

Annual Report
Financial data for
calendar year 2013

2013

Oregon State Treasury State Treasurer Ted Wheeler





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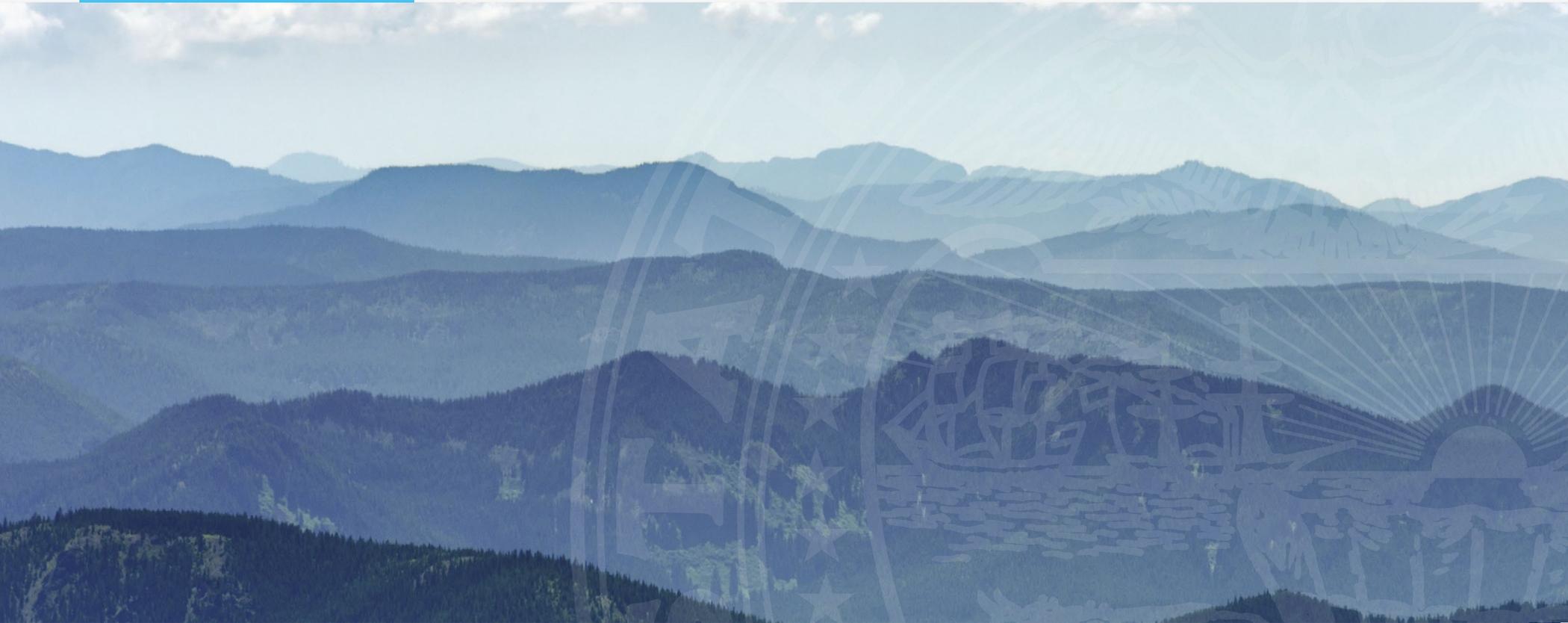
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OREGON 529 COLLEGE SAVINGS NETWORK

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Dear Oregonians:

At the end of 2013, the Oregon Public Employees Retirement Fund (OPERF) reached a new record level of assets under management -- which is quite an achievement just five years after the Great Recession dealt a heavy blow to OPERF's portfolio. Other vital funds managed by the State Treasury also saw strong returns, including the Common School Fund and the State Accident Insurance Fund.

The results are a testament to Oregon's disciplined long-term philosophy and the financial management expertise across the ranks at the State Treasury. Thanks to Oregon's budget discipline and strong credit rating, we were able to save Oregonians millions in bond-related interest costs, and save local governments millions by running an efficient banking operation and gaining solid returns for the Oregon Short Term Fund and Local Government Investment Pool.

Those are achievements to tout. Treasury-yielded gains will help every Oregonian, because strong financial management of public assets ultimately means savings for you. Yet we also are never complacent.

Other highlights for 2013 include:

- Saving more than \$59 million in taxpayer dollars by refinancing public bonds, and taking advantage of historic low interest rates;
- Maintaining Oregon's healthy credit rating and our commitment to the prudent use of debt;
- Beating many of our peers in investment performance over the past 1-, 3- and 10-year periods, which will keep Oregon trust funds stable and save taxpayers money;
- Expanding the banking options for Oregon local and tribal governments, including a new collateral pool to facilitate public accounts with local credit unions;
- Taking a strong stance as a responsible investor through direct engagement with companies and proxy votes, and by calling for better disclosure of political activity financed by corporations; and
- Encouraging the development of profitable investments in renewable energy to diversify and grow our portfolio.

It is a privilege to be your State Treasurer, and I am pleased to offer this annual report to outline the many ways your Treasury is providing value to our state.

Thank you for taking the time to learn more.

Ted Wheeler



A sixth-generation Oregonian, Ted Wheeler cares deeply about Oregon and the state's financial health. He is committed to protecting the state's current strong credit ratings, to ensuring that public investments remain both prudent and profitable, and to conservatively managing Oregon's debt. He believes all Oregonians will be able to stand taller because their state is on a stable financial footing.

Since being appointed and then elected in 2010, he directed efforts to implement money-saving technologies, strengthened access to data, authorized fraud lawsuits against firms that misled investors, earned an upgrade in Oregon's credit rating, and revamped the Oregon 529 College Savings Network with lower costs and more options for families.

Wheeler also has assumed a leadership role in economic development. He convened business leaders and spearheaded a new statewide blueprint, dubbed the Oregon Investment Act, and it was approved by the Legislature in 2012.

Serving as the Chair of the Multnomah County Commission from 2006 to 2010, Wheeler was a champion of preventive services. Under his leadership, Multnomah County reduced the cost of government while maintaining safety net programs for the elderly, drug and alcohol treatment programs, and forging partnerships to fund a Mental Health Crisis Center. As the county's chief executive, he oversaw a workforce of more than 4,400 and was responsible for reducing and balancing the budget and also cutting the county's debt.

Wheeler brings a strong management and financial background to the office of State Treasurer. Before entering elected office, he worked in the financial services industry, and his career included posts at financial institutions including Bank of America and Copper Mountain Trust, where he was a senior manager.

