 3,164,219,088	$ 2,578,989,169
Plan Member	151,214,963	34,478,054	185,693,017	400,988,567
Other Sources	23,763,183	—	23,763,183	21,436,993
Total Contributions	3,339,197,234	34,478,054	3,373,675,288	3,001,414,729
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	6,034,952,045	292,278,997	6,327,231,042	846,968,645
Interest, Dividends, and Other Investment Income	1,063,010,236	11,101,655	1,074,111,891	817,188,441
Total Investment Income	7,097,962,281	303,380,652	7,401,342,933	1,664,157,086
Less Investment Expense	217,182,779	1,966,192	219,148,971	198,448,741
Net Investment Income	6,880,779,502	301,414,460	7,182,193,962	1,465,708,345
Other Income	330,243	—	330,243	282,126
Total Additions	**10,220,306,979**	**335,892,514**	**10,556,199,493**	**4,467,405,200**
Deductions:				
Benefits	2,469,664,143	40,711,769	2,510,375,912	1,994,401,530
Death Benefits	8,610,162	—	8,610,162	5,922,665
Refunds of Contributions	40,042,441	2,151,077	42,193,518	42,640,295
Administrative Expense	24,248,321	625,880	24,874,201	16,784,817
Interaccount Transfers	(96,089,883)	96,089,883	—	—
Total Deductions	**2,446,475,184**	**139,578,609**	**2,586,053,793**	**2,059,749,307**
Net Increase (Decrease)	**7,773,831,795**	**196,313,905**	**7,970,145,700**	**2,407,655,893**
Net Assets held in trust for pension benefits				
Beginning of Year	35,698,530,845	1,342,711,370	37,041,242,215	34,633,586,322
End of Year	**$ 43,472,362,640**	**$ 1,539,025,275**	**$ 45,011,387,915**	**$ 37,041,242,215**

Schedule of Plan Net Assets - Postemployment Healthcare Plan June 30, 2004

	Retirement Health Insurance Account	Retiree Health Insurance Premium Account	Standard Retiree Health Insurance Account	Totals 2004	Totals 2003
Assets:					
Cash and Cash Equivalents	$ 9,710,448	$ 280,069	$ 7,702,577	$ 17,693,094	$ 18,099,170
Receivables:					
Employer	9,673,437	1,093,650	—	10,767,087	1,969,378
Plan Member	—	—	—	—	5,002,348
Interest and Dividends	341,678	8,712	—	350,390	—
Investment Sales and Other Receivables	1,388,938	35,414	—	1,424,352	—
Total Receivables	11,404,053	1,137,776	—	12,541,829	6,971,726
Due from Other Funds	4,917,583	554,171	—	5,471,754	11,587,714
Investments:					
Fixed Income	32,869,262	838,072	—	33,707,334	—
Equity	62,865,373	1,602,887	—	64,468,260	—
Real Estate	4,714,942	120,218	—	4,835,160	—
Alternative Equity	11,075,716	282,399	—	11,358,115	—
Commingled Investments	—	—	—	—	85,963,696
Total Investments	111,525,293	2,843,576	—	114,368,869	85,963,696
Securities Lending Cash Collateral	12,811,722	408,906	3,561,738	16,782,366	—
Total Assets	**150,369,099**	**5,224,498**	**11,264,315**	**166,857,912**	**122,622,306**
Liabilities:					
Investment Purchases and Accrued Expenses	4,721,272	120,380	5,173	4,846,825	5,955,674
Due to Other Funds	—	—	139,803	139,803	147,626
Securities Lending Due Borrowers	12,811,722	408,906	3,561,738	16,782,366	—
Total Liabilities	**17,532,994**	**529,286**	**3,706,714**	**21,768,994**	**6,103,300**
Net Assets held in trust for postemployment healthcare benefits	**$ 132,836,105**	**$ 4,695,212**	**$ 7,557,601**	**$ 145,088,918**	**$ 116,519,006**

Schedule of Changes in Plan Net Assets - Postemployment Healthcare Plan For the Year Ended June 30, 2004

	Retirement Health Insurance Account	Retiree Health Insurance Premium Account	Standard Retiree Health Insurance Account	Totals 2004	Totals 2003
Additions:					
Contributions:					
Employer	$ 40,619,811	$ 3,100,423	$ —	$ 43,720,234	$ 42,848,647
Plan Member	—	—	72,894,536	72,894,536	66,380,497
Total Contributions	40,619,811	3,100,423	72,894,536	116,614,770	109,229,144
Investment Income:					
Net Appreciation (Depreciation) in fair value of investments	3,558,932	103,436	—	3,662,368	2,936,502
Interest, Dividends, and Other Investment Income	17,395,653	545,604	164,060	18,105,317	527,712
Total Investment Income	20,954,585	649,040	164,060	21,767,685	3,464,214
Less Investment Expense	247,625	7,028	—	254,653	—
Net Investment Income	20,706,960	642,012	164,060	21,513,032	3,464,214
Other Income	—	—	7,345	7,345	15,000
Total Additions	61,326,771	3,742,435	73,065,941	138,135,147	112,708,358
Deductions:					
Healthcare Premium Subsidies	24,632,880	1,656,993	—	26,289,873	25,274,234
Retiree Healthcare Expense	—	—	80,896,727	80,896,727	84,504,240
Administrative Expense	708,696	62,320	1,607,619	2,378,635	2,274,818
Total Deductions	25,341,576	1,719,313	82,504,346	109,565,235	112,053,292
Net Increase (Decrease)	**35,985,195**	**2,023,122**	**(9,438,405)**	**28,569,912**	**655,066**
Net Assets held in trust for postemployment healthcare benefits					
Beginning of Year	96,850,910	2,672,090	16,996,006	116,519,006	115,863,940
End of Year	**$ 132,836,105**	**$ 4,695,212**	**$ 7,557,601**	**$ 145,088,918**	**$ 116,519,006**

Schedule of Administrative Expenses
For the Years Ended
June 30, 2004 and 2003

	2004	2003
Personal Services:		
Staff Salaries	$ 11,070,348	$ 8,856,763
Social Security	851,991	687,308
Retirement	1,304,329	1,371,268
Insurance	2,151,211	1,467,297
Assessments	161,284	76,832
Total Personal Services	15,539,163	12,459,468
Professional Services:		
Actuarial	422,650	317,821
Data Processing	635,855	269,979
Audit	149,635	105,698
Legal Counsel	2,133,139	303,199
Medical Consultants	96,756	84,906
Training and Recruitment	218,929	239,625
Contract Services	4,608,919	1,147,874
Healthcare Fees	2,115,330	1,822,796
Total Professional Services	10,381,213	4,291,898
Communications:		
Printing	92,538	99,237
Telephone	321,668	229,159
Postage	395,316	369,210
Travel	98,042	76,294
Total Communications	907,564	773,900
Rentals:		
Office Space	271,088	66,597
Equipment	179,214	52,925
Total Rentals	450,302	119,522
Miscellaneous:		
Central Government Charges	512,132	133,769
Supplies	1,402,078	464,243
Maintenance	758,517	668,870
Non-Capitalized Equipment	348,353	405,544
Depreciation	525,269	356,259
COP Amortization	31,781	46,306
Total Miscellaneous	3,578,130	2,074,991
Total Administrative Expenses	**$ 30,856,372**	**$ 19,719,779**

Schedule of Payments to Consultants
For the Years Ended
June 30, 2004 and 2003

	Commission / Fees		
Individual or Firm	**2004**	**2003**	**Nature of Service**
Orrick, Herrington & Sutcliffe LLP	$ 671,787	$ —	Legal
Oregon Department of Justice	475,433	388,277	Legal
Provaliant, Inc.	448,152	—	Technology
Covansys Corporation	384,177	—	Technology
Milliman, USA	363,650	498,070	Actuarial
Oregon Audits Division	140,404	127,898	Audit
BW Reed Benefits LLC	73,806	73,080	Health Insurance
Lawrence Duckler, MD	22,950	17,850	Medical

Summary of Investment Fees, Commissions, and Expenses
For the Years Ended June 30, 2004 and 2003

	2004	2003
International Equity Fund Managers		
Acadian Asset Management, Inc.	$ 2,389,773	$ 1,445,788
AllianceBernstein International Premier Growth Fund	2,540,861	1,796,519
Arrowstreet Capital, L.P.	2,193,624	551,270
Barclays Global Investors (EAFE)	2,268,523	699,459
Brandes Investment Partners LLC	2,333,974	1,707,119
Genesis Investment Management, Ltd.	1,954,822	1,447,795
Lazard Asset Management	203,871	222,371
Marvin & Palmer Associates, Inc.	1,989,502	1,309,536
Putnam Investments	638,214	541,790
T. Rowe Price Group, Inc.	2,425,363	1,717,457
TT International Co. Ltd.	1,931,722	1,249,691
Wells Capital Management	1,434,945	1,002,585
Other International Equity Fund Managers	—	3,111,348
Domestic Equity Fund Managers		
AllianceBernstein Domestic Equity	2,115,955	1,851,033
Alliance Capital Management	1,569,597	1,226,377
Aronson, Johnson, Ortiz, L.P.	1,143,364	370,577
Barclays Global Investors (all funds)	1,944,104	3,864,876
Becker Capital Management	1,640,741	1,190,026
Froley Revy Equity	1,209,784	1,051,455
MFS Institutional Advisors, Inc.	1,484,741	481,370
Nicholas Applegate Capital Management	1,415,717	1,259,895
Oak Associates, Ltd.	195,568	1,000,990
Thompson/Rubinstein Investment Mgmt, Inc.	1,160,294	1,232,712
Veredus Asset Management LLC	1,112,421	850,627
Wanger Asset Management, LP	3,097,973	1,955,904
Wellington Management Company, LLP	2,961,714	2,593,306
Winslow Capital Management Inc	1,230,669	969,783
Other Domestic Equity Fund Managers	4,512,222	1,398,839
Fixed Income Managers		
Alliance Capital Management	2,135,228	1,877,455
Barclays Global Investors (Corporate Government Bond Index)	112,906	6,305
Blackrock Financial Management	2,140,724	1,966,477
Fidelity Management Trust Co.	2,756,816	2,441,201
Wellington Management Company, LLP	1,733,207	1,574,459
Western Asset Management Company	1,605,935	1,473,818
Real Estate Investment Fund Manager		
La Salle Advisors Ltd.	1,150,443	1,068,346
Leveraged Buyout Manager		
Kohlberg Kravis Roberts & Co.	19,005,287	16,987,188
Custodian		
State Street Bank	400,773	657,087
Alternative Equity Managers		
BCI Financial Corporation	98,522	1,874,700
BDCM Opportunity Fund, LP	1,252,083	—
Castle Harlan, Inc.	1,371,725	1,690,608
CVC European Equity Ltd.	2,021,859	2,549,439
Doughty Hanson & Co.	2,432,607	3,145,537
Grove Street Advisors, LLC	2,187,500	—
Hicks, Muse, Tate & Furst Inc.	2,019,975	2,632,843
Parthenon Investors II LP	1,887,160	—
Pathway Capital Management, LLC	1,250,000	1,875,000
Solera Capital LLC.	971,161	1,021,100
TPG Partners III, LP	3,943,430	6,245,268
TSG Capital Fund II, LP	743,811	1,366,168
Vestar Capital Partners IV LP	923,088	1,270,036
Other Alternative Equity Fund Managers	20,271,015	17,618,697
Real Estate Fees and Expenses	20,334,876	25,199,585
Real Estate Bond Expenses	4,972,875	4,417,127
State Treasury Fees	5,111,583	4,079,639
Securities Lending Fees	31,066,547	27,987,887
Brokerage Commissions	34,143,093	26,861,146
Other Investment Fees and Expenses	2,298,962	2,461,127
Deferred Compensation Investment Fees and Expenses	1,893,779	1,655,376
Total Investment Fees, Commissions, and Expenses	**$ 221,337,028**	**$ 200,104,117**

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State

AUDITS DIVISION
Cathy Pollino
State Auditor

(503) 986-2255
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Auditing for a Better Oregon

The Honorable Theodore Kulongoski
Governor of Oregon
254 State Capitol
Salem, Oregon 97301-4047

The Board of Trustees
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the basic financial statements of the Oregon Public Employees Retirement System (PERS) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether PERS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting
In planning and performing our audit, we considered PERS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that,

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INTERNET: Audits.hotline@state.or.us • http://www.sos.state.or.us/audits/audithp.htm

in our judgment, could adversely affect PERS' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of PERS in a separate letter dated December 3, 2004.