He earned his undergraduate degree in Economics from Stanford University, an MBA from Columbia University, and a Masters in Public Policy from the John F. Kennedy School of Government at Harvard University.

Wheeler was born in Portland, and graduated from Lincoln High School. His family has deep Oregon roots. The town of Wheeler, located on Nehalem Bay on the Oregon coast, is named after his great-grandfather.

Wheeler is a longtime community volunteer leader, and has devoted energy to diverse organizations including Neighborhood House, Portland Mountain Rescue, and the Oregon Sports Authority. He is an Eagle Scout.

When he is not working, Wheeler enjoys endurance sports, and successfully summited Mt Everest in 2002. He snow-shoed to the North Pole with his wife and twice completed the Ironman Triathlon in Kona, Hawaii.

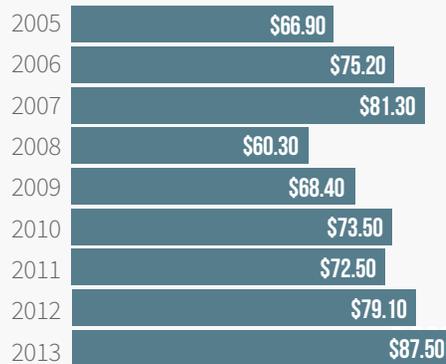
He lives in Southwest Portland with his wife and daughter.



AGENCY SNAPSHOT

Employees	84
Annual Budget	\$22.6 M
Short Term Fund Depositors	1,068

FUNDS UNDER MANAGEMENT



All funds, as of Dec. 31 (in \$ billions)

The State Treasury is Oregon’s professional financial services center. The office provides a menu of investment, bonding and banking services to serve citizens, businesses, public retirees, Oregon’s sovereign tribes, and local governments, including schools, cities and counties. It administers the state’s public debt and central banking for government agencies, and protects public fund deposits.

Treasury is responsible for the investment management of public trust funds including the Oregon Public Employees Retirement Fund, which is the largest fund in the state’s portfolio. Treasury invests the PERS fund for the highest risk adjusted returns, following the guidance of the Oregon Investment Council.

Treasury does not oversee the benefits and administration of PERS. That responsibility falls to the Public Employees Retirement System, a separate agency.

Treasury also does not collect taxes (that is a function of the Oregon Department of Revenue), nor does it oversee the drafting of the state budget, which is guided by the Legislative Fiscal Office and Department of Administrative Services.

All of the functions of the State Treasury are designed to serve clients and the public, and those systems are constantly re-evaluated to ensure that services are rendered in an efficient and cost-effective way.

The State Treasury does not receive appropriations from the state General Fund. The entire agency budget is derived from payments for the low-cost services it provides.

The agency is divided into five business units, and each of those works to fulfill the mission of providing financial stewardship for Oregon -- while also providing high levels of customer service and information transparency. The divisions are responsible for investments, debt management, finance, information technology and the Oregon 529 College Savings Network.

Treasury serves individual Oregonians and families by helping them save for higher education and job training, and by promoting financial education, outreach efforts and the “Reading is an Investment Program”.

BOND RATINGS

Treasury is responsible for bond sales and, for interacting with credit rating firms, and for staffing the State Debt Policy Advisory Commission.

S&P **AA+**

Fitch **AA+**

Moody's **Aa1**

GF-supported debt **\$2.7B**

Lottery supported debt **\$1.2B**

In addition, the State Treasurer's office provides indirect benefits to Oregonians by generating investment income for Oregon, and by protecting bank accounts belonging to schools and other public institutions.

Treasury is the state's central bank for government, and all state agencies are Treasury customers. They receive cash management and debt management services, including check redemption, electronic banking, deposits, and bonding assistance.

Oregon local government agencies and tribes can invest in the Oregon Short Term Fund, via the Local Government Investment Pool. Because of the Treasury-administered public funds collateralization program, local governments can deposit funds in local financial institutions. That program protects public deposits from the risk of bank and credit union failures.

Treasury helps secure low-cost financing for community projects built by nonprofits and makes capital available to Oregon local banks, which then can lend more money in communities.

Small and large businesses benefit because Treasury oversees targeted efforts to invest in Oregon, including making more money available to lend through the timed CD program. Administration of the Oregon Growth Account was shifted to Business Oregon, the state's economic development agency, at the end of 2013.



Darren Bond
Deputy Treasurer



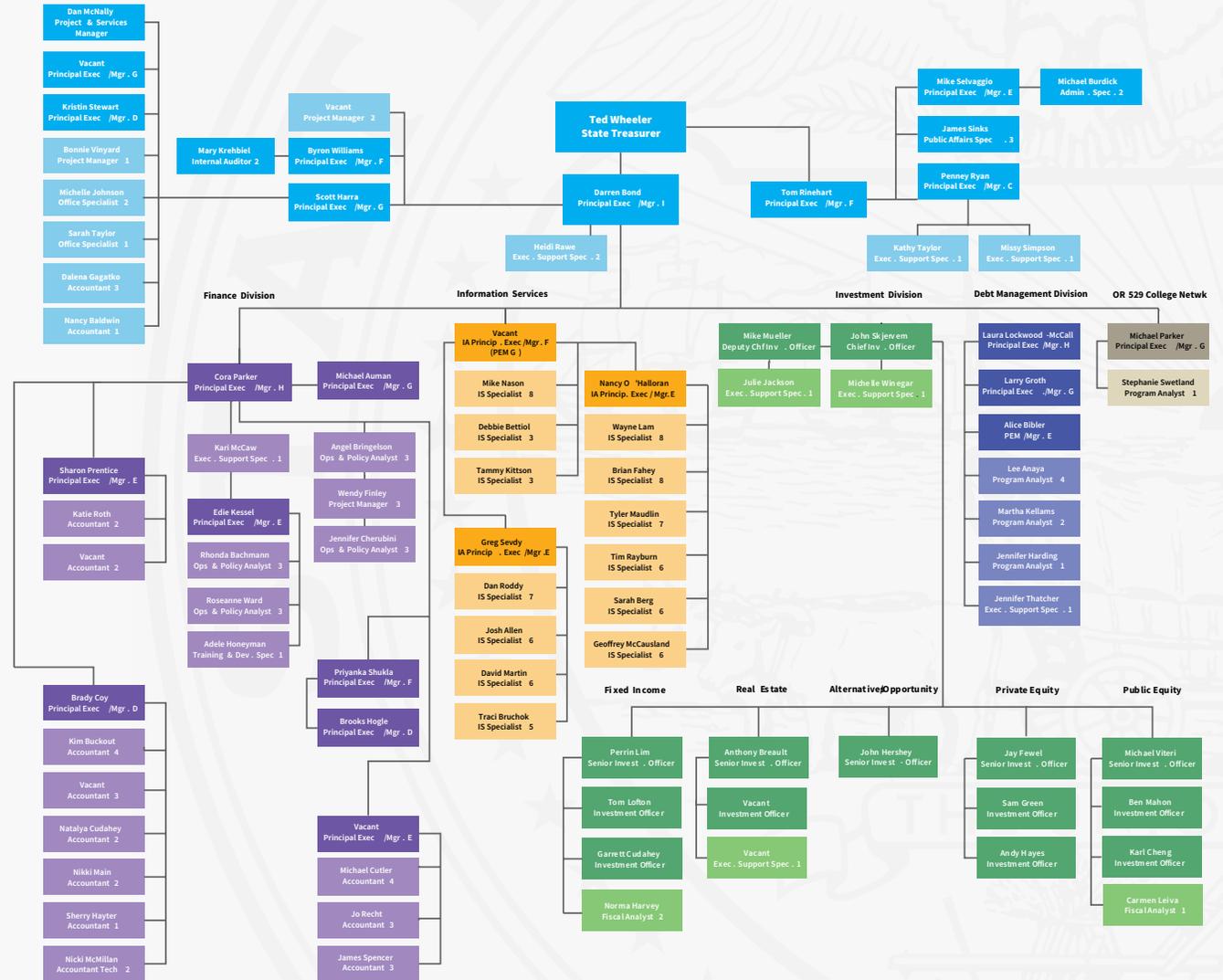
Tom Rinehart
Chief-of-Staff



Scott Harra
Chief Administrative
Officer



Kristin Stewart
Human Resources
Manager



Oregon 529 College Savings Board

Sets policy for 529 College Savings Network. Members: Jennifer Cooperman, Chair; Peter Angstadt; Darren Bond, Deputy State Treasurer and Treasurer's Designee; Paul Kelly; and, Larry Large. Meets four times annually. ORS 348.849.

Oregon Investment Council

Invests all State of Oregon funds, including the Oregon Public Employees Retirement Fund and the State Accident Insurance Fund. Richard B. Solomon, Chair; Katherine J. Durant, Vice-Chair; Keith Larson; Rukaiyah Adams; Ted Wheeler, Oregon State Treasurer; and, Paul Cleary. ORS 293.706.

Oregon Municipal Debt Advisory Commission

Provides technical assistance to local governments and state agencies to improve the market for bond issues in Oregon. Members: Carol McCoog, Chair; Doug Middlestetter; Laura Lockwood-McCall, Treasurer's Designee; Javier Fernandez; Paul Matthews; Laurie Steele; and, Nancy Brewer. Meets two to four times annually. ORS 287A.630.

Oregon Growth Board

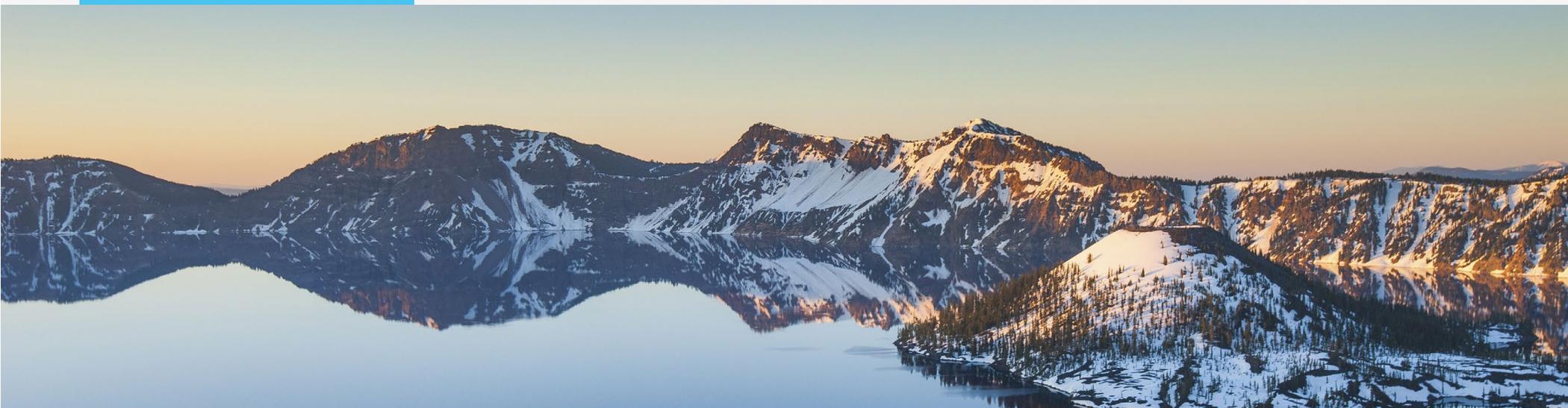
Recommends prioritization and coordination of certain Oregon economic development resources. Members: Gerry Langelier, Co-Chair; Patricia L. Moss, Co-Chair; Jim Coonan; Monica Enand; Adam Zimmerman; Ted Wheeler, Oregon State Treasurer; Sean Robbins; Rep. Tobias Read; Sen. Bill Hansell; and Beth Cook, Executive Director. Staffed by Business Oregon starting in 2014.

Oregon Infrastructure Finance Authority

Oversees public infrastructure assistance, and industrial land certification. Members: Gary D. Neal, Board Chair; Erik J. Andersson; Patrick Clancy; Niki J. Iverson; Mark Knudson; Don W. Skundrick; Rep. Caddy McKeown; Sen. Richard Devlin; and, Laura Lockwood-McCall, Treasurer's Appointment. Staffed by Business Oregon.