This report is intended solely for the information and use of the Board of Trustees of the Oregon Public Employees Retirement System, the Retirement System's management, the governor of the state of Oregon, and the Oregon Legislative Assembly and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Bill Bradbury
Secretary of State

December 3, 2004

Audit Finding and Recommendation

Reconciling Items Not Cleared Timely

We found that the Oregon Public Employees Retirement Systems (PERS) is not promptly clearing reconciling items from three clearing accounts. The total unreconciled balance of these accounts exceeded $285 million as of June 30, 2004. Of this amount, reconciling items totaling $140 million (49 percent) have remained in the clearing accounts for more than one year.

Items are placed in the clearing accounts when there is a disagreement between amounts reported in the Membership and Benefit Reserve Subsystems of the Retirement Information Management System (RIMS). Each item remains in the clearing accounts until PERS staff can review and resolve the discrepancies.

Uncorrected reconciling items may result in the over or under payment of refunds or benefits. Failure to correct reconciling items promptly may increase the magnitude of errors.

We recommend PERS management prioritize the correction of the RIMS clearing account reconciling items.

Agency Response

PERS agrees with the finding and recommendation. Two primary drivers causing the clearing account balances to grow in the past year are the record number of member retirements processed by PERS and 2003 legislative changes that impacted the pension benefit calculations. Reconciling items often result when RIMS does not have the necessary functionality to process benefit calculations, requiring staff to process system workarounds. Management will increase the priority given these accounts and add resources to correct reconciling items.

Investment Section

Investment Officer's Report

OREGON INVESTMENT COUNCIL

October 28, 2004

350 WINTER STREET, SUITE 100
SALEM, OR 97301-3896

Dear PERS Members:

The past fiscal year ended June 30, 2004, brought a welcome respite from the gloom of the bear market in 2001 and 2002. Global equity markets soared in both the United States and abroad. In the fiscal year 2003 PERS Annual Report, I stated that the global markets were beginning to show the effects of fiscal and monetary stimulus. Little did I know just how true that statement would turn out to be as the domestic equity Russell 3000 Index subsequently returned 20.5 percent for the 12 months ended June 30th and the MSCI EAFE Index (of international developed market stocks) generated a return of 32.4 percent for the year.

All was not rosy, however, as the pickup in economic activity triggered inflationary concerns which resulted in an increase in interest rates. The rise in rates in turn caused fixed income market returns to be fairly flat (0.3 percent, as measured by the Lehman Brothers Aggregate Index), for the 12-month period. Within the bond market declining default rates and the improvement in corporate earnings allowed the high yield market to be a strong sector (10.1 percent) in an otherwise ho-hum year for fixed income.

On June 30, 2004, the total PERS portfolio had an asset value of $45.1 billion. The total fund return for the Regular account was 17.8 percent, net of fees. This performance was terrific in both an absolute return sense, when compared to the actuarial assumption (8.0 percent), and when compared to the relative performance of other large state-wide public funds (15.6 percent). Unfortunately, the return was below the benchmark index return of 18.5 percent. As I discuss below, the underperformance was primarily due to a performance lag between the public equity markets and private market values.

For the year ended June 30, 2004, the PERF domestic equity portfolio generated a return of 22.5 percent, 2.0 percent better than the index return of 20.5 percent. The equity portfolio is well-balanced between growth and value strategies and has a slightly higher exposure to small-cap stocks than does the broad equity market. This added exposure was beneficial as the Russell 2000 Index of small stocks outperformed the large stock-oriented S&P 500, 33.4 percent versus 19.1 percent, respectively. The PERF international portfolio posted gains of 31.7 percent, slightly below the 32.5 percent gains of the benchmark. Non-US market returns were driven by the strong performance of the Pacific region — particularly Japan. The bond portfolio generated a strong performance (2.4 percent) relative to the market (0.9 percent) even though the actual level of return was modest. The portfolio was well-served by having exposure to high yield securities.

Private market assets generated above expected returns for the year. PERF real estate performance was more than twice that of the benchmark (20.9 percent versus 9.7 percent). This value added was primarily due to strong performance across the board as the direct properties portfolio, the opportunistic partnerships, and the public REIT portfolio segments all were solid performers. Private equity turned in a 16.5 percent return for the year. Since there is no private market index, PERF uses the public markets as a benchmark proxy. Over time, we expect the private equity funds to outperform the public markets. Indeed, the PERF portfolio has done just that over long periods of time. However, because privately held assets are largely held at cost until sold, the portfolio tends to lag when the public markets take off on a bull market run, such as that experienced in the past fiscal year. We fully expect this lag to even itself out in the years ahead.

Ronald D. Schmitz

Ronald D. Schmitz
Director, Investments

Description of Investment Policies

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five voting members. Four members of the council, who are qualified by training and experience in the field of investment or finance, are appointed by the governor, subject to Senate confirmation. The state treasurer serves as the remaining voting member of the council. In addition, the director of the Public Employees Retirement System serves as a non-voting member of the OIC.

ORS 293.701 defines the investment funds over which the OIC has responsibility. Included are the Public Employees Retirement Fund (PERF) and the Deferred Compensation Fund. The OIC establishes policies for the investment and reinvestment of moneys in the investment funds, as well as the acquisition, retention, management, and disposition of investments in the investment funds. The OIC is also responsible for providing an examination of the effectiveness of the investment program.

The OIC ensures that moneys in the investment funds are invested and reinvested to achieve the investment objective of making the moneys as productive as possible. Furthermore, the investments of those funds are managed as a prudent investor would do, under the prevailing circumstances and in light of the purposes, terms, distribution requirements, and laws governing each investment fund. This standard requires the exercise of reasonable care, skill, and caution, and is applied to investments not in isolation, but in the context of each fund's portfolio as part of an overall investment strategy. The strategy should incorporate risk and return objectives reasonably suitable to the particular investment fund.

When implementing investment decisions, the OIC has a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so. In addition, the OIC must act with prudence when selecting agents and delegating authority.

The OIC has approved the following asset classes for the PERF: Oregon Short-Term Fund, Fixed Income, Real Estate, Equities, Alternative Equities, and Venture Capital Partnerships. The OIC must approve, in advance, the purchase of investments in a new asset class not described above. Individual investments that will require more than 10.0 percent of the funds allocated to a single asset class require OIC's advance and explicit approval.

The OIC maintains an "open-door" policy wherein investment officers employed by the Oregon State Treasury will hear and consider investment proposals and solicitations from any person, firm, or partnership that submits a proposal or solicitation in good faith. However, under no circumstance does this policy require that the Oregon State Treasury purchase the proposed investment.

The OIC also maintains an equal opportunity policy. When awarding contracts or agreements, the OIC does not discriminate because of age, race, color, sex, religion, national origin, marital status, sexual orientation, or disability. Furthermore, the OIC encourages firms doing or seeking to do business with the OIC to have equal opportunity programs. The OIC requires that all written contracts or agreements with the OIC incorporate reference that affirms compliance with applicable nondiscrimination, equal opportunity, and contract compliance laws.

The OIC meets monthly and in compliance with ORS 192.630-660 holds its meeting in a public forum. Public notice, including a meeting agenda, is provided to interested persons and news media that have requested notice. Written minutes and recordings are taken at all meetings.

The OIC recently embarked on a detailed documentation of its governance structure and beliefs encompassing delegation and return expectations. As funds under management have grown significantly over the last decade, these more formal guidelines have become invaluable to the professional management of state funds. The OIC also regularly reviews various aspects of investment policy, performance of investment managers and accounts, asset allocation, and a large number of investment proposals and recommendations.

Investment Results

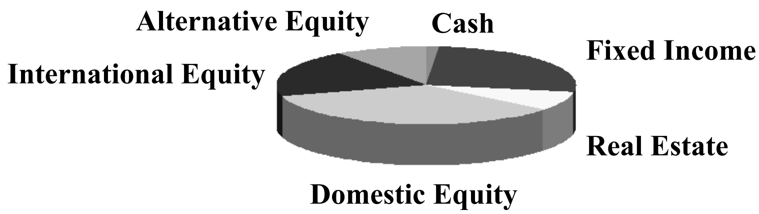
	Periods Ending June 30, 2004		
		Annualized	
	1-Year	3-Year	5-Year
Total Portfolio	18.0%	4.4%	4.6%
Domestic Stocks	22.5%	0.9%	1.4%
Benchmark: Russell 3000 Index	20.5%	0.2%	-1.1%
International Stocks	31.7%	5.4%	2.7%
Benchmark: Custom Index (1)	32.5%	5.3%	1.0%
Fixed Income Segment	2.4%	7.7%	7.5%
Benchmark: Custom Index (2)	0.9%	6.4%	6.8%
Real Estate (3)	20.9%	11.0%	11.9%
Benchmark: NCREIF	9.7%	7.7%	9.3%
Private Equity (4)	16.5%	-1.5%	3.1%
Benchmark: Russell 3000 +500 bps	43.4%	7.9%	6.1%

Calculations were prepared using a time-weighted rate of return based on the market rate in accordance with AIMR's performance presentation standards.

(1) 90% Salomon World Equity Broad Market ex-US/10% International Finance Corporation EMG Investable Securities
(2) 90% Lehman Universal/10% SSBI Non-US World Government Bond Hedged
(3) Returns are lagged one quarter.
(4) Returns are lagged one quarter.

Investment Target Allocation as of June 30, 2004

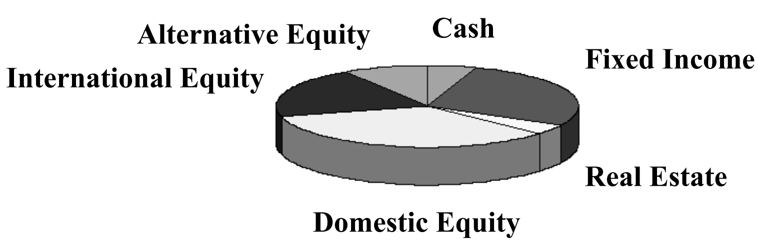
OIC Allocation



	Low Range	High Range	Weighted Average Range
Cash	0%	3%	1.5%
Fixed Income	22	32	26.6
Real Estate	5	11	7.8
Domestic Equity	30	40	34.5
International Equity	15	25	19.7
Alternative Equity	7	13	9.9
	79.0%	**124.0%**	**100.0%**

Investment Actual Allocation as of June 30, 2004

Actual Allocation



	Actual
Cash	5.3%
Fixed Income	27.4
Real Estate	3.9
Domestic Equity	34.2
International Equity	20.1
Alternative Equity	9.1
	100.0%

Schedule of Largest Assets Held

Largest Stock Holdings (by Fair Value)
June 30, 2004

Shares	Description	Fair Value
3,370,295	Pfizer, Inc.	$ 115,533,712
3,391,200	Intel Corporation	93,597,120
1,773,342	Citigroup, Inc.	82,460,403
2,323,900	General Electric Co.	75,294,360
3,159,400	Cisco Systems, Inc.	74,877,780
2,018,200	Yahoo! Inc.	73,321,206
1,304,820	Johnson & Johnson	72,678,474
836,584	Bank of America Corporation	70,791,738
3,374,118	GlaxoSmithKline	68,287,615
736,200	eBay Inc.	67,693,590
		$ 794,535,998

Largest Bond Holdings (by Fair Value)
June 30, 2004

Par Value	Description	Fair Value
$ 406,420,000	Federal National Mortgage Association TBA 5.0% Due 07-15-2034 Rating Aaa	$ 392,544,577
236,740,000	US Treasury Notes 2.0% Due 08-31-2005 Rating Aaa	236,231,019
168,500,000	Government National Mortgage Association TBA 6.0% Due 07-22-2034 Rating Aaa	172,475,555
124,600,000	Government National Mortgage Association TBA 5.0% Due 07-22-2034 Rating Aaa	120,754,919
120,370,000	Federal National Mortgage Association TBA 4.5% Due 07-20-2019 Rating Aaa	117,586,444
104,600,000	US Treasury Notes 3.875% Due 05-15-2009 Rating Aaa	104,969,242
93,890,000	Federal National Mortgage Association TBA 5.5% Due 07-15-2018 Rating Aaa	95,973,184
66,412,530	US Treasury Bonds 3.875% Due 04-15-2029 Rating Aaa	84,737,076
62,350,000	US Treasury Bonds 8.5% Due 02-15-2020 Rating Aaa	84,374,517
83,350,000	US Treasury Notes 1.625% Due 02-28-2006 Rating Aaa	82,128,926
		$ 1,491,775,459

A complete list of portfolio holdings may be requested from the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, OR 97301-3896.