Oregon Short Term Fund Board:

Advises the Oregon Investment Council and the Oregon State Treasury Investment staff in the management of the Oregon Short Term Fund. Members: Douglas E. Goe, Chair; Darren Bond, Treasurer's designee; Deanne Woodring; Pat Clancy; Laurie Steele; Michael Schofield. ORS 294.885



- 1 John D Boon** (D) March 3-1859 - Sept. 8, 1862
- 2 Edwin N. Cooke** (R) Sept. 8, 1862 - Sept. 12, 1870
- 3 L. Fleischner** (D) Sept. 12, 1870 - Sept. 14, 1874
- 4 A. H. Brown** (D) Sept. 14, 1874 - Sept. 9, 1878
- 5 Edward Hirsch** (R) Sept. 9, 1878 - Jan. 10, 1887
- 6 G. W. Webb** (D) Jan. 10, 1887 - Jan. 12, 1891
- 7 Phil Metschan** (R) Jan. 12, 1891 - Jan. 9, 1899
- 8 Charles S. Moore** (R) Jan. 9, 1899 - Jan. 14, 1907
- 9 George A. Steel** (R) Jan. 15, 1907 - Jan. 3, 1911
- 10 Thomas B. Kay** (R) Jan. 4, 1911 - Jan. 6, 1919
- 11 O. P. Hoff** (R) Jan. 6, 1919 - March 18, 1924
- 12 Jefferson Myers** (D) March 18, 1924 - Jan. 4, 1925
- 13 Thomas B. Kay** (R) Jan. 4, 1925 - April 29, 1931
- 14 Rufus C. Holman** (R) May 1, 1931 - Dec. 27, 1938

- 15 Walter E. Pearson** (D) Dec. 27, 1938 - Jan. 6, 1941
- 16 Leslie M. Scott** (R) Jan. 6, 1941 - Jan. 3, 1949
- 17 Walter J. Pearson** (D) Jan. 3, 1949 - Jan. 5, 1953
- 18 Sig Unander** (R) Jan. 5, 1953 - Dec. 31, 1959
- 19 Howard C. Belton** (R) Jan. 4, 1960 - Jan. 4, 1965
- 20 Robert W. Straub** (D) Jan. 4, 1965 - Jan. 1, 1973
- 21 James A. Redden** (D) Jan. 1, 1973 - Jan. 3, 1977
- 22 H. Clay Myers, Jr.** (R) Jan. 3, 1977 - April 1, 1984
- 23 Bill Rutherford** (R) April 1, 1984 - July 9, 1987
- 24 Tony Meeker** (R) July 9, 1987 - Jan. 4, 1993
- 25 Jim Hill** (D) Jan. 4, 1993 - Jan. 1, 2001
- 26 Randall Edwards** (D) Jan. 1, 2001 - Jan. 4, 2009
- 27 Ben Westlund** (D) Jan. 5, 2009 - March 7, 2010
- 28 Ted Wheeler** (D) March 9, 2010 - present



John Skjervem
Chief Investment
Officer



Michael Mueller
Deputy Chief
Investment Officer

On behalf of all Oregonians, the Investment Division of the Oregon State Treasury (OST) manages a large and complex investment portfolio. This portfolio is designed to generate investment returns which help fund many important State objectives including retirement security for public sector employees, academic support for Oregon schoolchildren and compensation claims for injured state workers. In aggregate, the Investment Division oversees a financial and real asset portfolio that exceeds \$87 billion and includes the Oregon Public Employee Retirement Fund (OPERF), one of the nation’s largest and better funded public pension plans. At December 31, 2013, OPERF’s market value reached \$67 billion with a 96 percent asset-to-liability ratio.

Consistent with institutional investment standards and best practices, the OPERF portfolio is broadly and deliberately diversified across several asset classes and multiple developed and emerging market geographies. Moreover, OPERF investment strategies have produced good results: average, annualized returns for the 3-, 5- and 10-year periods ended December 31, 2013 were 10.5, 12.7 and 8.1 percent, respectively. According to state actuaries, this consistently stout investment performance has significantly reduced taxpayers’ share of retiree benefit payments.

OPERF assets are allocated among five, strategic categories: public equity; private equity; real estate; fixed income; and other “alternative” investments. Return expectations and target allocations for each of these five categories are developed using a 20-year investment horizon. Importantly, equity-oriented investments represent the largest asset allocation within the OPERF portfolio. While improving the likelihood of generating an adequate, long-term return, this equity-biased approach also produces higher levels of short-term portfolio volatility.

OREGON PUBLIC EMPLOYEES RETIREMENT FUND MARKET VALUE



As of Dec. 31 (in \$ billions).

OTHER KEY FUND BALANCES

Oregon Short Term Fund	\$12.7
State Accident Insurance Fund	\$4.41
Common School Fund	\$1.36
Higher Ed Endowment Fund	\$0.077
Total Invested Portfolio	\$87.5

All funds, as of Dec. 31 (in \$ billions)

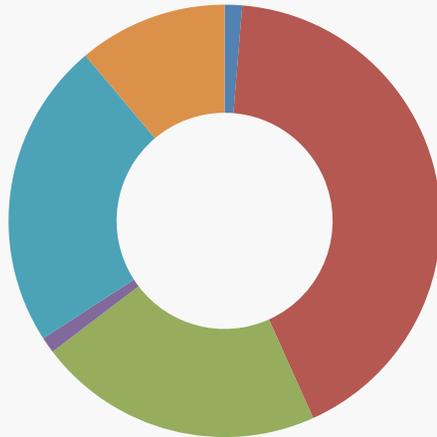
For example, in bull market conditions (e.g., 2003 through 2007), OPERF's equity-oriented portfolio will likely generate strong investment results, but during periods of market duress and/or outright asset price declines (e.g., 2008), OPERF's investment performance will lag long-term expectations and may even register negative returns. Accordingly, the Investment Division has broadly diversified OPERF's portfolio in an attempt to mitigate short-term asset price volatility and protect against a sharp and/or protracted downturn in any single market, geography or asset category.

The U.S. stock market (as measured by the Russell 3000 index) generated exceedingly robust returns last year, advancing 33.6 percent for the 12-month period ended December 31, 2013. OPERF's U.S. public equity managers matched this result which was remarkably uniform across capitalization tiers and investment styles. OPERF managers pursuing non-U.S. public equity mandates contributed an 18.6 percent return in 2013, a result noticeably better than the 15.8 advance in the MSCI ACWI Ex-US IMI Net index, OPERF's non-U.S. public equity benchmark.

With an estimated year-end value of \$14.3 billion and unfunded forward commitments of approximately \$7.2 billion, OPERF's private equity investments also produced strong results in 2013. Specifically, OPERF's private equity investments appreciated by \$2.8 billion last year, and represented 22.1 percent of total OPERF assets at year end. OPERF private equity cash flows in 2013 included distributions of \$4.0 billion and new investments of \$1.9 billion, while over the past ten years, OPERF's private equity investments generated a net, average annual return of 14.8 percent as of December 31, 2013.