Schedule of Fees and Commissions
For the Fiscal Year Ended June 30, 2004

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Fixed Income Managers	$12,796,547,726	$ 10,484,816	0.081935
Equity Managers	25,419,991,959	49,100,058	0.193155
Venture Capital Managers	458,317	---	0.000000
KKR Leveraged Buyouts	1,398,092,032	19,005,287	1.359373
Alternative Equity Managers (Limited Partnerships)	2,860,166,524	41,373,935	1.446557
Real Estate Managers	1,812,939,630	21,485,319	1.185109
Total Assets Under Management	**$44,288,196,188**		
Other Investment Service Fees:			
Securities Lending Fees		31,066,547	
Investment Consultant Fees		1,818,565	
Commissions and Other Fees		47,002,501	
Total Investment Service and Managers' Fees		**$ 221,337,028**	

Schedule of Broker Commissions
For the Fiscal Year Ended June 30, 2004

Broker's Name	Commission	Share / Par	Commission per Share
Merrill Lynch, Pierce, Fenner & Smith, Inc.	$ 3,011,309	$ 1,711,128,748	$ 0.00176
UBS Securities Inc.	1,961,776	1,573,768,876	0.00125
Citigroup Global Markets Inc.	1,708,482	1,948,612,983	0.00088
Goldman, Sachs & Co.	1,650,460	108,884,178	0.01516
Credit Suisse First Boston Corporation	1,480,979	2,678,073,716	0.00055
Morgan Stanley & Co., Incorporated	1,313,003	712,224,008	0.00184
Bear, Stearns & Co., Inc.	1,267,307	31,171,507	0.04066
Deutsche Bank	1,234,026	411,868,127	0.00300
Lehman Brothers, Inc.	1,221,157	91,576,606	0.01333
J.P. Morgan Securities, Inc.	967,554	107,412,044	0.00901
Jefferies & Co.	754,226	18,998,604	0.03970
Lynch Jones and Ryan	640,571	15,103,0603	0.04241
Credit Lyonnais Securities	617,234	1,023,485,273	0.00060
Instinet Corporation	465,779	21,636,986	0.02153
Arnhold S. Bleichroeder, Inc.	426,847	332,878,832	0.00128
State Street Brokerage Services Inc.	424,602	38,033,970	0.01116
Investment Technology Group, Inc.	414,449	34,352,122	0.01206
BancAmerica Security LLC Montgomery	411,407	8,931,290	0.04606
Wachovia Securities, LLC	391,017	8,655,116	0.04518
Thomas Weisel Partners	300,757	6,291,771	0.04780

Brokerage commissions on purchases and sales are too numerous to list; therefore, only the top 20 brokers by amount of commission paid are shown.

Investment Summary

Type of Investment	Fair Value at June 30, 2004	Percent of Total Fair Value
Fixed Income		
U.S. Government Securities	$ 1,820,476,409	4.11%
U.S. Agency Securities	2,606,537,238	5.89
Domestic Corporate Securities	2,832,078,233	6.39
Domestic Mutual Funds	1,966,683,001	4.44
International Government and Corporate Securities	1,073,471,122	2.42
Global Mutual Funds	767,251,876	1.73
Asset-Backed Securities and Annuity Contracts	1,727,862,115	3.90
Real Estate Mortgages	2,187,732	0.00
Total Fixed Income	**12,796,547,726**	**28.88**
Equity		
Domestic Stocks	8,210,963,499	18.54
Domestic Mutual Funds	7,821,229,431	17.68
International Stocks	5,927,788,723	13.38
Global Mutual Funds	3,460,010,306	7.81
Total Equity	**25,419,991,959**	**57.41**
Real Estate		
Real Estate	1,067,083,089	2.41
Limited Partnerships	719,628,643	1.62
Private Placements	26,227,899	0.06
Total Real Estate	**1,812,939,631**	**4.09**
Alternative Equity		
Limited Partnerships	2,860,166,523	6.46
Venture Capital	458,317	0.00
Leveraged Buyouts	1,398,092,032	3.16
Total Alternative Equity	**4,258,716,872**	**9.62**
Total Fair Value	**$ 44,288,196,188**	**100.00%**

Actuarial Section

A MILLIMAN GLOBAL FIRM
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December 1, 2004

Retirement Board
Oregon Public Employees Retirement System

Dear Members of the Board:

We have performed an actuarial valuation of the Oregon Public Employees Retirement System as of December 31, 2002. The 2003 valuation is in progress but not completed as of this date. In our opinion, the System is an actuarially sound system based on the current actuarial assumptions.

Actuarial valuations are normally performed every two years, as of the end of each odd-numbered year. Special interim valuations were performed as of December 31, 2000 and December 31, 2002.

In preparing the valuation, we relied upon the financial and membership data furnished by the System. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman prepared the information presented in this Actuarial Section of the 2004 Comprehensive Annual Financial Report, including the following supporting tables, based on information in our 2002 actuarial valuation report:

- Actuarial Assumptions and Methods
  - Economic Assumptions
  - Mortality Tables
  - Rates of Retirement and Disability
  - Rates of Other Terminations of Employment
  - Future Salaries
  - Unused Sick Leave
  - Probability of Annuity
  - Probability of Vesting
  - Actuarial Cost Method
  - Actuarial Value of Assets
- Actuarial Schedules
  - Schedule of Active Member Valuation Data
  - Schedule of Retirees and Beneficiaries
- Summary of Actuarial and Unfunded Actuarial Liabilities
- Solvency Test
- Recommended vs. Actual Contributions

In addition, we reviewed the Summary of Plan Provisions and prepared the Schedules of Funding Progress in the Financial Section of this report.

Legislation enacted during 2003 had a significant impact on the actuarial liabilities of the System. The 2001 and 2002 valuations have been performed including the impact of the 2003 PERS Reform Legislation. This legislation is currently under judicial review.

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the System. The Board adopted all of the actuarial methods and assumptions used in the 2002 valuation.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the System and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the System. Nevertheless, the emerging costs of the System will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Governmental Accounting Standards Board Statement No. 25.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the Oregon Public Employees Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

Mark O. Johnson, F.S.A., M.A.A.A., E.A.
Principal and Consulting Actuary

Actuarial Assumptions and Methods

1. Economic Assumptions

a.	Consumer Price Inflation	3.25 percent	(Adopted 2001)
b.	Health Cost Inflation	Graded from 8.5 percent in 2004 to 5 percent in 2011	(Adopted 2001)
c.	Investment Return	8.0	(Adopted 1989)
d.	Interest on Tier One Accounts	8.5	(Adopted 1997)
e.	Wage Growth	4.25	(Adopted 1999)

2. Mortality Tables (Adopted 2001)

Class	Service Retirees *	Contributing Members
General Service	RP-2000	
Male	18-month setback	75 percent of retiree table
Female	18-month setback	60 percent of retiree table
Police and Fire	RP-2000	
Male	12-month setback	40 percent of retiree table
Female	18-month setback	40 percent of retiree table
School District	RP-2000	
Male	24-month setback	50 percent of retiree table
Female	36-month setback	50 percent of retiree table
Judge Members	RP-2000	
Male	18-month setback	100 percent of retiree table
Female	18-month setback	100 percent of retiree table
Disabled Members	Service retiree table set forward	
Male	36 months; minimum 2.5 percent	N/A
Female	Service retiree table set forward	
	24 months; minimum 3.0 percent	N/A
Surviving Beneficiaries	RP-2000	
Male	18-month setback	N/A
Female	18-month setback	N/A

3. Retirement (Adopted 1997)

Rates of retirement and disablement are illustrated in the following table.

	State Employees					Subdivision Employees			
	General Service		Police and Fire	School Employees		General Service		Police and Fire	
Attained Age	Male	Female	Fire	Male	Female	Male	Female	Fire	Judge Members
Duty Disablement									
32	.01%	.02%	.01%	.01%	.01%	.02%	.01%	.06%	.01%
42	.01	.02	.03	.02	.01	.02	.01	.06	.01
52	.03	.03	.09	.02	.01	.02	.02	.20	.03
Ordinary Disablement									
32	.09%	.14%	.06%	.0%	.0%	.08%	.02%	.09%	.07%
42	.14	.21	.14	.13	.17	.12	.20	.22	.11
52	.28	.60	.23	.64	.45	.60	.65	.37	.21
Service Retirement - Tier One **									
50	0%	0%	14%	0%	0%	0%	0%	12%	0%
55	10	5	12	15	9	5	5	25	-
58	14	11	12	20	15	15	8	25	-
60	12	10	15	20	19	10	10	25	-
62	40	30	35	60	40	55	30	70	-
65	65*	70*	100	50*	60*	75*	50*	100	100*
30 and Out	40	20	-	40	40	25	15	-	-

* Members over 65 are assumed to retire within the following ten years. All judges are assumed to retire at age 63 under Plan B.
** Tier Two service retirement rates are reduced 33 percent for retirement from ages 55 through 59 for General Service members.

4. Other Terminations of Employment (Adopted 2001)

A select period of five years is used in the withdrawal assumption. The rates of termination after five years of membership are illustrated in the following table:

	State Employees					Subdivision Employees					
	General Service		Police and Fire	School Employees		General Services		Police and Fire	OHSU		
Attained Age	Male	Female		Male	Female	Male	Female		Male	Female	Judge Members
22	19%	14%	3%	18%	15%	7%	13%	4%	9%	17%	0%
32	8	8	3	5	6	4	7	3	5	9	-
42	4	5	2	2	3	3	5	2	4	6	-
52	3	3	-	2	2	2	3	-	2	4	-

5. Future Salaries (Adopted 2001)

The total annual rates of salary increase include an assumed 4.0 percent per annum rate of increase in the general wage level of the membership plus increases due to promotions and longevity. The total rates of salary increase after five years of membership are illustrated below:

	State Employees			Subdivision Employees			
Attained Service	General Service	Police and Fire	School Employees	General Service	Police and Fire	OHSU	Judge Members
5	6.25%	6.50%	7.00%	6.25%	7.25%	5.50%	4.25%
10	5.25	5.30	6.00	5.35	5.65	4.65	4.25
15	4.75	4.80	5.35	4.85	4.85	4.50	4.25
20	4.75	4.30	4.85	4.60	4.60	4.25	4.25

6. Unused Sick Leave (Adopted 2001)

For members covered by this provision, unused sick leave increases the final average salary used to calculate the pension. These members are assumed to receive an increase in their pensions on account of such provision varying from 3.0 percent to 10.0 percent.

7. Annuity (Adopted 2001)

The probability that retiring members will elect to receive an annuity based on their own contributions rather than a lump-sum distribution ranges from 75 to 80 percent.

8. Vesting (Adopted 1999)

The following table illustrates the probability that vested terminating members will elect to receive a deferred benefit instead of withdrawing accumulated contributions.

	State Employees					Subdivision Employees			
	General Service		Police and Fire	School Employees		General Service		Police and Fire	
Attained Age	Male	Female		Male	Female	Male	Female		Judge Members
22	46%	46%	25%	63%	53%	44%	48%	31%	100%
32	58	58	25	63	79	55	72	50	100
42	75	75	50	75	79	72	78	56	100
52	92	92	100	94	95	83	84	100	100

9. Actuarial Cost Method (Adopted 1999)

Accruing costs for all benefits are measured by the entry age actuarial cost method. The unfunded actuarial liability created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date and ending on December 31, 2027.

10. Actuarial Value of Assets (Adopted 2000)

The Actuarial Value of Assets is equal to the fair market value of assets on the valuation date, less a reserve equal to a *pro rata* portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses) effective from January 1, 2000, are recognized at the rate of 25.0 percent per year. The actuarial value of assets is limited to a 10.0 percent corridor above and below the fair market value.

11. Changes in Assumptions due to 2003 Legislation (Adopted 2001)

Tier One Interest Credit

No earnings were assumed to be credited to Tier One regular accounts for five years beginning with 2003 for the purposes of refunds and retirement calculations with effective dates on or after April 1, 2004. After 2007, Tier One interest credits were assumed to be 8.0 percent per year.

Service Retirements

Service retirements from active status were assumed to be 30 percent higher than those shown in Section 3 for 2002 (but not higher than 100 percent) and 50 percent higher for 2003 (but not higher than 100 percent). The regular retirement rates were applied for 2004 and beyond.

Actuarial Schedules

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll in Thousands	Average Annual Pay	Annualized % Increase Average	
12/31/1991	131,721	3,887,529	29,513	5.9	
12/31/1993	137,513	4,466,797	32,483	4.9	
12/31/1995	141,471	4,848,058	34,269	2.7	
12/31/1997	143,194	5,161,562	36,045	2.6	
12/31/1999	151,262	5,676,606	37,528	2.0	
12/31/2000	156,869	6,195,862	39,497	5.2	
12/31/2001	160,477	6,520,225	40,630	2.9	Old Basis
12/31/2001	160,477	6,253,965	38,971	---	New Basis *
12/31/2002	159,287	6,383,475	40,075	3.8	

*Effective in 2001, the Annual Payroll excludes the member pick-up, if any.

Schedule of Retirees and Beneficiaries*

Valuation Date	Number	Annual Allowances in Thousands	% Increase in Annual Allowances**	Average Annual Allowances
12/31/1989	54,486	344,771	24.5	6,328
12/31/1991	56,779	442,112	28.2	7,787
12/31/1993	60,841	564,341	27.6	9,276
12/31/1995	64,796	700,171	24.1	10,806
12/31/1997	69,624	919,038	31.3	13,200
12/31/1999	82,819	1,299,380	41.4	15,689
12/31/2000	82,458	1,385,556	6.6	16,803
12/31/2001	85,216	1,514,491	9.3	17,772
12/31/2002	89,482	1,722,865	13.8	19,254

* Information regarding the number of retirees and beneficiaries added to/removed from the rolls was not used in the actuarial valuations and was not available in the records given to the actuary.
** Since last valuation date.

Summary of Actuarial and Unfunded Actuarial Liabilities*

(dollar amounts in millions)

Valuation Date	Aggregate Actuarial Liabilities	Valuation Assets	Assets as a % of Actuarial Liabilities	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a % of Annual Active Member Payroll
12/31/1991	14,671.2	14,667.9	100	3.3	3,887.5	0
12/31/1993	19,001.3	17,552.0	92	1,449.3	4,466.8	32
12/31/1995	23,248.6	20,957.6	90	2,291.0	4,848.1	47
12/31/1997	31,664.9	29,108.2	92	2,556.7	5,161.6	50
12/31/1999	40,907.9	39,964.8	98	943.1	5,676.6	17
12/31/2000	43,350.5	41,804.6	96	1,545.9	6,195.9	25
12/31/2001	45,947.7	39,852.2	87	6,095.5	6,254.0	97
12/31/2001#	37,821.6	39,852.2	105	(2,030.6)	6,254.0	(32)
12/31/2002	39,520.5	35,537.1	90	3,983.4	6,383.5	62

*An extensive revision of the actuarial valuation assumptions occurs at each valuation; therefore, the figures are not directly comparable.
#See footnote on page 33.

Solvency Test

(dollar amounts in millions)

Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Other Members (Employer Financed)*	Valuation Assets	Portion of Actuarial Liabilities Covered by Assets (1)	(2)	(3)
12/31/1991	4,000.7	4,471.6	6,198.9	14,667.9	100	100	100
12/31/1993	4,853.4	6,239.3	7,908.6	17,552.0	100	100	82
12/31/1995	5,753.0	7,492.8	10,002.8	20,957.6	100	100	77
12/31/1997	8,135.4	9,994.9	13,534.6	29,108.2	100	100	81
12/31/1999	8,238.1	14,333.7	18,336.1	39,964.8	100	100	95
12/31/2000	10,142.5	15,664.1	17,543.9	41,804.6	100	100	91
12/31/2001	10,252.8	17,465.9	18,229.0	39,852.2	100	100	67
12/31/2001#	10,252.8	17,340.0	10,228.8	39,852.2	100	100	120
12/31/2002	9,940.7	19,339.0	10,240.8	35,537.1	100	100	61

*An extensive revision of the actuarial valuation assumptions occurs at each valuation; therefore, the figures are not directly comparable.

#See footnote on page 33.

Recommended vs. Actual Contributions

Separate contribution rates are adopted by the Board for all state agencies, community colleges, all school districts combined, and the state judiciary. Each individual political subdivision employer (467 subdivision employers on December 31, 2001) has a unique contribution rate. The rates adopted by the Board were those recommended by the actuary after each valuation and after legislative changes enacted subsequent to the valuations, except for the 2000 and 2002 interim actuarial valuations which did not impact employer contribution rates.

Plan Summary

Summary of Plan Provisions

As of December 31, 2001

Membership

All employees of public employers participating in this system who are in qualifying positions become members of the System after completing six months of service.

Employee Contributions Mandatory

Employment categories

All.

Amount of mandatory contributions

Employee contributions are at a fixed rate of 6 percent of salary except for some cases where another rate from an old law is still in effect. Judges contribute at the rate of 7 percent of salary. Some employers have elected to "pick-up" employee contributions.

Unit Purchases

Purpose

To allow police officers and firefighters to purchase, jointly with their employers, additional benefits payable between retirement and age 65.

Amount of employee contributions

That amount actuarially determined to be necessary to provide half the additional benefits desired. Benefits are in units of $10 per month. A total of eight units may be purchased providing $80 per month at age 60.

Matching feature

Each unit purchased by the member is matched by an equal benefit from the employer.

Employer Contribution

To provide for benefits earned by prior service

As necessary to pay for such benefits amortized over a 26-year period beginning January 1, 2002, and ending on December 31, 2027.

To provide for benefits earned by current service

Normal costs plus amounts as necessary to pay for the excess of the value of such benefits over the sum of the present value of future normal costs plus the assets available to provide benefits amortized over a 26-year period beginning January 1, 2002, and ending on December 31, 2027.

Prior Service Credit

State and school district employees prior to formation of System

Service prior to July 1946, but not to exceed 20 years.

Other employees prior to employer joining System

Service prior to the date on which the employer commenced participation in the System, as determined by formula agreed upon by the Board of the System and the governing body of the public employer.

Normal Retirement Allowance

Eligibility

Police officers and firefighters
- Age 55

Judges
- Age 65

Others
- Age 58

Amount of monthly retirement allowance: full formula

The sum of:

a. a current service life pension equal to final average monthly salary times years of service times a percentage factor (see table on next page), plus
b. a prior service life pension of $4 ($6 for employees retired before April 8, 1953) times years of prior service.

Minimum monthly retirement allowance

$100 for an employee with at least 15 years of creditable service. This is actuarially reduced if retirement occurs prior to age 65. Benefits under the former judges' system are grandfathered for those who retire after age 70 with at least 12 years of service.

Formula plus annuity

For members making contributions prior to August 21, 1981, the benefit will not be less than the sum of:

a. an annuity actuarially equivalent to the employee's accumulated contributions with interest, plus

b. a current service life pension equal to final average monthly salary times years of service times a percentage factor (see table below under “Old”) but at least equal to the annuity.

Money match

In no case will the current service allowance be less than:

a. an annuity actuarially equivalent to the employee’s accumulated contributions with interest, plus
b. a matching amount from the employer.

		Percentage Factor New	Percentage Factor Old	Limitation on Years of Membership Service*
Police Officers, Firefighters, and Legislators		2.00%	1.35%	None
Judges**	Plan A	2.8125	1.67	16-year limit on new percentage factor. Old factor used for service after 16 years.
	Plan B	3.75	2.00	
Others		1.67	1.00	None

* If the participant has at least ten years of membership service and agrees to pay an amount equal to the employer plus employee contribution that would have been paid, credit is granted for the six-month waiting period.

** Under law, the maximum benefit payable is 65 percent of final average salary for Plan A, and 75 percent for Plan B.

Early Retirement Allowance

Eligibility

Police officers and firefighters
  Age 50 or 25 years of service
Judges
  Age 60
Others
  Age 55 or 30 years of service

Amount of Benefit

Police officers and firefighters
  Normal retirement allowance, actuarially reduced if retirement occurs prior to age 55 or 25 years of service.
Judges
  Normal retirement allowance, actuarially reduced from age 65 for Plan A judges.
Others
  Normal retirement allowance, actuarially reduced if retirement occurs prior to age 58 or 30 years of service.

Optional Forms of Benefit Payment

Options available

1. Lifetime annuity
2. Cash refund annuity
3. Lifetime annuity guaranteed 15 years
4. Joint and 100 percent survivor contingent annuity, with or without pop-up feature
5. Joint and 50 percent survivor contingent annuity, with or without pop-up feature
6. Lump sum of employee contributions and interest plus life pension (under any form) for current service under old law and prior service pension.

Amount of benefit

All options are actuarially equivalent.

Special judges’ provision

The normal form is a joint and two-thirds survivor contingent benefit for a married judge and a cash refund annuity for an unmarried judge.

Death Benefit Prior to Retirement

Eligibility

Judges

Six or more years of service

Others

All members

Amount of benefit

Judges

1. The spouse shall receive a life pension equal to two-thirds of the service allowance.
2. The beneficiary of an unmarried judge shall receive the member's accumulated contributions with interest.

Others

1. If death occurs while the member is an employee of a participating employer, within 120 days of termination if the employee does not withdraw the account balance or retire, or if death results from injury received while in the service of a participating employer, the benefit is the member's accumulated contributions with interest plus an equal amount from employer contributions.
2. If death occurs more than 120 days after termination, the benefit is the member's accumulated contributions with interest.

Survivor Benefit After Retirement

Amount of benefit

Continuation of payments in accordance with the optional form of retirement allowance, if such election was made.

Additional Death Benefits For Police Officers And Firefighters

Eligibility

Spouse or dependent children under age 18 of deceased police officer or firefighter whose death occurred after retirement for service or disability.

Amount of benefit

Twenty-five percent of the unmodified retirement allowance that the police officer or firefighter was entitled to at the time of death.

Disability Benefits: Duty-Related

Eligibility

Disablement occurring as a direct result of a job-incurred injury or illness, regardless of length of service.

Amount of benefit

The sum of:

a. the current service pension the employee would be entitled to at age 58 (age 55 if police officer or firefighter; age 65 if a judge) or age at disablement, if greater, plus

b. the same prior service pension the employee would be entitled to at normal retirement date.

Police officers' and firefighters' alternatives

In lieu of the above, police officers and firefighters may elect to receive a benefit of 50 percent of final average salary at the time of disablement.

Minimum monthly retirement allowance

Judges

45 percent of final average salary

Others

$100. This is actuarially reduced if an optional form of benefits is chosen.

Reduction of benefits

Whenever a disabled employee's disability benefit and earned income for any month exceed the monthly salary received at the time of disablement, the disability benefit will be reduced by the excess, but the combined income shall not be reduced to less than $400 per month.

Disability Benefits: Non-Duty Related

Eligibility

Disablement occurring after ten years of service (six years, if a judge), but prior to normal retirement age.

Amount of benefit

Same as duty-related disability benefits, but with no police officers' and firefighters' alternative benefit.

Withdrawal of Benefits

Form of benefit

Payment of accumulated employee contributions with interest. Judges must have completed at least five years of service; otherwise, contributions are forfeited.

Vested Benefits

Eligibility

Contributions made in five calendar years without withdrawal of contributions.

Form of benefit

A deferred retirement allowance with payments starting on or after the employee's earliest retirement date. During the deferral period, the vested employee is, in some instances, eligible for death and disability benefits.

Amount of benefit

Service retirement allowance, actuarially reduced to the age at which benefits start.

Alternative

In lieu of all other benefits and prior to voluntary retirement age, a member may receive a payment of accumulated contributions with interest.

Postemployment Adjustments

Benefits affected

Applicable pension and annuity benefits except unit purchases.

Provisions

Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (CPI) (Portland area — all items) as published by the Bureau of Labor Statistics, U.S. Department of Labor.