In real estate, OPERF capital is allocated across four broad classifications: core; value-add; opportunistic; and publicly-traded real estate investment trusts (i.e., REITs). In 2013, OPERF's real estate investments generated a 12.8 percent return, 1.8 percent better than the assigned NCREIF benchmark. At year end, these assets were valued at \$7.5 billion, and represented 11.1% of total OPERF assets. For the ten-year period ended December 31, 2013, OPERF's real estate investment activities delivered a 9.8 percent average annual return, 1.1 percent above NCREIF's 8.7 percent average annual return.

OPERF INVESTMENTS BY ASSET CLASS



Alternatives	■	\$0.87
Public Equity	■	\$28.0
Private Equity	■	\$14.3
Opportunity	■	\$0.82
Fixed Income	■	\$15.3
Real Estate	■	\$7.47

All funds, as of Dec. 31 (in \$ billions)

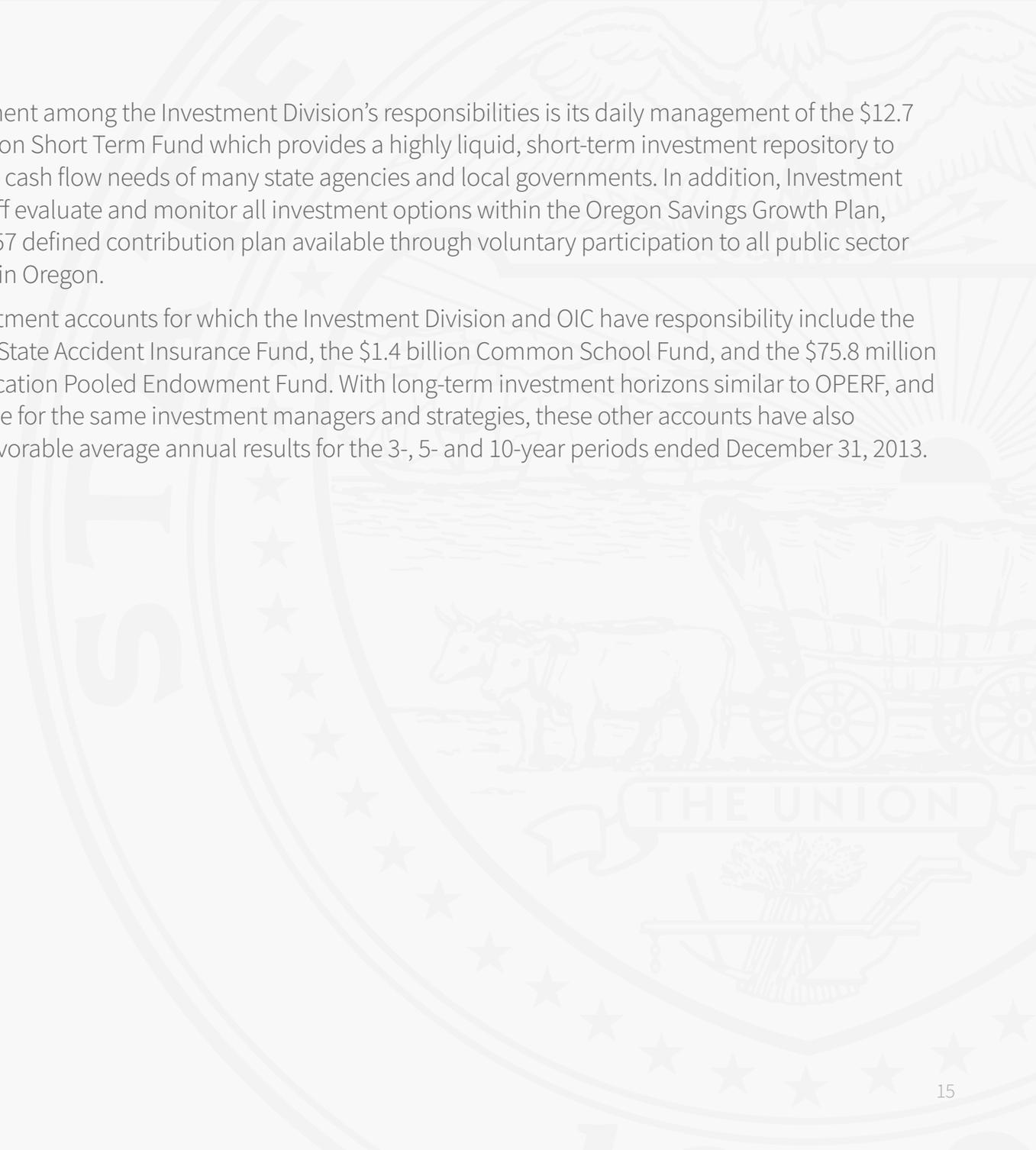
Bond markets struggled in 2013, as the specter of higher interest rates spooked investors. Nonetheless, OPERF's investments in fixed income securities eked out a positive (although barely so) return, contributing a modest 0.3% to OPERF's overall 2013 investment results. Benefiting from a range of exposures beyond U.S. Treasury securities (e.g., corporate and non-rated bonds, securitized bank loans, emerging market debt, etc.), OPERF's 2013 fixed income returns were 0.7 percent above its corresponding benchmark and considerably better than many broad, bond market indices. For example, the Barclays U.S. Aggregate index (a composite including corporate, mortgage-backed and U.S. Treasury securities) recorded a 2.0% loss in 2013, while the Barclays U.S. Treasury index produced a negative return of 2.8% last year.

Finally, OPERF investments in "alternative" assets contributed varied returns in 2013, a result not unexpected given the highly heterogeneous nature of this particular category. As evidence of this category's "mixed bag" profile, OPERF's current alternative asset allocation includes investments in minerals and mining, timber, agriculture and infrastructure. At December 31, 2013, these alternative asset investments comprised only 1.3% of OPERF's total portfolio, but the Investment Division plans to significantly expand its alternative asset activities given the category's attractive return and diversification attributes.

In June 2013, and following a six-month study that included a thorough review of OPERF's assets and liabilities, the Oregon Investment Council (OIC) revised its target investment allocations for the five, strategic asset categories. With these new allocation targets, the OIC is rebalancing OPERF investments relative to the portfolio's return expectations and most likely set of future opportunities and risks. As part of this rebalancing exercise, target allocations to the public equity and fixed income categories were reduced, while allocations to the private equity and alternative categories were increased. In terms of magnitude, changes to each category's allocation target were no greater than 5% above or below the previous target, but given the illiquid nature of most private equity and alternative assets, the Investment Division is planning a 3- to 5-year implementation period.