The maximum adjustment to be made for any year is 2.0 percent of the previous year's benefit. Any CPI change in excess of 2.0 percent is accumulated for future benefit adjustments that would otherwise be less than 2.0 percent. No benefit will be decreased below its original amount. In addition, the Legislature periodically has granted *ad hoc* increases.

In addition to the provisions described above, all members are eligible for a benefit adjustment equal to the greater of (a) or (b):

(a) Senate Bill 656

For all benefits, except the return of member contributions, an adjustment equal to the following percentage:

	Benefit Increase	
Years of Service	General Service	Police and Fire
0 - 9	0.0%	0.0%
10 - 14	1.0	1.0
15 - 19	1.0	1.0
20 - 24	2.0	2.5
25 - 29	3.0	4.0
30+	4.0	4.0

(b) House Bill 3349

For all benefits, an adjustment equal to the following multiplier:

$$\frac{1}{1 - \text{maximum Oregon personal income tax rate}} \times \frac{\text{creditable service prior to October 1, 1991}}{\text{All creditable services}}$$

Variable Annuity Program

Employee contributions

An employee may elect to have 25, 50, or 75 percent of his or her contributions placed into the Variable Annuity Account.

Investment of contributions to Variable Annuity Account

Money in the Variable Annuity Account may be invested by the Oregon Investment Council in any investment authorized for the System, but is to be directed primarily to equity investments.

Benefits purchased from Variable Annuity Account funds at retirement

At retirement an employee may elect to receive a variable annuity with the funds accumulated in his or her Variable account.

The variable annuity portion of the benefit is thus increased or decreased annually to reflect investment gains and losses of the variable annuity portfolio.

Alternatively, the employee may elect to have all variable funds in his or her account transferred to the regular fund and receive an annuity from the System as though no variable annuity program existed. The benefit is increased or decreased to reflect the value of the Variable Annuity Account at retirement. No subsequent changes after retirement are made.

Retiree Healthcare: Medicare Supplement

Eligibility

A member is eligible for a Retirement Health Insurance Account contribution if he or she is:

1. currently receiving a retirement benefit or allowance from the System,
2. accrued eight years of creditable service before retirement,
3. enrolled in a PERS-sponsored health plan, and
4. enrolled in both Medicare Part A and Part B.

Benefit

A monthly contribution of up to $60 per retiree is applied to PERS-sponsored Medicare supplemental insurance costs.

Retiree Healthcare: Under Age 65

Eligibility

Retired state employees.

Benefit

A monthly subsidy based on the average difference between the health insurance premiums paid by retired state employees in a PERS-sponsored plan and those paid by active state employees in a state-sponsored plan. The difference is attributable to grouping retired state employees separately from active state employees.

The average difference is the maximum subsidy allowed and is recalculated every year. The scheduled subsidy as a percentage of the maximum subsidy is shown to the right.

Years of Service	Subsidized Amount
Under 8	0%
8 - 9	50
10 - 14	60
15 - 19	70
20 - 24	80
25 - 29	90
30+	100

Changes in PERS due to 2003 PERS Reform Legislation

Member Contributions

Beginning in January 2004, member contributions for all active members (except judges) will be deposited in the OPSRP Individual Account Program, which is supplemental to the determination of the PERS retirement benefit.

Tier One Interest Credits

No earnings may be credited to Tier One Regular accounts in any year in which the Gain and Loss Reserve is in a deficit position, and no earnings may be credited that would result in a deficit. This change becomes effective with the crediting of earnings for 2003. The assumed interest rate guarantee applies on a compounded basis for all years of membership rather than individually in each year. Interest credits may not exceed the assumed interest rate until the Gain and Loss Reserve has been fully funded in each of the last three years.

Suspension of Postemployment Adjustments

For Tier One members who retire with an effective date of retirement on or after April 1, 2000, and before April 1, 2004, and receive a service retirement allowance under the Money Match formula, a “Revised Service Retirement Allowance” is calculated. The Revised Service Retirement Allowance is calculated with the member’s regular account balance adjusted as though 11.33 percent was credited for 1999 (instead of 20 percent) and includes an imputed cost-of-living adjustment. Members will receive the Fixed Service Retirement Allowance, the benefit amount received on July 1, 2003, with no additional postemployment adjustment until the Revised Service Retirement Allowance with postemployment adjustments provides a higher benefit.

Actuarial Equivalency Conversion Factors

For effective retirement dates on or after July 1, 2003, new actuarial factors are put into use. The retirement allowance uses the member account balance, final average salary, years of service, and actuarial factors in effect as of the retirement date. The allowance can be no less than that produced by a “look-back” calculation which uses the member account balance, final average salary, years of service, and actuarial factors in effect on June 30, 2003.

150 Percent Lump Sum Distribution

An inactive member who withdraws the member account balance between July 1, 2004, and June 30, 2006, receives an additional 50 percent of the account balance. The member must be inactive on January 1, 2000, and remain inactive to the date of withdrawal. The member must be vested.

Analysis of Financial Experience

An analysis of the gains and losses has not been performed in conjunction with the valuations. Therefore, the figures for this statement are not available. However, an extensive review of all actuarial assumptions is required to be performed at each biennial actuarial valuation.

Independent Actuarial Review Opinion

The firm of Milliman USA is retained as an independent actuarial consultant by the System. All of the information presented in this section of the report has been prepared by Milliman USA.

Statistical Section

Revenues by Source

For the Years Ended June 30:

Defined Benefit Pension Plan

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
1995	$ 277,590,846	$ 416,283,061	9.32%	$ 15,335,870	$ 2,427,244,219	$ 3,136,453,996
1996	289,734,738	415,704,528	8.40	16,754,883	3,970,105,115	4,692,299,264
1997	303,723,333	433,289,222	8.83	17,111,261	4,827,330,145	5,581,453,961
1998	322,378,126	455,531,987	8.86	17,957,112	4,861,851,105	5,657,718,330
1999	338,859,319	473,096,323	8.97	17,502,513	3,491,728,315	4,321,186,470
2000	348,244,045	1,022,650,598*	17.53	19,121,874	6,680,242,927	8,070,259,444
2001	370,165,609	639,010,754*	10.80	20,278,204	(3,465,913,890)	(2,436,459,323)
2002	391,542,211	989,078,917*	15.56	20,939,073	(2,422,055,208)	(1,020,495,007)
2003	400,988,567	2,578,989,169*	39.91	21,436,993	1,465,990,471	4,467,405,200
2004	185,693,017	3,164,219,088*	63.39	23,763,183	7,182,524,205	10,556,199,493

Postemployment Healthcare Plan

Fiscal Year	Member Contributions**	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
1995	$ N/A	$ 22,663,321	0.51%	$ N/A	$ (824,523)	$ 21,838,798
1996	N/A	29,903,612	0.60	N/A	(721,711)	29,181,901
1997	N/A	28,489,876	0.58	N/A	559,558	29,049,434
1998	N/A	36,425,398	0.71	N/A	(216,554)	36,208,844
1999	N/A	37,282,630	0.71	N/A	855,465	38,138,095
2000	36,870,774	41,242,733	0.71	N/A	9,845,657	87,959,164
2001	45,492,117	43,472,869	0.74	N/A	(2,524,623)	86,440,363
2002	52,273,896	41,578,731	0.65	N/A	(3,543,720)	90,308,907
2003	66,380,497	42,848,647	0.66	N/A	3,479,214	112,708,358
2004	72,894,536	43,720,234	0.88	N/A	21,520,377	138,135,147

Oregon Public Service Retirement Plan***

Pension Program

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
2004	$ N/A	$ 1,933,985	N/A	$ N/A	$ 14,966	$ 1,948,951

Oregon Public Service Retirement Plan***

Individual Account Program

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
2004	$ 201,306,142	$ N/A	N/A	$ N/A	$ 1,606,791	$ 202,912,933

Deferred Compensation Plan****

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
1998	$ 51,781,886	$ N/A	N/A%	$ N/A	$ 62,151,320	$ 113,933,206
1999	34,550,787	N/A	N/A	N/A	59,157,120	93,707,907
2000	41,512,686	N/A	N/A	N/A	69,840,556	111,353,242
2001	43,512,667	N/A	N/A	N/A	(61,887,870)	(18,375,203)
2002	47,472,963	N/A	N/A	N/A	(41,865,658)	5,607,305
2003	50,279,420	N/A	N/A	N/A	15,987,532	66,266,952
2004	56,479,388	N/A	N/A	N/A	79,874,001	136,353,389

* Employer contributions for fiscal years 2000 and thereafter include employer prepayments of unfunded liabilities.
** Standard Retiree Health Insurance account activity was added to the System July 1, 1999.
*** The Oregon Public Service Retirement Plan became fully operational in January 2004, and information prior to 2004 is not available.
**** Deferred Compensation information prior to 1998 is not available.

Expenses by Type

For the Years Ended June 30:

Defined Benefit Pension Plan

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
1995	$ 709,539,161	$ 10,320,028	$ 37,249,150	$ 757,108,339
1996	760,759,150	11,867,713	51,914,136	824,540,999
1997	882,187,884	13,227,283	52,542,067	947,957,234
1998	1,574,494,076	15,183,982	56,893,468	1,646,571,526
1999	1,343,217,654	15,666,811	50,530,792	1,409,415,257
2000	1,442,314,231	18,568,579	51,726,463	1,512,609,273
2001	1,578,497,193	25,374,819	46,243,701	1,650,115,713
2002	1,688,072,888	17,456,752	46,086,912	1,751,616,552
2003	2,000,324,195	16,784,817	42,640,295	2,059,749,307
2004	2,518,986,074	24,874,201	42,193,518	2,586,053,793

Postemployment Healthcare Plan

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
1995	$ 20,692,001	$ 1,329,042	$ N/A	$ 22,021,043
1996	21,144,177	1,371,756	N/A	22,515,933
1997	21,726,518	1,449,323	N/A	23,175,841
1998	22,437,919	1,422,420	N/A	23,860,339
1999	23,090,627	1,789,977	N/A	24,880,604
2000	59,448,485*	2,112,148	N/A	61,560,633
2001	64,018,157	2,209,878	N/A	66,228,035
2002	74,158,532	2,225,181	N/A	76,383,713
2003	109,778,474	2,274,818	N/A	112,053,292
2004	107,186,600	2,378,635	N/A	109,565,235

Oregon Public Service Retirement Plan**
Pension Program

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	$ N/A	$ 1,444,056	$ N/A	$ 1,444,056

Oregon Public Service Retirement Plan**
Individual Account Program

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	$ N/A	$ 1,400,300	$ N/A	$ 1,400,300

Deferred Compensation Plan ***

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
1998	$ 36,226,625	$ 546,537	$ N/A	$ 36,773,162
1999	14,045,802	475,878	N/A	14,521,680
2000	26,484,319	607,203	N/A	27,091,522
2001	28,387,233	589,512	N/A	28,976,745
2002	41,149,643	685,523	N/A	41,835,166
2003	33,596,122	660,144	N/A	34,256,266
2004	40,377,599	759,180	N/A	41,136,779

* Standard Retiree Health Insurance account activity was added to the System July 1, 1999.
** The Oregon Public Service Retirement Plan became fully operational in January 2004, and information prior to 2004 is not available.
*** Deferred Compensation information prior to 1998 is not available.

Revenues by Source

For the Years Ended December 31*:

Defined Benefit Pension Plan

Calendar Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
1994	$ 271,256,815	$ 402,789,786	9.23%	$ 16,425,716	$ (14,042,420)	$ 676,429,897
1995	285,912,537	401,403,529	8.28	16,450,744	4,110,617,339	4,814,384,149
1996	296,417,998	432,112,090	8.95	17,132,464	4,358,354,523	5,104,017,075
1997	291,120,161	440,001,230	8.81	17,361,420	4,582,430,090	5,330,912,901
1998	318,434,441	452,088,742	8.72	18,625,828	3,976,901,225	4,766,050,236
1999	347,053,753	981,343,197**	17.70	18,671,028	7,455,428,861	8,802,496,839
2000	358,532,128	617,392,002**	10.52	20,251,776	140,492,280	1,136,668,186
2001	385,221,900	715,640,552**	11.52	20,591,587	(2,704,326,428)	(1,582,872,389)
2002	397,510,787	1,705,408,456**	26.39	21,294,266	(3,453,139,033)	(1,328,925,524)
2003	404,989,521	3,726,733,326**	58.44	21,371,245	8,841,448,116	12,994,542,208

Postemployment Healthcare Plan

Calendar Year	Member*** Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
1994	$ N/A	$ 21,749,553	0.50%	$ N/A	$ (880,189)	$ 20,869,364
1995	N/A	25,772,074	0.53	N/A	(811,528)	24,960,546
1996	N/A	30,396,820	0.63	N/A	(581,094)	29,815,726
1997	N/A	32,910,294	0.66	N/A	(460,449)	32,449,845
1998	N/A	35,950,477	0.69	N/A	882,186	36,832,663
1999	N/A	39,120,067	0.71	N/A	7,073,415	46,193,482
2000	41,997,999	42,183,758	0.72	N/A	2,137,657	86,319,414
2001	46,694,469	43,083,579	0.69	N/A	(3,444,763)	86,333,285
2002	42,936,743	58,309,342	0.90	N/A	(6,967,896)	94,278,189
2003	74,112,002	42,965,257	0.67	N/A	24,699,952	141,777,211

Oregon Public Service Retirement Plan ****
Pension Program

Calendar Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
2003	$ N/A	$ N/A	N/A%	$ N/A	$ N/A	$ N/A

Oregon Public Service Retirement Plan ****
Individual Account Program

Calendar Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
2003	$ N/A	$ N/A	N/A%	$ N/A	$ N/A	$ N/A

Deferred Compensation Plan *****

Calendar Year	Member Contributions	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Contributions from Other Sources	Net Investment and Other Income	Total
1998	$ 40,915,041	$ N/A	N/A%	$ N/A	$ 57,926,233	$ 98,841,274
1999	40,900,068	N/A	N/A	N/A	96,754,765	137,654,833
2000	48,984,327	N/A	N/A	N/A	(18,990,331)	29,993,996
2001	42,815,469	N/A	N/A	N/A	(44,610,460)	(1,794,991)
2002	51,123,470	N/A	N/A	N/A	(50,282,443)	841,027
2003	50,217,519	N/A	N/A	N/A	99,459,493	149,677,012

* Calendar year-end information is provided because earnings are distributed as of December 31.

** Employer contributions for calendar year 1999 and thereafter include prepayments of the unfunded acturial liability based on the 1999 and 2001 actuary valuations.

*** Standard Retiree Health Insurance account activity was added to the System July 1, 1999.

**** The Oregon Public Service Retirement Plan became fully operational in January 2004, and there were no revenues prior to 2004.

***** Deferred Compensation information prior to 1998 is not available.

Expenses by Type

For the Years Ended December 31*:

Defined Benefit Pension Plan

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
1994	$ 653,521,434	$ 10,070,508	$ 37,659,540	$ 701,251,482
1995	740,128,144	11,573,568	42,292,938	793,994,650
1996	802,862,785	12,026,101	43,850,630	858,739,516
1997	1,292,499,686	13,377,687	56,034,638	1,361,912,011
1998	1,308,791,798	15,991,040	58,616,445	1,383,399,283
1999	1,423,239,307	17,636,439	47,338,113	1,488,213,859
2000	1,529,826,160	22,240,490	48,558,962	1,600,625,612
2001	1,647,429,438	20,934,512	42,537,159	1,710,901,109
2002	1,768,022,037	16,156,679	39,767,828	1,823,946,544
2003	2,327,285,109	22,870,230	44,485,825	2,394,641,164

Postemployment Healthcare Plan

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
1994	$ 20,560,342	$ 1,228,793	$ N/A	$ 21,789,135
1995	20,934,989	1,437,917	N/A	22,372,906
1996	21,415,108	1,410,077	N/A	22,825,185
1997	22,056,428	1,477,442	N/A	23,533,870
1998	22,794,955	2,110,411	N/A	24,905,366
1999	39,616,270	1,885,042	N/A	41,501,312
2000	60,920,905**	2,148,202	N/A	63,069,107
2001	69,921,725	2,224,045	N/A	72,145,770
2002	90,470,569	2,292,036	N/A	92,762,605
2003	108,955,368	2,311,537	N/A	111,266,905

Oregon Public Service Retirement Plan*
Pension Program**

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
2003	$ N/A	$ 156,733	$ N/A	$ 156,733

Oregon Public Service Retirement Plan*
Individual Account Program**

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
2003	$ N/A	$ 264,574	$ N/A	$ 264,574

Deferred Compensation Plan ****

Calendar Year	Benefits	Administrative Expenses	Refunds	Total
1998	$ 22,421,987	$ 546,997	$ N/A	$ 22,968,984
1999	25,252,693	568,686	N/A	25,821,379
2000	34,886,565	619,774	N/A	35,506,339
2001	29,114,174	660,738	N/A	29,774,912
2002	41,926,056	691,968	N/A	42,618,024
2003	38,162,887	745,559	N/A	38,908,446

* Calendar year-end information is provided because earnings are distributed as of December 31.
** Standard Retiree Health Insurance account activity was added to the System July 1, 1999.
*** The Oregon Public Service Retirement Plan became fully operational in January 2004, and information prior to 2003 is not available.
**** Deferred Compensation information prior to 1998 is not available.

Schedule of Benefit Expenses By Type -
Defined Benefit Pension Plan
For the Years Ended June 30:

Fiscal Year	Service Benefits	Disability Benefits Duty	Disability Benefits Non-Duty	Death Benefits	Refunds	Total
1995	$ 666,576,763	$ 4,968,384	$ 31,826,498	$ 6,167,516	$ 37,249,150	$ 746,788,311
1996	712,724,411	4,907,472	35,785,241	7,342,026	51,914,136	812,673,286
1997	829,635,096	5,246,985	40,722,296	6,583,507	52,542,067	934,729,951
1998	1,493,706,047	8,424,021	61,959,497	10,404,511	56,893,468	1,631,387,544
1999	1,272,018,822	6,747,274	53,102,285	11,349,273	50,530,792	1,393,748,446
2000	1,369,434,952	7,328,142	56,328,089	9,223,048	51,726,463	1,494,040,694
2001	1,498,822,236	7,822,924	62,163,492	9,688,541	46,243,701	1,624,740,894
2002	1,599,474,816	8,496,606	69,979,830	10,121,636	46,086,912	1,734,159,800
2003	1,910,349,266	9,102,457	74,949,807	5,922,665	42,640,295	2,042,964,490
2004	2,419,546,374	10,035,722	80,793,816	8,610,162	42,193,518	2,561,179,592

Schedule of Earnings and Distribution
at December 31:**

Year	Regular Tier One Account Earnings/(Loss) Available for Distribution	Distribution Tier One	Distribution Tier Two*	Variable Account Earnings/(Loss) Distributed
1994	2.1625%	8.00%		(1.76)%
1995	20.7829	12.50		29.92
1996	24.4204	21.00	24.42%	21.06
1997	20.4232	18.70	20.42	28.87
1998	15.4300	14.10	13.63	21.45
1999	24.8900	20.00	21.97	28.83
2000	0.6300	8.00	0.54	(3.24)
2001	(7.1700)	8.00	(6.66)	(11.19)
2002	(8.9300)	8.00	(8.93)	(21.51)
2003	23.7900	0.00	22.00	34.68

* The law creating Tier Two became effective January 1, 1996.

** Calendar year-end information is provided because earnings are distributed as of December 31.

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1994 to June 30, 2004	Years Credited Service 0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+	Total
1995 Average Monthly Benefit	$ 183.38	$ 428.46	$ 823.32	$ 1,274.06	$ 2,041.19	$2,838.83	$3,348.26	$ 1,844.71
Number of Active Retirees	354	490	544	804	826	1,011	751	4,780
1996 Average Monthly Benefit	$ 168.40	$ 410.89	$ 843.85	$ 1,272.99	$ 1,913.79	$2,722.92	$3,260.26	$ 1,543.35
Number of Active Retirees	345	410	412	554	486	652	249	3,108
1997 Average Monthly Benefit	$ 214.86	$ 459.13	$ 913.20	$ 1,396.96	$ 2,218.59	$3,046.12	$3,458.66	$ 1,783.02
Number of Active Retirees	425	465	440	662	712	780	373	3,857
1998 Average Monthly Benefit	$ 260.15	$ 589.67	$1,035.06	$ 1,590.59	$ 2,480.24	$3,438.87	$4,063.60	$ 2,253.80
Number of Active Retirees	497	828	897	1,522	1,603	2,074	912	8,333
1999 Average Monthly Benefit	$ 304.35	$ 659.91	$1,170.51	$ 1,755.44	$ 2,672.41	$3,670.58	$4,266.08	$ 2,287.79
Number of Active Retirees	398	596	729	914	933	1,333	434	5,337
2000 Average Monthly Benefit	$ 266.46	$ 683.59	$1,097.83	$ 1,750.19	$ 2,673.25	$3,702.03	$4,377.37	$ 2,118.10
Number of Active Retirees	439	583	560	650	715	950	247	4,144
2001 Average Monthly Benefit	$ 337.14	$ 643.33	$1,150.99	$ 1,777.84	$ 2,688.93	$3,746.80	$4,144.44	$ 2,102.02
Number of Active Retirees	514	551	611	654	762	945	246	4,283
2002 Average Monthly Benefit	$ 473.10	$ 785.59	$1,159.16	$ 1,850.27	$ 2,680.48	$3,947.79	$4,584.76	$ 2,432.86
Number of Active Retirees	339	581	729	706	1,042	1,256	372	5,025
2003 Average Monthly Benefit	$ 721.94	$ 965.62	$1,300.21	$ 1,865.04	$ 2,766.43	$4,025.76	$4,954.65	$ 2,666.83
Number of Active Retirees	599	1,189	1,590	1,827	2,538	2,936	1,129	11,808
2004 Average Monthly Benefit	$ 830.34	$ 830.76	$1,180.14	$ 1,697.30	$ 2,564.12	$3,767.34	$4,392.20	$ 2,345.81
Number of Active Retirees	251	501	713	774	934	1,236	250	4,659
Total								
Average Monthly Benefit	**$ 238.25**	**$ 486.69**	**$ 842.76**	**$ 1,339.26**	**$ 2,110.17**	**$3,132.63**	**$3,351.99**	**$ 1,760.49**
Number of Active Retirees	**8,663**	**12,552**	**14,223**	**16,251**	**17,277**	**19,449**	**10,271**	**98,686**

Schedule of Benefit Recipients by Benefit Type
For the Year Ended June 30, 2004

Monthly Benefit Amount	Number of Retirees	Type of Retirement* 1	2	3	4	Refund Annuity	Annuity Options** 1	2	3	4	Lump Sum Options** 1	2	3
$ 1 - 100	5,474	4,688	3	0	783	815	716	651	158	72	2,000	936	126
101 - 200	5,505	4,515	37	17	936	1,016	1,058	911	357	126	1,131	685	221
201 - 300	5,166	4,278	49	69	770	1,105	1,195	940	380	144	786	467	147
301 - 400	4,642	3,774	74	117	677	1,004	1,196	890	400	111	569	344	127
401 - 500	4,218	3,428	68	165	557	949	1,131	820	379	113	440	297	90
501 - 600	3,873	3,222	33	153	465	826	1,071	798	389	112	353	232	93
601 - 700	3,740	3,137	24	175	404	785	1,064	830	429	104	265	190	73
701 - 800	3,360	2,829	19	197	315	727	921	741	417	96	250	165	44
801 - 900	3,103	2,582	17	191	313	637	874	683	380	70	226	158	75
901 - 1000	2,997	2,520	21	174	282	543	850	693	427	77	195	145	66
1001-1500	12,498	10,692	76	755	975	2,317	3,390	3,125	1,702	351	739	641	233
1501-2000	9,571	8,395	80	558	538	1,579	2,564	2,507	1,335	250	566	602	165
Over 2000	34,539	32,635	132	931	841	4,034	9,015	12,370	5,903	874	864	1,159	324
Totals	**98,686**	**86,695**	**633**	**3,502**	**7,856**	**16,337**	**25,045**	**25,959**	**12,656**	**2,500**	**8,384**	**6,021**	**1,784**

***Type of Retirement**
1 - Normal
2 - Duty Disability
3 - Non-Duty Disability
4 - Survivor Payment

****Annuity and Lump Sum Options**
1 - No benefit for beneficiary.
2 - Beneficiary receives same monthly benefit for life.
3 - Beneficiary receives half the monthly benefit for life.
4 - 15-year certain.