Also prominent among the Investment Division's responsibilities is its daily management of the \$12.7 billion Oregon Short Term Fund which provides a highly liquid, short-term investment repository to support the cash flow needs of many state agencies and local governments. In addition, Investment Division staff evaluate and monitor all investment options within the Oregon Savings Growth Plan, a Section 457 defined contribution plan available through voluntary participation to all public sector employees in Oregon.

Other investment accounts for which the Investment Division and OIC have responsibility include the \$4.4 billion State Accident Insurance Fund, the \$1.4 billion Common School Fund, and the \$75.8 million Higher Education Pooled Endowment Fund. With long-term investment horizons similar to OPERF, and often eligible for the same investment managers and strategies, these other accounts have also recorded favorable average annual results for the 3-, 5- and 10-year periods ended December 31, 2013.



PORTFOLIO SIZE (MARKET VALUE IN MILLIONS)

	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
Public Employees Retirement Fund (OPERF)	\$67,913.3	\$61,055.5	\$55,487.2	\$56,681.3	\$52,440.4	\$45,795.8
Oregon Short Term Fund (OSTF) ¹	12,717.8	11,327.7	10,785.2	10,618.3	10,197.1	9,382.7
State Accident Insurance Fund (SAIF)	4,416.7	4,420.3	4,164.4	4,121.1	3,948.6	3,475.9
Common School Fund (CSF)	1,362.2	1,178.8	1,071.8	1,107.9	1,006.4	764.9
Oregon War Vet Bond Sinking Fund	94.2	81.2	85.6	100.7	114.4	141.1
DCBS Fund	183.5	180.0	187.6	204.3	244.9	266.4
DAS Funds	163.0	129.3	158.9	120.9	112.7	135.0
Higher Education Endowment Fund	75.8	66.8	61.0	63.6	61.2	51.6
Other Funds	568.5	605.7	538.5	451.7	298.9	318.6
TOTAL	\$87,495.0	\$79,045.3	\$72,540.2	\$73,469.8	\$68,424.6	\$60,332.0

OPERF INVESTMENT ALLOCATION SUMMARY

	OIC Target Allocations	Actual %	Market Value (Thousands)
Total Cash	0-3%	0.4 %	\$ 250,257
Total Fixed Income Securities	15-25	22.9	15,338,737
Total Real Estate	9.5-15.5	11.1	7,473,648
Public Equities	32.5-42.5	41.8	28,025,641
Private Equities	16-24	21.3	14,287,161
Total Equities	52.5-62.5	63.1	42,312,802
Alternative Investments	0-10	1.3	870,821
Opportunity Portfolio	0-3	1.2	828,354
Total OPERF Regular Account	100	100	67,074,619
Total Variable Fund	N/A	N/A	838,703
Total OPERF		100 %	\$ 67,913,322

Note: Includes impact of cash overlay program.

YEAR-END INVESTMENT STRATEGY

	PREVIOUS	NEW
Public Equity	43%	37.5%
Private Equity	16%	20%
Fixed Income	25%	20%
Real Estate	11%	12.5%
Alternatives	5%	10%

The Oregon Investment Council (OIC) is a six-member board responsible for setting the investment policy and direction for Oregon public trust funds and assets. Four members are appointed by the governor. The State Treasurer serves by position. The director of PERS, a separate agency, is a non-voting member.

The OIC ensures that money in the funds is invested and reinvested as productively as possible. The investments are managed as a prudent investor would do, and this standard requires the exercise of reasonable care, skill, and caution -- and is applied to investments not in isolation, but as part of an overall investment strategy.

Under the OIC's open-door policy, investment officers consider proposals and solicitations from any firm or partnership that submits a proposal in good faith. This policy, however, does not bind the OIC to invest in any proposal. No placement agents are needed to do business with Oregon.

Importantly, neither the OIC nor OST staff have any oversight responsibility for the determination of public employees' retirement benefits or the level of OPERF contributions collected from state and local agencies.



Keith Larson
Chairman



Richard Solomon
Vice-Chairman



Katherine J. Durant
Vice-Chair



Rukaiyah Adams



Ted Wheeler
State Treasurer



Paul Cleary
PERS Director/
nonvoting



Laura Lockwood-McCall
Division Director



Larry Groth
Deputy Division Director

Oregon's credit ratings are a barometer of the state's fiscal health. Managing the state's debt capacity in a prudent way helps to bolster credit scores, while also ensuring Oregon can get the most mileage for today's jobs and tomorrow's opportunities.

Public bonding is an important tool that can enhance Oregon's quality of life and jump-start the economy by constructing and modernizing roads, schools, and vital public facilities that will make the state a better place in the future. Yet debt must be used wisely.

The Debt Management Division is the State's hub for bond finance: It approves the issuance of all bonds and appropriation credits for state agencies. In addition, it is the clearinghouse for bond data, bond calendars, and information about credit ratings.

The division provides technical support to local governments, offers training on selected debt-related topics, and created an online manual to help government officials plan and execute successful bond sales. The list of upcoming state bond sales can be found at bondtracker.us/bondcalendar.

As of June 30, 2013, Oregon's outstanding net tax-supported debt was \$7.6 billion. Credit rating firms have applauded Oregon's careful attention to debt and budget discipline, and the state's credit ratings remain steady and solid.

The division reviews the structure of each bond sale, coordinates the timing of state agency bond sales, secures credit ratings, negotiates and accepts bids for bond placement, reviews transcripts and other documents, provides for the delivery of bonds, and assists with settlement of bond issues.

The division reviews the financial and economic disclosure information provided for the sale of State of Oregon general obligation (GO) bonds, revenue bonds and appropriation credits. Staff advise agencies about market developments and make debt policy and legislation recommendations to the State Treasurer.

Treasury manages debt carefully to ensure Oregonians get the most for their dollars now and in the future. Too much borrowing can jeopardize the state's credit rating, and the State Debt Advisory Commission, which is chaired by the State Treasurer, advises the Legislature on prudent debt limits. The Commission provides an annual report to the governor and legislators.

The Municipal Debt Advisory Committee maintains a debt profile of all local government units in Oregon that issue bonds, and has a mission to improve the market for Oregon bonds and to assist local governments in selling bonds.

In 2013, it provided 218 free overlapping debt reports, which determine a taxing district's overall debt burden, based on its own debt as well as any shared obligations with overlapping governments.

State of Oregon Comparison of Long-Term Debt Outstanding as of 6/30/2013

General Obligation	Article	General Fund Supported Debt	Net Tax-Supported Debt	Total Gross Debt Outstanding
General Fund Supported				
Community College Bonds	ARTICLE XI-G	\$ 119,690,000	\$ 119,690,000	\$ 119,690,000
Higher Education Institutions & Activities	ARTICLE XI-G	387,472,261	387,472,261	387,472,261
Pollution Control Bonds	ARTICLE XI-H	20,338,500	20,338,500	20,338,500
Alternate Energy Bonds	ARTICLE XI-J	65,873,398	65,873,398	65,873,398
DAS Oregon Opportunity Bonds	ARTICLE XI-L	129,180,000	129,180,000	129,180,000
Seismic Rehab - Public Education Bldgs	ARTICLE XI-M	17,490,000	17,490,000	17,490,000
Seismic Rehab - Emergency Service Bldgs	ARTICLE XI-N	10,350,000	10,350,000	10,350,000
State General Purpose	ARTICLE XI-Q	698,887,000	698,887,000	698,887,000
DAS Pension Obligation Bonds (1)	ARTICLE XI-O	621,928,000	621,928,000	621,928,000
Total General Fund Supported		\$ 2,071,209,159	\$ 2,071,209,159	\$ 2,071,209,159
Dedicated Fund Supported				
Veterans' Welfare Bonds	ARTICLE XI-A	-	-	291,770,000
Higher Education Building Projects	ARTICLE XI-F(1)	-	-	1,102,528,654
Pollution Control Bonds	ARTICLE XI-H	-	-	28,086,500
Water Resources Bonds	ARTICLE XI-I(1)	-	-	-
Elderly & Disabled Housing Bonds	ARTICLE XI-I(2)	-	-	126,470,000
Alternate Energy Project Bonds	ARTICLE XI-J	-	-	172,621,602
DAS Pension Obligation Bonds (1)	ARTICLE XI-O	-	1,321,597,000	1,321,597,000
Total Dedicated Fund Supported		-	\$ 1,444,930,000	\$ 3,166,406,756
Total General Obligation		\$ 2,071,209,159	\$ 3,516,139,159	\$ 5,237,615,915

State of Oregon Comparison of Long-Term Debt Outstanding as of 6/30/2013

Revenue Bonds	Article	General Fund Supported Debt	Net Tax-Supported Debt	Total Gross Debt Outstanding
Direct Revenue Bonds				
Lottery Revenue Bond Program(s) (2)	[ORS 286.563 - 585]	-	1,208,610,000	1,208,610,000
Highway User Tax Revenue Bonds	[ORS 367.620]	-	2,086,285,000	2,086,285,000
Single-Family & Multi-Family Housing	[ORS 456.661]	-	-	1,156,130,000
Economic Development - Bond Bank	[ORS Ch. 285B]	-	-	106,800,000
State Fair & Exposition Center Bonds	[ORS Ch. 565]	-	-	-
Total Direct Revenue Bonds		\$ -	\$ 3,294,895,000	\$ 4,557,825,000
Conduit or Pass Through Revenue Bonds				
Economic & Industrial Development	[ORS Ch. 285]	-	-	436,948,105
Oregon Facilities Authority	[ORS Ch. 289]	-	-	1,593,241,163
Multi-Family Housing Programs	[ORS Ch. 456.692]	-	-	221,528,377
Total Conduit or Pass Through Revenue Bonds		\$ -	\$ -	\$ 2,251,717,645
Total Revenue Bonds		\$ -	\$ 3,294,895,000	\$ 6,809,542,645
Appropriation Credits				
Certificates of Participation (COPs)	[ORS Ch. 283 & 286]	641,074,250	754,205,000	754,205,000
Oregon Appropriation Bonds	SB 856 - 2003 Legislature	28,195,000	28,195,000	28,195,000
Total Appropriation Credits		\$ 669,269,250	\$ 782,400,000	\$ 782,400,000
Total Gross Debt				\$ 12,829,558,560
Total Debt - Less Conduit Revenue Bonds		\$ 2,740,478,409	\$ 7,593,434,159	\$ 10,577,840,915

(1) To conform to rating agency methodologies Pension Obligation Bonds are considered net tax-supported debt.

(2) Rating agencies recognize that these programs are supported by a dedicated Lottery revenue source.



Cora Parker
Finance Division
Director



Michael Auman
Deputy Division
Director

The Finance Division provides cash management and investment operational support services to all state agencies and hundreds of Oregon local government entities, including cities, counties, schools, and special districts.

The division managed more than 15.4 million financial transactions in 2013 - including cash deposits, electronic fund transfers, and check issuances. Those transactions totaled just under \$200 billion for the calendar year.

Through its Cash Management Program, the division develops strategies and takes actions to administer and invest the cash of Oregon state agencies and local governments.

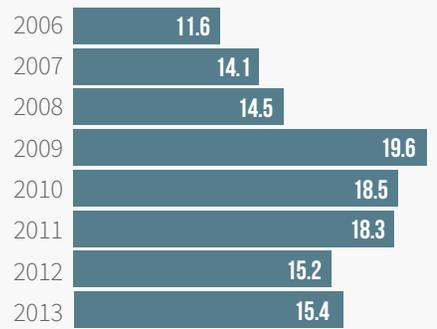
Treasury procures and administers the State's banking contracts and manages day-to-day operational issues including reconciliation of commercial bank and agency activity, provision of statements to agencies detailing account activity, and calculation and payment of interest to accounts authorized by statute to retain interest earnings.

The program includes four primary areas of cash management activity for state agencies: Short-and intermediate-term investment of cash, central banking operations, cash management improvement activities, and information infrastructure and security activities.

Through Cash Management Improvement Activities, Treasury works to address agencies' needs for more cost-effective and efficient transaction processing -- such as automated clearing house transactions, wires, merchant bankcard transactions -- and delivery of services via methods such as electronic commerce readiness, prepaid card programs, lockbox services, and remote deposit.

The division also administers the Public Funds Collateralization Program under ORS Chapter 295, to protect public funds deposited in private-sector financial institutions. Collateral is needed to cover deposits at banks and credit unions that exceed the levels insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA). As of Dec. 31, 2013, there were 30 banks and 8 credit unions holding public funds, and the collateral pledged to protect those funds was more than \$1.6 billion. The Oregon Short Term Fund includes 986 Local Government Investment Pool participants and 82 agencies as of December 31, 2013.