Retirement System Membership at December 31:

	1975	1980	1985	1990	1995	2000
State Agencies	35,191	37,935	37,824	46,187	45,068	42,434
School Districts	44,400	46,150	47,590	48,144	55,734	63,133
Political Subdivisions	14,665	23,728	26,238	33,177	40,635	53,291
Inactive Members	10,354	14,128	15,920	23,225	32,033	44,830
Total Non-Retired	104,610	121,941	127,572	150,733	173,470	203,688
Retired Members	22,227	32,832	46,181	55,540	64,796	82,355
Total Membership	126,837	154,773	173,753	206,273	238,266	286,043
Administrative Expense	$ 1,007,293	$ 1,949,677	$ 2,905,072	$ 8,901,091	$ 13,500,677	$ 24,358,550
Pension Roll (one month)	$ 2,929,285	$ 7,474,402	$ 18,083,614	$ 33,175,888	$ 58,457,531	$ 122,467,087

Retirement System Membership at June 30:

	1999	2000	2001	2002	2003	2004
State Agencies	41,636	42,188	43,212	43,947	42,263	41,818
School Districts	62,303	63,944	65,962	67,124	63,132	62,804
Political Subdivisions	50,670	52,852	54,749	55,991	54,374	56,186
Inactive Members	39,702	42,937	46,460	48,725	53,815	48,627
Total Non-Retired	194,311	201,921	210,383	215,787	213,584	209,435
Retired Members and Beneficiaries	78,859	81,116	83,223	86,082	91,526	98,686
Total Membership	273,170	283,037	293,606	301,869	305,110	308,121
Administrative Expense	$ 17,456,788	$ 20,680,727	$ 27,584,697	$ 19,681,933	$ 19,059,635	$ 30,097,192
Pension Roll (one month)	$ 99,602,182	$ 109,290,162	$ 126,469,160	$ 135,201,238	$ 189,744,852	$ 207,501,846

Schedule of Participating Employers (884)

State (131)

Adult and Family Services
Appraiser Certification and Licensure Board
Board of Accountancy
Board of Architect Examiners
Board of Chiropractic Examiners
Board of Engineering Examiners
Board of Geologists
Board of Investigators
Board of Medical Examiners
Board of Optometry
Board of Psychologist Examiners
Board of Tax Services Examiners
Bureau of Labor and Industries
Capitol Planning Commission
Children's Trust Fund
Commission for Women
Commission on Asian Affairs
Commission on Black Affairs
Commission on Hispanic Affairs
Commission on Judicial Fitness
Construction Contractors Board
Department of Administrative Services
Department of Agriculture
Department of Aviation
Department of Consumer and Business Services
Department of Corrections
Department of Education
Department of Education Contractors
Department of Energy
Department of Environmental Quality
Department of Human Resources
Department of Justice
Department of Land Conservation and Development
Department of Military — Federal Employees
Department of Revenue
Department of State Police
Department of Transportation
Department of Veterans' Affairs
Dispute Resolution Commission
District Attorneys Department
Division of State Lands
Eastern Oregon Psychiatric Center
Eastern Oregon Training Center
Economic Development Department
Employment Department
Employment Relations Board
Fairview Training Center
Forestry Department
Geology and Mineral Industries
Government Standards and Practices Commission
Health Related Licensing Boards
Indian Services Commission
Industries for the Blind
Insurance Pool Governing Board
Judicial Department
Land Use Board of Appeals
Landscape Architects Board
Legislative Administration Committee
Legislative Assembly
Legislative Committees
Legislative Fiscal Office
Long Term Care Ombudsman
Mental Health Division
Military Department
Office of Community College Services
Office of the Governor
Office of Legislative Counsel
Office of the Public Defender
Office of State Court Administrators
Oil Heat Commission
Oregon Board of Licensed Professional Counselors and Therapists
Oregon Beef Council
Oregon Blueberry Commission
Oregon Board of Massage Therapists
Oregon Commission for the Blind
Oregon Commission on Children and Families
Oregon Corrections Enterprises
Oregon Criminal Justice Commission
Oregon Dairy Products Commission
Oregon Department of Fish and Wildlife
Oregon Disabilities Commission
Oregon Dungeness Crab Commission
Oregon Film and Video
Oregon Forest Resources Institute
Oregon Fryer Commission
Oregon Hazelnut Commission
Oregon Health Licensing Office
Oregon Hop Commission
Oregon Housing Agency
Oregon Liquor Control Commission
Oregon Potato Commission
Oregon Racing Commission
Oregon Resource and Technology Development Corp.
Oregon Salmon Commission
Oregon State Bar
Oregon State Bar Professional Liability Fund
Oregon State Fair and Expo Center
Oregon State Hospital
Oregon State Library
Oregon State Treasury
Oregon Tourism Commission
Oregon Trawling Commission
Oregon Watershed Enhancement Board
Oregon Wheat Commission
Oregon Wine Board
Oregon Youth Authority
Physical Therapists Licensing Board
Psychiatric Security Review Board
Public Defense Services Commission
Public Employees Retirement System
Public Safety Standards and Training
Public Utility Commission
Real Estate Agency
Secretary of State
Senior and Disabled Services Division
Services to Children and Families
State Accident Insurance Fund
State Board of Clinical Social Workers
State Board of Higher Education
State Board of Nursing
State Board of Parole
State Fair Operations
State Fair Workers
State Lottery Commission
State Marine Board
State Parks and Recreation Department
State Scholarship Commission
Teacher Standards and Practices
Travel Information Council
Vocational Rehabilitation Division
Water Resources Department

Political Subdivisions (496)

Adair Village, City of
Albany, City of
Amity, City of
Amity Fire District
Applegate Valley RFPD 9
Arch Cape Service District
Ashland, City of
Ashland Parks Commission
Astoria, City of
Athena Cemetery Maintenance District
Athena, City of
Aumsville, City of
Aumsville RFD
Aurora, City of
Aurora RFPD
Baker, City of
Baker County
Baker County Library District
Baker Valley Irrigation District
Bandon, City of
Banks, City of
Bay City, City of
Beaverton, City of
Bend, City of
Bend Metropolitan Park and Recreation District
Benton County
Black Butte Ranch RFPD
Black Butte Ranch Service District
Boardman, City of
Boardman RFD
Boring RFD 59
Brookings, City of
Brownsville RFPD
Burns, City of
Burnt River Irrigation District
Butte Falls, Town of
Canby, City of
Canby FPD 62
Canby Utility Board
Cannon Beach, City of
Cannon Beach RFD
Canyon City, Town of
Canyonville, City of
Carlton, City of

Cascade Locks, City of
Cave Junction, City of
Center for Human Development
Central Oregon Coast Fire and Rescue District
Central Oregon Intergovernmental Council
Central Oregon Irrigation District
Central Oregon Park and Recreation District
Central Oregon Regional Housing Authority
Central Point, City of
Charleston RFPD
Chetco Community Public Library Board
Chiloquin, City of
Chiloquin-Agency Lake RFPD
City/County Insurance Service
Clackamas County
Clackamas County Fair
Clackamas County Fire District 1
Clackamas County Vector Control District
Clackamas River Water
Clatskanie, City of
Clatskanie Library District
Clatskanie People's Utility District
Clatskanie RFPD
Clatsop County
Clatsop County 4-H and Extension Service District
Cloverdale RFPD
Coburg, City of
Coburg RFPD
Colton RFPD 70
Columbia, City of
Columbia County
Columbia County 911 Communications District
Columbia Drainage Vector Control District
Columbia Health District
Columbia River PUD
Community Services Consortium
Condon, City of
Coos Bay, City of
Coos County
Corbett Water District
Cornelius, City of
Corvallis, City of
Cottage Grove, City of
Crescent RFPD
Creswell, City of
Creswell RFPD
Crook County
Crook County RFPD 1
Crooked River Ranch RFPD
Crystal Springs Water District
Culver, City of
Curry County
Curry Public Library District
Dallas, City of
Dayton, City of
Depoe Bay, City of
Depoe Bay RFPD
Deschutes County
Deschutes County Fair Association
Deschutes County RFPD 2
Deshutes Public Library District
Deschutes Valley Water District
Dexter RFPD
Douglas County
Douglas County RFPD
Douglas County Soil and Water
Drain, City of
Drain RFD
Dufur, City of
Dundee, City of
Dunes City, City of
Durham, City of
Eagle Point, City of
East Fork Irrigation District
Echo, City of
Elgin, City of
Elkton, City of
Enterprise, City of
Estacada, City of
Estacada Cemetery Maintenance District
Estacada RFD 69
Eugene, City of
Eugene Water and Electric Board
Evans Valley RFPD
Fairview, City of
Fairview Water District
Falls City, City of
Farmers Irrigation District
Fern Ridge Community Library
Florence, City of
Fossil, City of
Friends of Washington Park Zoo
Garibaldi, City of
Gaston, City of
Gaston RFPD
Gearhart, City of
Gervais, City of
Gilliam County
Gladstone, City of
Glide RFPD
Gold Beach, City of
Gold Hill, City of
Goshen RFPD
Grant County
Grants Pass, City of
Grants Pass Irrigation District
Greater St. Helens Parks and Recreation
Green Sanitary District
Gresham, City of
Halsey, City of
Halsey-Shedd RFPD
Happy Valley, City of
Harbor Water PUD
Harney County
Harney District Hospital
Harrisburg, City of
Harrisburg RFPD
Helix, City of
Heppner, City of
Hermiston, City of
Hermiston RFPD
High Desert Park and Recreation District
Hillsboro, City of
Hines, City of
Hood River, City of
Hood River County
Hoodland RFD 74
Horsefly Irrigation District
Housing Authority of Clackamas County
Housing Authority of Jackson County
Housing Authority of North Bend City
Housing Authority of Portland
Hubbard, City of
Hubbard RFPD
Huntington, City of
Ice Fountain Water District
Illinois Valley RFD
Imbler, City of
Imbler RFPD
Independence, City of
Irrigon, City of
Jackson County
Jackson County Fire District 3
Jackson County Fire District 4
Jackson County Fire District 5
Jackson County Vector Control District
Jacksonville, City of
Jefferson, City of
Jefferson County
Jefferson County EMS District
Jefferson County Library District
Jefferson County RFPD 1
Jefferson County SWCD
Jefferson RFPD
Job Council
John Day, City of
Jordan Valley, City of
Joseph, City of
Josephine County
Judges PERS
Junction City, City of
Keizer RFPD
Keizer, City of
Keno RFPD
King City, City of
Klamath County
Klamath County Emergency Communications District
Klamath County Fire District 1
Klamath Falls, City of
Klamath Housing Authority
Klamath Vector Control District
Knappa Svensen Burnside RFPD
La Grande, City of
La Pine RFPD
Lafayette, City of
Lake County
Lake County Library
Lake Oswego, City of
Lakeside, City of
Lakeside Water District
Lakeview, Town of