MILLIONS OF TREASURY BANKING TRANSACTIONS



(All funds, as of Dec. 31 by calendar year)

SHORT-TERM FUND CLIENTS

Oregon agencies use Treasury for banking services including the Oregon Short Term Fund, which is where the general fund is deposited. Local governments have the option to use the OSTF, so customer satisfaction and competitive rates are important factors.

Starting April 1, 2013, credit unions now have the ability to become qualified public funds depositories. The Credit Union Public Funds Collateralization Program allows institutions to accept deposits in excess of insured limits. The credit union pool is separate from the bank pool. The pool was launched with 10 Oregon credit union participants.

The Oregon Short Term Fund and Local Government Investment Pool provide a secure place for Oregon governments to make short-term investments until money is needed to cover expenses. For most Oregon government entities, the lion's share of revenue arrives once a year. Yet bills come due year-round. The primary investment objectives for the fund are preservation of capital, then liquidity, then achieving yield.

	AGENCIES	LOCAL GOVERNMENT
2004	88	969
2005	90	963
2005	83	977
2007	83	989
2008	82	1,011
2009	82	1,012
2010	81	1,007
2011	81	991
2012	82	987
2013	82	986

**Public Funds Collateralization Program Uninsured Public Funds Deposits by Bank
Quarter Ending - December 2013**

Albina Community Bank	4,965,000.00	AmericanWest Bank	19,527,634.00
Baker Boyer Bank	1,334,054.00	Bank of America	172,548,430.23
Bank of Eastern Oregon	20,239,732.00	Bank of the Cascades	72,654,413.00
Bank of the Pacific	0.00	Bank of the West	16,579,186.66
Banner Bank	11,382,670.00	Capital Pacific Bank	5,747,071.00
Citizens Bank	2,312,435.00	Clackamas County Bank	517,252.00
Clatsop Community Bank	6,332,861.00	Columbia Community Bank	677,786.00
Columbia State Bank	59,264,302.12	Community Bank	4,026,112.00
First Federal Savings and Loan	280,841.00	Home Federal Bank	3,536,542.78
HomeStreet Bank	0.00	Intermountain Community Bank	5,407,065.25
Keybank National Association	135,529,324.00	MBank	739,577.00
Oregon Coast Bank	17,281,590.00	Oregon Pacific Bank	5,917,111.00
Pacific Continental Bank	33,966,544.00	Peoples Bank of Commerce	250,082.00
Riverview Community Bank	0.00	Siuslaw Bank	17,209,236.00
Sterling Savings Bank	168,559,298.00	The Commerce Bank of Oregon	0.00
U. S. Bank National Association	621,654,279.56	Umpqua Bank	449,006,362.00
Union Bank of California, N.A.	0.00	Washington Federal	17,618,306.01
Wells Fargo Bank	296,795,706.25	Willamette Community Bank	0.00

Aggregate Oregon Public Fund Collateral Pledged: \$1,567,111,166.30

Note for required disclosures: The Custodian, Federal Home Loan Bank of Seattle, is the agent of the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the Depository Bank, Custodian Bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors.

Public Funds Collateralization Program Quarterly Uninsured Public Funds Deposits by Credit Unions

Depository	Uninsured Public Funds Deposits	Report Type	Quarter Ending
Advantis Credit Union	13,469,498.00	Quarterly	December 2013
Cascade Central Credit Union	553,858.00	Quarterly	December 2013
Marion and Polk Schools Credit Union	0.00	Quarterly	December 2013
Northwest Community Credit Union	16,767,427.00	Quarterly	December 2013
Old West Federal Credit Union	0.00	Quarterly	December 2013
OnPoint Community Credit Union	3,093,957.02	Quarterly	December 2013
Oregon Community Credit Union	6,015,694.00	Quarterly	December 2013
OSU Federal Credit Union	751,045.18	Quarterly	December 2013
Pacific Crest Federal Credit Union	562,805.00	Quarterly	December 2013
St Helens Community Federal Credit Union	0.00	Quarterly	December 2013
Unitus Community Credit Union	1,000,559.83	Quarterly	December 2013
Wauna Federal Credit Union	0.00	Quarterly	December 2013

Aggregate Oregon Uninsured Public Funds Deposits: \$42,214,844.03
Aggregate Oregon Public Funds Collateral Pledged: \$61,818,297.37

Note for required disclosures: The Custodian, Federal Home Loan Bank of Seattle, is the agent of the depository. The securities pledged are designated as subject to the Pledge Agreement between the Depository, Custodian Bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors.



Michael Parker
Executive Director



Karl Cheng
Investment Officer

The Oregon 529 College Savings Network was created to increase the ability of Oregonians to save for future higher education expenses. With its unique investment options and easy enrollment process, it is helping connect more students and families with the dream of a college education and post-secondary vocational training. In addition, it provides state and federal tax advantages and more flexibility than many other college savings vehicles.

Oregon currently offers two 529 plans: the Oregon College Savings Plan, which is the state's flagship plan sold directly to investors, and the MFS 529 Savings Plan, sold exclusively through financial advisors. Each plan is comprised of a specific set of investment options, and each has its own unique features that offer participants a variety of choices and contribution options.

Benefits of Oregon's 529 plans

- Annual Oregon state tax deduction on contributions of up to \$4,455 for tax year 2013.
- All earnings and withdrawals are free from state and federal taxes if used for qualified college expenses.
- Control of the funds remains with the person who establishes the account.
- Funds can be used nationwide at any eligible school of higher education, including technical, vocational and graduate school.
- Funds can be used for tuition, room and board, books, and other required fees.
- Investment options range from aggressive to principal protected.
- Low fees.
- Accounts can be opened for as little as \$15 per month.
- Beneficiaries can be changed without penalty or tax consequences.
- Assets are protected from bankruptcy and held in trust by the State of Oregon.

Network Statistics as of December 31, 2013

	Oregon College Savings Plan	MFS 529 Savings Plan	Network Total
Total Accounts – Unique Owner/Beneficiary	73,438	69,878	143,316
Total Accounts In-State/Out-of State	65,585 / 7,853	34,264 / 35,614	99,849 / 43,467
Total Unique Beneficiaries	70,295	68,801	139,096
Total Unique Beneficiaries In State/Out of State	58,287 / 12,008	33,521 / 35,280	91,808 / 47,288
Assets Invested			
- In-State	\$900,934,901	\$379,886,869	\$1,280,821,770
- Out-of-state	\$114,221,284	\$643,792,693	\$758,013,977
Total Assets	\$1,015,156,185	\$1,023,679,562	\$2,038,835,747

2013

Oregon State Treasury



oregon.gov/treasury