Lane Council of Governments
Lane County
Lane County Fair Board
Lane County Fire District 1
Lane Rural Fire Rescue
League of Oregon Cities
Lebanon Aquatic District
Lebanon, City of
Lebanon Fire District
Lifeways
Lincoln City, City of
Lincoln County
Lincoln County Communications Agency
Linn County
Linn-Benton Housing Authority
Local Government Personnel Institute
Lowell, City of
Lowell RFPD
Lyons, City of
Lyons RFPD
Madras, City of
Malheur County
Malin, City of
Manzanita, City of
Mapleton Water District
Marion County
Marion County Fire District 1
Marion County Housing Authority
Marion Salem Data Center
Maupin, City of
McKenzie RFPD
McMinnville, City of
McMinnville Water and Light Department
Medford, City of
Medford Irrigation District
Medford Water Commission
Merrill, City of
Metolius, City of
METRO
Metro Area Communication Commission
Mid-Columbia Center for Living
Mid-Willamette Valley Senior Services
Mill City, City of
Mill City RFPD
Millersburg, City of
Millington RFPD
Milton-Freewater, City of
Milton-Freewater Cemetery Maintenance District 3
Milwaukie, City of
Mist-Birkenfeld RFPD
Mohawk Valley RFD
Molalla, City of
Molalla RFPD 73
Monmouth, City of
Monroe, City of
Monroe RFPD
Moro, City of
Mt. Angel, City of
Mt. Vernon, City of
Mulino Water District 23
Multnomah County
Multnomah County Drainage District 1
Multnomah County RFPD 10
Multnomah County RFPD 14
Myrtle Creek, City of
Myrtle Point, City of
Nehalem Bay Health District
Nehelem Bay Wastewater Agency
Nesika Beach - Ophir Water District
Neskowin Regional Sanitary Authority
Neskowin Regional Water District
Nestucca RFPD
Netarts-Oceanside RFPD
Netarts-Oceanside Sanitary District
Netarts Water District
Newberg, City of
Newport, City of
North Bend, City of
North Clackamas County Water Commission
North Lincoln Fire & Rescue District 1
North Marion County 911
North Morrow Vector Control District
North Plains, City of
North Powder, City of
North Wasco County Parks & Recreation District
Northeast Oregon Housing Authority
Northern Oregon Corrections
Nyssa, City of
Nyssa Road Assessment District 2
Oak Lodge Sanitary District
Oak Lodge Water District
Oakland, City of
Oakridge, City of
Odell RFPD
Odell Sanitary District
Ontario, City of
Oregon Cascades West COG
Oregon City, City of
Oregon Community College Association
Oregon Consortium, The
Oregon Coastal Zone Management Association
Oregon Health & Science University
Oregon School Boards Association
Oregon Small Schools Association
Oregon Trail Library District
Owyhee Irrigation District
Parkdale RFPD
Pendleton, City of
Philomath, City of
Philomath RFPD
Phoenix, City of
Pilot Rock, City of
Pleasant Hill RFPD
Polk County
Polk County Fire District 1
Polk County Housing and Urban Renewal Agency
Polk Soil and Water Conservation District
Port of Astoria
Port of Cascade Locks
Port of Coos Bay
Port of Garibaldi
Port of Hood River
Port of Newport
Port of Portland
Port of St. Helens
Port of The Dalles
Port of Tillamook Bay
Port of Umatilla
Port Orford, City of
Port Orford Public Library
Portland, City of
Portland Development Commission
Powell Valley Road Water District
Powers, City of
Prairie City, City of
Prineville, City of
Rainbow Water District
Rainier, City of
Rainier Cemetery District
Redmond, City of
Reedsport, City of
Regional Organized Crime Narcotics Task Force
Riddle, City of
Rockaway Beach, City of
Rockwood Water PUD
Rogue River, City of
Rogue River RFPD 4-201
Rogue River Valley Irrigation District
Roseburg, City of
Roseburg Urban Sanitary Authority
Rural Road Assessment District 3
Rural Road District
Salem, City of
Salem Housing Authority
Salem Mass Transit
Salem Metro Communications Agency
Salmon Harbor and Douglas County
Sandy, City of
Sandy RFPD 72
Santa Clara RFPD
Scappoose, City of
Scappoose Public Library
Scappoose RFPD
Scio RFPD
Seal Rock Water District
Seal Rock RFPD
Shady Cove, City of
Sheridan, City of
Sheridan Fire District
Sherman County
Sherwood, City of
Silver Falls 911
Silver Falls Library District
Silverton, City of
Silverton RFPD 2
Sisters and Camp Sherman RFPD
Sisters, City of
Siuslaw Library District
Siuslaw RFPD 1
South Fork Water Board
South Lane County Fire and Rescue
South Suburban Sanitary District
Southwest Polk County RFPD

Southwest Lincoln County Water District
Springfield, City of
St. Helens, City of
St. Helens RFPD
Stanfield, City of
Stanfield Fire District 7-402
Stayton, City of
Stayton RFPD
Sublimity RFPD
Suburban East Salem Water District
Sunrise Water Authority
Sunriver Service District
Sutherlin, City of
Sutherlin Water District
Sweet Home, City of
Sweet Home Cemetery Maintenance District
Sweet Home Fire and Ambulance District
Talent, City of
Talent Irrigation District
Tangent RFPD
Tigard, City of
Tillamook, City of
Tillamook County 911
Tillamook County Soil and Water
Tillamook Fire District
Tillamook People's Utility District
Tillamook Water Commission
Toledo, City of
Tri-City RFPD
Tri-City Sanitary District
Tri-City Water District
Tri-Met
Troutdale, City of
Tualatin, City of
Tualatin Valley Fire and Rescue
Tualatin Valley Irrigation District
Tualatin Valley Water District
Turner, City of
Turner RFPD
Umatilla, City of
Umatilla County
Umatilla County Soil and Water District
Umatilla County Special Library District
Umatilla RFPD 7-405
Umpqua Regional Council of Govt.
Unified Sewerage Agency
Union, City of
Vale, City of
Valley View Cemetery Maintenance District
Veneta, City of
Vernonia, City of
Vernonia RFPD
Waldport, City of
Wallowa, City of
Wallowa County
Warrenton, City of
Wasco County
Wasco County Soil and Water Conservation District
Washington County
Washington County Consolidated Communications Agency
Washington County Fire District 2
West Extension Irrigation District
West Linn, City of
West Slope Water District
Western Lane Ambulance District
Westfir, City of
Weston, City of
Weston Cemetery District
Westport Sewer Service District
Wheeler, City of
Wickiup Water District
Willamina, City of
Willamina Fire District
Wilsonville, City of
Winchester Bay Sanitary District
Winston, City of
Winston-Dillard RFPD 5
Winston-Dillard Water District
Wood Village, City of
Woodburn, City of
Woodburn RFPD
Workforce Development Board
Yachats, City of
Yachats RFPD
Yamhill, City of
Yamhill Communications Agency
Yamhill County
Yoncolla, City of

Community Colleges (17)

Blue Mountain Community College
Central Oregon Community College
Chemeketa Community College
Clackamas Community College
Clatsop Community College
Columbia Gorge Community College
Klamath Community College
Lane Community College
Linn-Benton Community College
Mt. Hood Community College
Oregon Coast Community College
Portland Community College
Rogue Community College
Southwestern Oregon Community College
Tillamook Bay Community College
Treasure Valley Community College
Umpqua Community College

School Districts (240)

Armadillo Technical Institute
Baker CSD 5J
Baker CSD 16J
Baker CSD 30 J
Baker CSD 61
Benton CSD 1J
Benton CSD 7J
Benton CSD 17J
Benton CSD 509J
Clackamas County ESD
Clackamas CSD 3
Clackamas CSD 7J
Clackamas CSD 12
Clackamas CSD 35
Clackamas CSD 46
Clackamas CSD 53
Clackamas CSD 62
Clackamas CSD 86
Clackamas CSD 108
Clackamas CSD 115
Clatsop CSD 1C
Clatsop CSD 8
Clatsop CSD 10
Clatsop CSD 30
Columbia CSD 1J
Columbia CSD 4
Columbia CSD 6J
Columbia CSD 13
Columbia CSD 47 J
Columbia CSD 502
Coos CSD 8
Coos CSD 9
Coos CSD 13
Coos CSD 31
Coos CSD 41
Coos CSD 54
Crook CSD
Curry CSD 1
Curry CSD 2CJ
Curry CSD 17
Deschutes County ESD
Deschutes CSD 1
Deschutes CSD 2J
Deschutes CSD 6
Deschutes CSD 15C
Douglas CSD 1
Douglas CSD 4
Douglas CSD 12
Douglas CSD 15
Douglas CSD 19
Douglas CSD 21
Douglas CSD 22
Douglas CSD 32
Douglas CSD 34
Douglas CSD 70
Douglas CSD 77
Douglas CSD 105
Douglas CSD 116
Douglas CSD 130
Douglas County ESD
Eddyville Charter School
Emerson School
Four Rivers Community School
Gilliam CSD 3
Grant School District 3
Grant County ESD
Grant CSD 4
Grant CSD 8
Grant CSD 16J
Grant CSD 17
Harney ESD Region 17
Harney CSD 3
Harney CSD 4
Harney CSD 5
Harney CSD 7
Harney CSD 10
Harney CSD 13

Harney CSD 16
Harney CSD 28
Harney CSD 33
Harney CSD UH1J
Hood River CSD 1
Ione School District
Jackson County ESD
Jackson CSD 4
Jackson CSD 5
Jackson CSD 6
Jackson CSD 9
Jackson CSD 35
Jackson CSD 59
Jackson CSD 94
Jackson CSD 549C
Jefferson County ESD
Jefferson CSD 4
Jefferson CSD 8
Jefferson CSD 41
Jefferson CSD 509J
Jordan Valley School District 3
Josephine County UJ School District
Josephine CSD 7
Kings Valley Charter School
Klamath CSD CU
Klamath CSD UH2
Lake County ESD
Lake CSD 7
Lake CSD 11C
Lake CSD 14
Lake CSD 18
Lake CSD 21
Lane County ESD
Lane CSD 1
Lane CSD 4J
Lane CSD 19
Lane CSD 28J
Lane CSD 32
Lane CSD 40
Lane CSD 45J3
Lane CSD 52
Lane CSD 66
Lane CSD 68
Lane CSD 69
Lane CSD 71
Lane CSD 76
Lane CSD 79J
Lane CSD 90
Lane CSD 97J
Lighthouse School
Lincoln CSD
Linn CSD 7
Linn CSD 9
Linn CSD 55
Linn CSD 95C
Linn CSD 129J
Linn CSD 552C
Linn-Benton Lincoln ESD
Linn-Benton School District 8J
Lourdes Charter School
Malheur ESD Region 14
Malheur CSD 8C
Malheur CSD 12
Malheur CSD 26C
Malheur CSD 29
Malheur CSD 61
Malheur CSD 66
Malheur CSD 81
Malheur CSD 84
Marion CSD 1
Marion CSD 4J
Marion CSD 14CJ
Marion CSD 15
Marion CSD 24J
Marion CSD 29J
Marion CSD 45
Marion CSD 91
Marion CSD 103C
Mitch Charter School
Morrison Charter School
Morrow CSD
Mosier Community School
Multisensory Learning Academy
Multnomah County ESD
Multnomah CSD 1
Multnomah CSD 3
Multnomah CSD 7
Multnomah CSD 10
Multnomah CSD 28-302 JT
Multnomah CSD 39
Multnomah CSD 51JT
Multnomah CSD R-40
North Central ESD
Northwest Regional ESD
Pedee Charter School
Polk CSD 2
Polk CSD 13J
Polk CSD 21
Polk CSD 57
Ridgeline Montessori Charter School
Rimrock Academy Charter School
Sand Ridge Charter School
Self-Enhancement Inc.
Sheridan Japanese School Foundation
Sherman CSD
Siletz Charter School
South Coast ESD Region 7
The 21st Century Community Schoolhouse
Three Rivers Charter School
Tillamook CSD 9
Tillamook CSD 56
Tillamook CSD 101
Trillium Charter School
Umatilla County Administrative School District 1R
Umatilla Morrow ESD
Umatilla CSD 2R
Umatilla CSD 5
Umatilla CSD 6R
Umatilla CSD 7
Umatilla CSD 8R
Umatilla CSD 16R
Umatilla CSD 29RJ
Umatilla CSD 61R
Umatilla CSD 80R
Union-Baker ESD
Union CSD 1
Union CSD 5
Union CSD 8J
Union CSD 11
Union CSD 15
Union CSD 23
Victory Middle School
Village School
Wallowa County Region 18 ESD
Wallowa CSD 6
Wallowa CSD 12
Wallowa CSD 21J
Wallowa CSD 54
Wasco County ESD
Wasco CSD 1
Wasco CSD 9
Wasco CSD 12
Wasco CSD 29
Washington CSD 1J
Washington CSD 15
Washington CSD 13
Washington CSD 23J
Washington CSD 48J
Washington CSD 88J
Washington CSD 511JT
Wheeler CSD 1
Wheeler CSD 21
Wheeler CSD 55U
Willamette ESD
Willamette Valley Community School
Yamhill County ESD
Yamhill CSD 1
Yamhill CSD 4J
Yamhill CSD 8
Yamhill CSD 29JT
Yamhill CSD 30-44-63J
Yamhill CSD 40
Yamhill CSD 48J

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